AJISEN RAMEN
味千拉麵

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

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

Stock Code 股份代號：538

九州の味、
熊本生まれ。
世界の
味千ラーメン

AJISEN RAMEN
味千拉麵

Annual Report 2008
年報

麺のこだわり

味千の麺は、厳選した品質の高い
小麦粉で作られます。
つるつるとした食感と
もちもちの歯ごたえ。
大地からの贈物と熟練の技を
お楽しみください。

豚骨拉麺

Corporate Profile

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

After our listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 30 March 2007, the strong capital support has injected new vitality into the Group's rapid expansion. As of the date of this report, the Group's nationwide retail network comprises 338 restaurants. As a renowned brand in the Food and Beverage ("F&B") industry, Ajisen's fast casual chain restaurants are very popular among consumers with its outlets widely scattered in prime locations of major cities in the PRC and Hong Kong. To date, Ajisen restaurants have entered 59 cities and 18 provinces of the PRC. Among the major cities, the international metropolis Shanghai boasts the largest number of Ajisen restaurants, being 75, followed by 34 in Shenzhen and 29 in Beijing, together with the remaining 165 restaurants spanning across other major cities from the southern to the northern region of the PRC. In Hong Kong, Ajisen (China) operates 35 chain restaurants with its chain network covering all major business areas of the city. Moreover, the restaurant network is supported by the Group's Shanghai and Shenzhen manufacturing centers, as well as 11 food manufacturing and processing centers in other major cities.

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

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

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

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

Contents

Corporate Information

Board of Directors

Executive Directors

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

Non-executive Directors

Mr. Katsuaki Shigemitsu
Mr. Wong Hin Sun, Eugene

Independent Non-executive Directors

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

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Authorised Representatives

Ms. Poon Wai
Mr. Lau Ka Ho, Robert

Qualified Accountant

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

Company Secretary

Mr. Ngai Wai Fung *(FCS, FCIS, CPA, ACCA)*

Head office and principal place of business in Hong Kong

6th Floor,
Unit B
24–26 Sze Shan Street
Yau Tong, Kowloon
Hong Kong

Registered office

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

Principal share registrar and transfer office

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

Hong Kong branch share registrar and transfer office

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

Principal bankers

Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Standard Chartered Bank (Hong Kong) Limited
Industrial and Commercial Bank of China (Asia) Limited
Bank of Shanghai Co., Ltd

Compliance adviser

Cazenove Asia Limited

Hong Kong legal advisers

Fairbairn Catley Low & Kong
Winnie Mak, Chan & Yeung

Auditors

Deloitte Touche Tohmatsu

Investor and media relations consultant

iPR Ogilvy Ltd
www.iprogilvy.com

Investor relations ("IR") contact

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www.ajisen.com.hk
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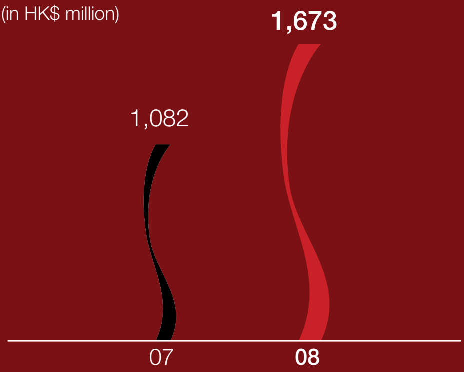
Stock code

538

Financial Highlights

Turnover
(in HK$ million)



	2008	2007	Change
Turnover (HK$ million)	**1,673.1**	1,082.0	+54.6%
Gross profit (HK$ million)	**1,133.5**	737.9	+53.6%
Profit before taxation (HK$ million)	**298.9**	307.2	-2.7%
Profit attributable to equity holders of the Company (HK$ million)	**220.8**	231.6	-4.6%
Earnings per share — Basic	**HK20.69 cents**	HK23.51 cents	-12.0%
Total assets (HK$ million)	**2,576.1**	2,434.0	+5.8%
Net assets (HK$ million)	**2,212.1**	2,203.5	+0.4%
Bank balances and cash (HK$ million)	**1,382.8**	1,814.4	-23.8%
Inventory turnover (days)	**35.2**	32.9	+2.3 days
Trade payable turnover (days)	**70.3**	71.2	-0.9 days
Gross profit margin	**67.8%**	68.2%	-0.4 points
Net profit margin	**13.8%**	22.1%	-8.3 points
Current ratio	**6.1**	8.8	-30.6%
Return on equity	**10.4%**	10.8%	-0.4 points
Gearing ratio	**2.6%**	0.025%	+2.575 points

Chairman's Statement

Dear shareholders,

I am pleased to present the annual results of Ajisen (China) Holdings Limited and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2008.

As with most people at home and abroad, the Group went through an unusually tumultuous year in 2008. It was fraught with dramatic changes and is set to go down in history as an extraordinary year. At the beginning of the year, most regions in south China suffered severely from extreme weather conditions marked by low temperature, rain, snow and frost. In May, Sichuan was badly hit by a massive earthquake; in September, the US sub-prime mortgage crisis led to the dramatic collapse of many Wall Street giants and formally set off the financial crisis. The most devastating financial turmoil in almost a century, the crisis then spread across the globe rapidly, leading to the meltdown of global stock markets and dampening investor confidence worldwide.

Despite the enormous difficulties resulting from the exceptionally destructive natural disasters and the extremely fragile international financial market, the Group still managed to maintain steady and rapid expansion of its restaurant business. The total number of our restaurants had increased from 210 in 2007 to 315 by the end of 2008.

The Group achieved encouraging results amid various challenges in 2008. Turnover increased by 54.6% year on year to HK$1,673.1 million while gross profit increased by 53.6% year on year to HK$1,133.5 million. Gross profit margin amounted to around 68%, notwithstanding the depressing financial environment at home and broad. The figure was well above the gross profit margin of many competitors within the industry. In spite of the global economic instability brought by the international financial crisis, the Group still achieved a net profit of HK$220.8 million attributable to shareholders, with the earnings from our core business up by 31.1% year on year to HK$170 million. Basic earnings per share were approximately HK20.69 cents. Such remarkable results have proved that the management is capable of overcoming challenges through different economic cycles, developing internal growth potential and appealing investors with a favorable operating condition.

During the reporting period, the Group continued to expand its retail restaurant network in accordance with various business plans formulated at the beginning of the year. The focus of the Group's development strategy was still China's first tier cities with high per capita income and strong spending power. Among the 59 cities and China's 18 provinces we have entered, the international metropolis Shanghai boasts the largest number of Ajisen (China) chain restaurants. In view of the global economic downturn, the Group would not hastily expand into more cities but it prudently entered four provinces/ municipalities under the direct control of the State (i.e. Henan, Hebei, Anhui and Tianjin) in 2008 as scheduled. By enhancing the economies of scale of our restaurant network within the cities the Group has entered, we kept consolidating and strengthening our leading position in the market.

To meet the demand of our fast growing casual chain restaurants, the construction of the Group's four manufacturing bases in Shanghai, Dongguan, Chengdu and Tianjin are all underway. Among them, the production base in Dongguan began operation in the fourth quarter of 2008. However, given the current economic situation, the Group will slow down the construction plans of certain manufacturing bases and adjust the expansion pace of its restaurant network. In 2009, approximately 90 to 100 new restaurants will be established as planned. Besides, the Group's manufacturing base in Hong Kong, the planning and construction of which have been completed by the end of 2000, has also come into operation.

Leveraging on its existing resources and with its strong research & development strengths, the Group updates its menu every spring and autumn and launches widely popular products in a timely manner to replace old products. I have always considered product as the vitality of the company development. Apart from rapid expansion, the Group also strives to enhance its overall management level and strengthen its system construction, with an aim to consolidating and increasing the Group's competitiveness.

Despite the higher operating costs of labor and raw materials, the Group still managed to record a double-digit profit growth for its main business. Achieving such an impressive achievement during tough times was no small feat, and its was a result of the Group's continuous efforts in maintaining its profit margin through its strong brand image, diversified food categories, timely product replacement, flexible price adjustment and effective digestion of rising costs.

In 2008, the Group's brand image and Ajisen's leading position in the industry were further enhanced, enabling the Group to obtain extensive recognition among consumers and win various industry honors and awards during the reporting period. In May, the Group was named China's Top 50 High-growth Companies by the *Entrepreneur* magazine. In September, the Group won the title of Asia's 200 Best Under A Billion 2008 granted by the *Forbes* magazine. Moreover, the Group's ranking in Chinese Enterprises with Best Potential 2008 selected by the *Forbes* magazine climbed to 13 from 39 in the previous year, making it the highest ranking chain restaurant operator on the list. In March 2009, our Ajisen brand was recognized as "Hong Kong's Well-known Brand" and the Group was also named a "Credible Enterprise" by the renowned China Enterprise Reputation & Credibility Association (Overseas) Ltd.

As the president of the Group, I take pride in the outstanding achievements we have made. I am well aware that the global economy was severely hit by the international financial tsunami in 2008 and China's economy has suffered as a result of the Renminbi's appreciation and higher raw material and labor costs. Although we are going through tough and critical times, I believe we can still create opportunities through the current challenges. As a fast casual chain restaurant operator catering to people's need for daily consumption, Ajisen is relatively better positioned to weather the financial crisis with a strong demand. Besides, the government has also made it clear that it will support and boost domestic demand, a policy that the retail consumption industry is set to benefit from. Therefore, I am very confident that Ajisen will be able to turn the current challenges into growth opportunities. Ajisen's highly recognized business model for its casual chain restaurants, which is based on years of experience and characterized by its low capital expense, abundant cash flow and above-average-level gross profit margin, will enable the Group to expand its chain restaurant network rapidly. In addition, we also have robust consumption demand and sufficient cash reserve. The ample cash balance of HK$1,382.8 million is another key weapon for Ajisen to tackle various financial challenges.

Looking forward, the Group will strive to maintain its leading position in China's fast casual restaurant industry. While strengthening and improving the management system of the restaurant operation, the Group will set strategic network expansion objectives. We plan to establish 90 new restaurants in 2009. Meanwhile, the Group will be committed to intensifying cost control and streamlining operating procedures such as research & development, restaurant operation and manufacturing, so as to ensure the quality of new restaurants, maximize economic interests and create desirable returns for our shareholders.

Finally, I would like to take this opportunity to thank our shareholders and customers for their unwavering support and trust. I would also like to extend my gratitude to the dedicated members of the Board, the management team and all staff members for their contribution and devotion to the Group. I have full confidence of our ability to adapt to the challenging economic environment, seize the right opportunities and make more brilliant achievements.

Poon Wai
Chairman and Chief Executive Officer
The PRC, 17 April 2009

Management Discussion and Analysis

Industry review

In the year 2008, the macro-economic environment suffered a great change in which the financial crisis in the United States triggered global financial tsunami. Although the global economy has been seriously hit by the financial crisis, China is still a fast developing market with its gross domestic product ("GDP") growing at a higher rate than those of other countries. According to National Bureau of Statistics of China, China's GDP in 2008 grew by 9.0% year-on-year to approximately RMB30.067 trillion. However, the domestic consumption and retail sales growth began to slow down since the fourth quarter of 2008 dragged by the global financial crisis, posting a challenge to the healthy growth of China's economy. However, with sufficient fiscal surplus and the government's supporting consumption policies, China will be well positioned to weather the economic storm in the short to medium term. As China is still leading a steady growth, it is estimated that the domestic demand in 2009 will continue to help boost the economy.

According to the latest estimates from the International Monetary Fund, the growth rate of the global economy was approximately 3.7% in 2008, in which the developed economies countries and the emerging and developing economies countries grew by around 1.4% and 6.6% respectively. China remains as the fastest growing country with a remarkable 9% growth rate. With the largest contribution of over 20% to the global economy, China has become a high potential market for development in the world.

Leveraging on the fast growing economy, the total retail sales recorded strong growth in the past decade, outpacing the economic growth in terms of the nominal growth rate and the actual growth rate. In 2008, China's total retail sales grew by 21.6% year-on-year to approximately RMB10.85 trillion, representing an increase of approximately 4.8 percentage points over the growth rate of last year. This is in line with the government's policy to transfer the export growth to domestic consumption. After the global financial crisis started to show its effect, the Chinese government has actively implemented its stimulating policies to boost the domestic demand so as to ensure a steady and relatively high growth economy. The retail industry is one of the priorities of the supporting policies.

Since the second half of 2008, the Ministry of Commerce in China proposed to vigorously develop the food and beverage ("F&B") sector during the campaign of expanding domestic demand and boosting consumption. In 2007, the expenditure per capita on F&B in China reached approximately RMB915. The Ministry of Commerce estimated that the expenditure per capita on F&B in China in 2008 would amount to approximately RMB1,100.

In this macro-economic environment, the Group has a reasonable ground to believe that both China's economy and the F&B sector would have bright prospects, and the expenditure on F&B is becoming a major force to boost domestic demand and the employment market. With the rapid increase in people's consumption level, there is a growing trend for selecting F&B enterprises with renowned brands.

The Group has established a well recognized brand name across the nation, and enjoys high awareness and a strong reputation among consumers. As the proportion of the young generation in the consumer population is increasing, there will be continuously strong demands for high quality products. The Group has a dedicated and professional team to develop products that meet the palates of customers across the nation. With a unique focus of fast casual dining as well as a Japanese style decoration and an elegant dining environment, the Group also manages to satisfy consumers' strong demands for high quality and stylish brand products. In view of the foregoing, the Group will continue to expand its restaurant networks. While expanding its market share and penetration rate, the Group is devoted to enhancing the quality of its products and brand, increasing the productivity and profitability of its existing restaurants and further developing customer loyalty. The Group also strives to enhance its brand awareness and reinforce consumers' brand loyalty through marketing campaigns.

Business Review

During the reporting period, the Group achieved remarkable growth through its active efforts despite facing many challenges. For the year ended 31 December 2008, turnover increased by 54.6% to HK$1,673,072,000 compared with the same period last year. Turnover less cost of inventories consumed ("Gross Profit") grew by approximately 53.6% to HK$1,133,527,000 in 2008 from HK$737,877,000 in 2007. Profit attributable to shareholders of the Company amounted to HK$220,841,000. Basic earnings per share was HK20.69 cents (2007: HK23.51 cents). In particular, by excluding other incomes as well as other gains and losses (as discussed in "Financial Review" section), the earnings of the Company derived from the Group's core business recorded significant growth of approximately 31.1% to HK$170,368,000 in 2008 from HK$129,921,000 in 2007.

Given the growth of the current operation and to reward shareholders, the Board has proposed to declare the payment of a final dividend of HK5.25 cents per ordinary share and a special dividend of HK4.20 cents per ordinary share for the year ended 31 December 2008.

The expansion of our fast casual restaurants ("FCR") network continued to be the main driver of the growth results. During the reporting period, the Group's number of FCR increased rapidly to 315. The Group's distribution network as mentioned in 2007 Annual Report covers the Eastern, Southern, Northern and Central parts of China.

The Group's restaurants network expansion mainly focuses on mainland China. During the reporting period, the Group's restaurants network covered a total of 18 provinces and 59 cities nationwide. First-tier cities including Shanghai, Beijing, Hong Kong and Shenzhen remained as the strategic points under the expansion of the Group's restaurants network. Furthermore, the Group entered into four new provinces/municipalities, namely Henan, Hebei, Anhui and Tianjin, and sixteen cities including Jinan, Taizhou of Shandong province, Huizhou of Guangdong province, Huai'an, Zhangjiagang of Jiangsu province, Zhangzhou, Quanzhou and Jinjiang of Fujian province in 2008.

In response to the increasing demand of its expanding FCR network, the Group has four new production facilities under construction. In particular, the Shanghai production base occupies an area of 78 mu and is scheduled to commence operations at the end of 2009. The Dongguan production base occupies an area of 60 mu, and Phase I of the project has commenced operation at the end of 2008. The Chengdu and Tianjin production bases occupy an area of 88 mu and 60 mu respectively, and are scheduled to commence operations in early 2010. Production equipment will be added to the production bases by stages and the operation progress will be adjusted according to the demand of the FCR network.

Moreover, the Hong Kong production base which occupies an area of 2,700 square meters has commenced its operation at the beginning of 2009. It is expected to have a capacity to support approximately 70 restaurants.

While improving operational performance, the Group strives to make the best use of its capacity by implementing effective control on major costs including raw materials, labour and rental.

The Group is committed to maximize productivity while ensure the consistency of the quality. The annual production yields of the major facilities in Shanghai and Shenzhen have increased by nearly 2%. The production efficiency and productivity also increased based on the improving production yield. And the overall production efficiency of the facilities in the PRC has increased season on season. This helped to offset the rise of manpower costs. In addition, in order to lower the overall manpower cost, the Group has developed a unified standard for recruiting restaurant staffs which reduced the number of management for each restaurant, streamlined the organizational structure and reduced the labour cost on new staff and these efforts have already been partially paid off.

Since 2007, the average consumption expenditure per capita in China has increased for three consecutive years. In year 2008, the consumption price index ("CPI") experienced a rapid growth in the first half and then slowed down its pace in the second half, and finally recorded an increase of 5.9% from last year. In response to the increase of the CPI, the Group adjusted up some prices in menu when new product series were launched in June, which partially offset the cost pressure caused by the increase of prices of agricultural products. In autumn 2008, the Group kept the prices in menu unchanged in consideration of the weak market situation caused by the global financial crisis.

In the first half of 2008, the price of agricultural products kept going up until the third quarter of the year due to the financial tsunami. The Group adopted the strategy to integrate and optimize the channels of suppliers and sources of product; review the supplier's manufacturing cost; manage and control the cost of production and transportation, through which to relieve the pressure of rising consumption prices and reduce the costs significantly.

In addition, the Group has adopted information technology to break through geographical limitations. The Enterprise Resource Planning ("ERP") system which is built on the basis of integrative management information technology platform is now in progress. In January 2009, restaurants in Shanghai, Jiangsu province and Zhejiang province have begun to implement the ERP system and restaurants in southern China will implement the ERP system at the end of 2009. It is estimated that the ERP system will be finally implemented throughout the Group by the end of 2010. After the completion of the ERP system, it will help to have a more centralized system for purchasing raw materials and distribution, while minimizing inventory and wastes as well as the cost.

During the reporting period, the Group's rental and related expenses as a percentage of turnover was approximately 14.1% which was same as in 2007. Scaling down the size and reducing the investment cost with focus on the restaurants ranging from 200 to 250 square meters was still the strategy to maximize the efficiency per square meter. Moreover, the Group has strengthened its cooperation with various large department stores and supermarkets in order to speed up the Group's business expansion, and to enter into reasonable rental contracts through negotiation.

The Group has also strengthened its effort on marketing and promotions during the reporting period with the launch of a series of innovative events. For example, customers who choose set menu will get the privilege to buy unique Japanese-style items at a discount. This will intensify their experiences with the addition of Japanese culture elements when dining in the Group's restaurant. Furthermore, the Ajisen brand awareness and loyalty have been enhanced through TV, internet and print media advertisements. Those effective marketing and promotion channels have greatly improved the Group's profitability.

To satisfy the demand of continuous expansion of restaurants, the Group increased its efforts in the recruiting and training of forefront operating and managing personnel. A series of basic and advanced management courses were provided to more than 800 management staff for training and re-training. The Group also makes training and development plans for the restaurant employees and operating managers, and clearly defines the qualification for promotions to fit their career needs. All these have laid a good foundation to cultivate the Group's own talents. The Group organised its first annual restaurant managers' meeting under the theme of "Outlook for Ajisen" in November 2008, and a number of managers with outstanding performance were rewarded. The meeting further ensured the consistency of the Group's strategy and inspired employees greatly.

Food safety is always the top priority of the Group. During the reporting period, the Group controlled its safety policy in a strict manner through three-ways efforts, i.e., demanding supplier's certificate, conducting self-inspection and applying for relevant authority's inspection. First, the suppliers of raw materials are required to get the qualified certificate issued by provincial authoritative institutions, and through the establishment and implementation of the "Evaluation and Management Process for Suppliers" as well as GMP (Good Manufacture Practice), SSOP (Sanitation Standard Operation Procedures), FDP (Food Defense Plan), Crisis Management Procedure (recall and traceability), and compliance with the rules for food addictives to control the food safety. Second, the Group's Quality Control ("QC") department has regularly and repeatedly conducted examinations from factories to restaurants in a bottom-up model. Both Shanghai and Shenzhen factories have obtained the international qualification of ISO9001: 2000 of Quality Management System and international verification of HACCP (Hazard Analysis and Critical Control Point) of Food Safety Management System. In addition, these factories also obtained the Quality Safety ("QS") certificates in ten categories from General Administration of Quality Supervision, Inspection and Quarantine of the PRC ("AQSIQ"), particularly they have nine QS certificates received in 2008 for a series of products such as egg products, seasonings (solid, liquid, semi-solid and castor oil), meat products (preserved meat and sauced meat) and other food (like pickled vegetables). Third, the Group also sends food products to the authoritative institutions for inspection on a regular basis in order to comply with the relevant requirements.

Retail Chain Restaurants

In 2008, the Group's major business and primary source of income continued to be the retail chain restaurants business. During the reporting period, the Group's restaurant business contributed approximately HK$1,596 million, accounted for approximately 95.4% of the Group's total revenue.

As at 31 December 2008, the Group had a restaurant portfolio totaling 315 Ajisen restaurants, comprising the following:

	As at 31 December		
	2008	2007	+/–
By type:			
Owned and managed	**313**	183	130
Managed but not owned	**—**	24	–24
Owned but not managed	**2**	3	–1
Total	**315**	210	105

	As at 31 December		
	2008	2007	+/–
By provinces:			
Shanghai	**72**	53	19
Beijing	**28**	14	14
Tianjin	**1**	—	1
Guangdong (excluding Shenzhen)	**23**	15	8
Shenzhen	**33**	27	6
Jiangsu	**27**	16	11
Zhejiang	**12**	7	5
Sichuan	**12**	10	2
Chongqing	**7**	4	3
Fujian	**11**	6	5
Hunan	**3**	3	0
Hubei	**7**	4	3
Liaoning	**7**	5	2
Shandong	**18**	14	4
Guangxi	**2**	1	1
Guizhou	**4**	2	2
Jiangxi	**2**	1	1
Shan'xi	**4**	1	3
Yunnan	**3**	1	2
Henan	**1**	—	1
Hebei	**1**	—	1
Anhui	**1**	—	1
Hainan	**1**	—	1
Hong Kong	**33**	24	9
Taiwan*	**2**	2	0
Total	**315**	210	105
By geographical regions:			
Northern China	**55**	34	21
Eastern China	**111**	76	35
Southern China	**105**	79	26
Central China	**44**	21	23
Total	**315**	210	105
Total saleable area (sq. meters)	**82,227**	56,042	26,185

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

The following table illustrates the restaurant breakdown by format:

	As at 31 December		
	2008	2007	+/–
By type:			
Flagship	38	25	13
Standard	265	174	91
Economy	12	11	1
Total	315	210	105

Sales of packaged noodle and related products

The manufacture and sale of packaged noodle products under the Ajisen brand is one of the Group's two main businesses and is complementing to our major business of restaurant network operation. The Group's noodle products are manufactured solely by the Company and are sold through diversified channels including restaurants, supermarkets as well as department stores which in turn enhanced the awareness of Ajisen brand.

For the year ended 31 December 2008, the revenue from the sale of packaged noodle and related products was approximately HK$77 million (2007: HK$56 million), accounted for approximately 4.6% (2007: 5.2%) of the Group's total revenue.

The Group has an extensive distribution network of over 6,000 points-of-sale for the packaged food products in China, of which approximately 600 were new additions during the reporting period. Apart from the existing major customers including Wal-Mart, Carrefour, JUSCO, Wellcome, Lianhua supermarket and Lotus chain supermarket, two more supermarkets, namely NGS supermarket and Buddies together with two chain restaurant operators, namely Shanghai Yonghe King Co., Ltd and Shanghai Longshen Food & Drink Co., Ltd, were added to the Group customer list during the reporting period. In addition, a number of distributors were added into the Group's sales network in the cities such as Huzhou, Shaoxing, Xuzhou, Lianyungang, Yangzhou, Dongguan, Nanning, Foshan and Huizhou, etc.

Furthermore, the Group's brand new packaged noodle products — Ajisen Genius Chef Ramen for Kids（味千神廚拉麵兒童）was officially launched for sale in November 2008.

Financial review

Turnover

For the year ended 31 December 2008, the turnover increased by approximately HK$591,102,000, or approximately 54.6% to approximately HK$1,673,072,000 from approximately HK$1,081,970,000 last year. Such increase was mainly due to the increase in the number of FCR of the Group from 210 as at 31 December 2007 to 315 as at 31 December 2008.

For the year ended 31 December 2008, revenue from the sales of packages noodle and related products was approximately HK$77 million (2007: HK$56 million), accounted for approximately 4.6% (2007: 5.2%) of the Group's total revenue.

Cost of inventories consumed

Cost of inventories consumed increased by approximately HK$195,452,000, or 56.8% to approximately HK$539,545,000 from approximately HK$344,093,000 in 2007. This was higher than the growth rate of the turnover. Due to the upward adjustment of food costs, cost of inventories as a proportion to turnover was approximately 32.2% in 2008, higher than the 31.8% in 2007.

Gross Profit margin

Driven by the above factors, gross profit increased by approximately HK$395,650,000, or 53.6% to approximately HK$1,133,527,000 in 2008 from approximately HK$737,877,000 in 2007. Gross Profit margin remained stable at around 68% by measures such as upward adjustment of menu prices and stringent cost control.

Other incomes

Other incomes decreased by approximately HK$50,299,000 from approximately HK$105,557,000 in 2007 to HK$55,258,000 in 2008, primarily due to the significant decrease in interest income and government subsidies.

Other gain and losses

Other gain and losses increased by approximately 22.5% from HK$3,906,000 in 2007 to HK$4,785,000 in 2008, primarily due to decrease in fair value of investment properties located in Hong Kong.

Staff costs

Staff costs increased by approximately 88.1% from approximately HK$158,297,000 in 2007 to HK$297,670,000 in 2008, primarily due to the overall increase in salaries and other employee benefits, as well as the increase in headcount resulting from the opening of new restaurants.

Depreciation

Depreciation increased by approximately 72.6% from approximately HK$49,531,000 in 2007 to HK$85,507,000 in 2008. Such an increase was attributable to the overall increase in depreciation expenses resulted from an increase in the number of restaurants and the renovations undertaken at certain existing restaurants.

Property rentals and related expenses

Property rentals and related expenses increased by approximately 55.0% from approximately HK$152,565,000 in 2007 to HK$236,433,000 in 2008, mainly due to the increase in the number of restaurants owned by the Group.

Other operating expenses

Other operating expenses increased by approximately 55.7% from approximately HK$170,043,000 in 2007 to HK$264,818,000 in 2008, mainly due to the increase in the number of restaurants owned by the Group.

Finance costs

Finance costs decreased by approximately 65.0%, or approximately HK$1,227,000 from HK$1,887,000 in 2007 to HK$660,000 in 2008, primarily due to a decrease in average bank loans balance during the year ended 31 December 2008. On the other hand, new loans of approximately HK$68,000,000 had been obtained in second half of the year 2008 to finance the acquisition of new property, plant and equipment and investment properties located in Hong Kong.

Profit before taxation

Profit before taxation decreased by approximately 2.7%, or approximately HK$8,293,000 from approximately HK$307,205,000 in 2007 to approximately HK$298,912,000 in 2008, as a result of the cumulative effect of the foregoing factors.

Profit attributable to equity holders of the Company

Profit attributable to equity holders of the Company decreased by 4.6% or approximately HK$10,731,000 from approximately HK$231,572,000 in 2007 to approximately HK$220,841,000 in 2008, as a result of the cumulative effect of the foregoing factors.

Assets and liabilities

Net current assets was approximately HK$1,496,887,000 and current ratio was 6.1 as at 31 December 2008 (2007: 8.8). As the Company is primarily engaged in the restaurant business, most of the sales are settled by cash. As a result, the Company was able to maintain a relatively high current ratio to achieve better use of the working capital.

Cash flow

Net cash inflow from operating activities for the year ended 31 December 2008 was approximately HK$289.3 million while our profit before taxation for the same period was approximately HK$298.9 million. The difference was primarily due to the increase in inventories and the increase in trade and other receivables, partially offset by an increase in trade and other payables. The increase in inventories and the trade and other payables was primarily due to the increased purchase of raw materials and other goods from suppliers as a result of the increase in the number of chain restaurants managed and owned by the Group during the period. The increase in trade and other receivables was primarily due to an increase in sales of noodle and related products as well as an increase in rental deposits due to the increase in the number of chain restaurants managed and owned by us during the period.

Capital expenditure

The Group's capital expenditure was approximately HK$385,647,000 in 2008 (2007: HK$196,063,000) which was due to the increase in purchase of property, plant and equipment for new restaurants and new investment properties located in Hong Kong.

Change of functional currency of holding company

Subsequent to the year end, the directors of the Company re-assessed the appropriateness of using HK$ as the functional currency of the Company, the Company then changed its functional currency from HK$ to RMB as the Group focused on the chain restaurant network expansion in the PRC.

Key operating ratios for restaurant operations

	Hong Kong		PRC	
	2008	2007	2008	2007
Comparable restaurants Sales growth:	–5.1%	2.6%	6.9%	7.3%
Turnover per GFA (per day/sq.m.):	HK$292	HK$326	RMB52	RMB52
Turnover per day per restaurant:	HK$25,267	HK$27,695	RMB14,377	RMB15,085
Traffic flow per day (persons):	438	484	382	475
Per capita spending:	HK$58.5	HK$57	RMB38	RMB34
Table turnover per day (per day):	6.5	8	5.5	6

Outlook for 2009 and beyond

Chain restaurant network construction: during 2009, the Group will add 90 to 100 new restaurants. The Group will be committed to the sound development of retail chain restaurant network. For this purpose we will consolidate our restaurants and centralize our resources to develop first-tier and second-tier cities. At the same time, we will enter into new markets and third-tier cities in a more prudent pace and prepare specific plans for coastal cities to boost our business in those markets. The Group will go all out to bring existing factories and processing and distribution centers into full play, and continue to enhance and expand our cooperation with shopping malls and chain restaurants.

Cost control: the Group will reinforce food cost control by accelerating the improvement of processing techniques and innovation on raw ingredients (and is considering to introduce external experts), so as to alleviate the cost pressure from increasing price of agricultural products. As part of the cost control exercises, we will continue to place great efforts in managing key materials, and speed up the expansion of supply channels and the development of new materials. Furthermore, we will keep a close eye on market development and respond rapidly according to the downward expectation of the industrial products prices, especially energy and oil derivatives, thus making more savings in a timely manner.

ERP system construction: the Group will integrate and optimize its resources and enhance the inter-entity cooperation within the Group, as well as the cooperation between up and down stream channels by accelerating the construction of ERP system. The ERP system is proposed to be the financial management platform of the Group and will help to elevate the level of financial management and improve budget and cash management, as well as to realize a centralized control and thus a unified marketing strategy for chain retail sales in the end market. Meanwhile, the Group will intensify our management in forecast and plan and form a standardized mode that in line with the rapid expansion of the Group.

Corporate culture construction: A good corporate culture is necessary for a company's development. "Three Love Spirits"（三愛精神）is taken as the essence of our corporate culture. The Group will, through its systemic promoting channel, integrate the corporate culture into the code of conduct and in all employees' awareness, so as to practice our corporate culture in all fronts. Furthermore, we will constantly promote our corporate culture in every restaurant in the country and bring "Three Love Spirits" to each restaurant in each market.

Corporate Governance Report

Introduction

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

Code on Corporate Governance Practices

The Company has, throughout the year ended 31 December 2008, complied with all applicable code provisions under the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), save and except for the deviation from A.2.1 of the Code with details set out below. This report describes the Company's corporate governance practices and explains its applications of and deviations from the Code, together with considered reasons for such deviations.

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 unpublished price sensitive 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 2008.

The Board of Directors

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

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

Composition

The Board currently consists of eight Directors, including three executive Directors, namely Ms. Poon Wai, Mr. Yin Yibing and Mr. Poon Ka Man, Jason; two non-executive Directors, namely Mr. Katsuaki Shigemitsu and Mr. Wong Hin Sun, Eugene; and three independent non-executive Directors, namely Mr. Lo Peter, Mr. Jen Shek Voon and Mr. Wang Jincheng.

Mr. Yan Yu resigned as an independent non-executive Director, a member of the Audit Committee and a member of the Nomination Committee of the Company with effect from 9 September 2008 due to his other job commitments. Mr. Wang Jincheng was appointed in place of Mr. Yan Yu as an independent non-executive Director, a member of the Audit Committee and a member of the Nomination Committee of the Company on 9 September 2008.

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

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

The composition of the Board of the Company is in accordance with the requirement of Rule 3.10 of the Listing Rules. There are three independent non-executive Directors and one of them has accounting professional qualification. More than one-third of the members of the Board are independent non-executive Directors, which keeps abreast of the recommended best practices of the Code.

Independent non-executive Directors ("INEDs")

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

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

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

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

Delegation by the Board

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

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

(i) approving annual operating budget of the Group;

(ii) approving connected transactions;

(iii) approving mergers and acquisitions;

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

(v) approving corporate guarantee;

(vi) approving internal control policy;

(vii) approving financial results announcements; and

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

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

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

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

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

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

(v) setting human resources policies of the Company.

Chairman and Chief Executive Officer ("CEO")

Under A.2.1 of the Code, the roles of Chairman and CEO should be separate and should not be performed by the same individual. Currently, the Company does not comply with such Code Provision, namely, the roles of the Chairman and the CEO have not been performed by separate individuals.

Although Ms. Poon Wai performs both the roles of Chairman and CEO, the division of responsibilities between the Chairman and CEO is clearly established and set out in writing. In general, the Chairman is responsible for supervising the functions and performance of the Board, while the CEO is responsible for the management of the business of the Group. The two roles are performed by Ms. Poon Wai distinctly. 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. It also considers that the current structure does not impair the balance of power and authority between the Board and the Management of the Company given the appropriate delegation of the power of the Board and the effective functions of the independent non-executive Directors (number of which exceeds one-third of the members of the Board). However, it is the long-term objective of the Company to have these two roles performed by separate individuals when suitable candidates are identified.

Supply of and access to information

In order to ensure that the Directors' duties can be properly discharged, the Directors are entitled to seek advice from independent professional advisers whenever deemed necessary by them at the Company's expense.

Board meetings

The Board meets regularly in person or by means of electronic communication. Notices of regular Board meetings are served to all Directors at least 14 days before the meetings. For all other Board meetings, reasonable notice period are given to all Directors. All notices, agendas, schedules and the relevant information of each Board meeting are generally made available to Directors in advance. The Board and each Director also have separate and independent access to the Management whenever necessary.

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

During the year ended 31 December 2008, the Board convened a total of five meetings in person or by means of electronic communication. Attendance of each Director at the Board meetings is set out below:

Name of Directors	Board Meeting Attended/Held
Executive Directors	
Ms. Poon Wai *(Note 1)*	3/5
Mr. Yin Yibing	5/5
Mr. Poon Ka Man, Jason *(Note 1)*	3/5
Non-Executive Directors	
Mr. Katsuaki Shigemitsu *(Note 1)*	2/5
Mr. Wong Hin Sun, Eugene	5/5
INEDs	
Mr. Jen Shek Voon	5/5
Mr. Lo Peter	4/5
Mr. Yan Yu (resigned as INED on 9 September 2008) *(Note 2)*	4/4
Mr. Wang Jincheng (appointed as INED on 9 September 2008) *(Note 3)*	1/1

Notes:

1. Ms. Poon Wai, Mr. Poon Ka Man, Jason and Mr. Katsuaki Shigemitsu have interests in the transactions and businesses of two Board meetings and had abstained from attending such meetings and voting on the transactions and businesses thereof.

2. Four Board meetings were held during the period from 1 January 2008 to 9 September 2008.

3. One Board meeting was held during the period from 10 September 2008 to 31 December 2008.

Independent Board Committee

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

The Board has established an ad hoc Independent Board Committee for the connected transaction on 1 February 2008.

All members of the Independent Board Committee were wholly the independent non-executive Directors of the Company. These independent non-executive Directors comprised Mr. Lo Peter, Mr. Jen Shek Voon and Mr. Yan Yu (resigned on 9 September 2008).

The Independent Board Committee was set up for reviewing matters in relation to a major and connected transaction of the Company, and for advising the shareholders of the Company on whether the transaction was fair, reasonable and in the interests of the Group and its shareholders as a whole.

In order to advise the Independent Board Committee and the independent shareholders of the Company, an independent financial adviser, Somerley Limited, was appointed. Based on the advice of Somerley Limited to the Independent Board Committee, the Independent Board Committee considered the terms of the relevant transaction to be fair, reasonable and in the interests of the Group and its shareholders as a whole, and therefore recommended the shareholders to vote in favour of the relevant transaction at the Extraordinary General Meeting ("EGM") on 18 June 2008.

Board committees

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

Executive Committee

To assist the Directors to discharge some of their duties to enable effective management and execution, the Board has established an Executive Committee on 29 June 2007. The Executive Committee will review specific issues and make their suggestions to the Board as reserved matters as referred to the above. The terms of reference of the Executive Committee has been approved and confirmed by the Board on 24 April 2008.

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

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

There were 3 Executive Committee meetings held during the year ended 31 December 2008.

Remuneration Committee

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

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

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

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

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

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

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

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

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

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

For the year ended 31 December 2008, the Remuneration Committee convened one committee meeting. The attendance of each Remuneration Committee member at the Remuneration Committee meeting is set out below:

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

Nomination Committee

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

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

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

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

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

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

Mr. Wong Hin Sun, Eugene *(Chairman)*, a non-executive Director
Mr. Lo Peter, an independent non-executive Director
Mr. Wang Jincheng, an independent non-executive Director (appointed on 9 September 2008)

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

For the year ended 31 December 2008, the Nomination Committee convened two committee meetings. The attendance of each Nomination Committee member at the Nomination Committee meetings is set out below:

Name of Members	Nomination Committee Meeting Attended/Held
Mr. Wong Hin Sun, Eugene	2/2
Mr. Lo Peter	2/2
Mr. Wang Jincheng (appointed on 9 September 2008) *(Note 1)*	0/0
Mr. Yan Yu (resigned on 9 September 2008)	2/2

Note:

1. None of Nomination Committee meeting was held during the period from 10 September 2008 to 31 December 2008

Audit Committee

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

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

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

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

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

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

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

(vii) to discuss with the Management the system of internal control and ensure that the Management has discharged its duty to have an effective internal control system;

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

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

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

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

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

For the year ended 31 December 2008, the Audit Committee convened five committee meetings. The attendance of each Audit Committee member at the Audit Committee meetings is set out below:

Name of Members	Audit Committee Meeting Attended/Held
Mr. Jen Shek Voon	5/5
Mr. Lo Peter	5/5
Mr. Wong Hin Sun, Eugene	5/5
Mr. Yan Yu (resigned on 9 September 2008) *(Note 1)*	4/4
Mr. Wang Jincheng (appointed on 9 September 2008) *(Note 2)*	1/1

Notes:

1. Four Audit Committee meetings were held during the period from 1 January 2008 to 9 September 2008.

2. One Audit Committee meeting was held during the period from 10 September 2008 to 31 December 2008.

The Audit Committee is satisfied with their review of the auditors' remuneration, the independence of the auditors, Deloitte Touche Tohmatsu ("DTT"), and recommended the Board to re-appoint DTT as the Company's auditors in the year 2009, which is subject to the approval of shareholders at the forthcoming AGM.

The Company's interim results for the period ended 30 June 2008 and annual results for the year ended 31 December 2008 have been reviewed by the Audit Committee, which opines that applicable accounting standards and requirements have been complied with and that adequate disclosures have been made.

Internal control

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

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

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

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

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

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

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

Besides, during the year ended 31 December 2008, the Board, as recommended by the Audit Committee, has approved the proposal of setting up the Whistle-Blowing Policy (the "WBP"). The WBP aims to provide an avenue for employees to raise concerns, and reassurance that they will be protected from reprisals or victimization for whistleblowing in good faith. The Board approved the WBP on 17 April 2009.

The Board believes that, in the absence of any evidence to the contrary, the system of internal controls maintained by the Group throughout the year ended 31 December 2008, provides reasonable assurance against material financial misstatements or loss, and include the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulation and best practice, and the identification and containment of business risks.

The Board, through the reviews made by the Audit Committee, had reviewed the Group's internal controls and considered them to have been implemented effectively.

Directors' responsibility for the financial statements

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

In preparing the financial statements of the Group for the year ended 31 December 2008, the Directors have adopted appropriate and consistent accounting policies and made prudent and reasonable judgments and estimations. The Directors are responsible for maintaining proper accounting records which reflect with reasonable accuracy the state of affairs, operating results, cash flows and equity movement of the Group at any time. The Directors confirm that the preparation of the financial statements of the Group is in accordance with statutory requirements and applicable accounting standards.

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

The auditors' statement about their reporting responsibilities on the financial statements is set out on page 49 and page 50 of this Annual Report.

Auditors' remuneration

The Group's independent external auditors are DTT. The remuneration for the audit and non-audit services provided by DTT to the Group during the year ended 31 December 2008 was as follows:

Type of Services	Amount HK$'000 (approx.)
Audit	4,447
Non-audit services	3,153
Total:	7,595

Communication with shareholders and investor relations

The Board recognizes the importance of good communications with all shareholders. The Company's 2008 AGM is a valuable forum for the Board to communicate directly with the shareholders. The Chairmen of the Board, of the Audit Committee and of the Nomination Committee and the members of Remuneration Committee and the external auditors present at the 2008 AGM of the Company held on 6 June 2008 to answer shareholders' questions. A shareholders' circular was distributed to all shareholders at least 21 days before the 2008 AGM.

During the year ended 31 December 2008, the Company convened one EGM in respect of a major and connected transaction. A shareholders' circular was distributed to all shareholders at least 14 days before the EGM.

All shareholders' circulars set out the procedures for demanding and conducting a poll and other relevant information of the proposed resolutions. Separate resolutions were proposed at the 2008 AGM on each substantially separate issue, including the election of individual Director. The Chairman explained the procedures for demanding and conducting a poll again at the beginning of the 2008 AGM and the EGM. The results of the poll of the 2008 AGM and the EGM were published on the website of the Stock Exchange and on the Company's website respectively.

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

Looking forward

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

Directors and Senior Management

Executive Directors

Poon Wai (潘慰), aged 53, is the founder of the Group. She is the Chairman and Chief Executive Officer of the Company. She is responsible for the overall management, including making important decisions and plans for the strategic activities of the Group. As the founder of the Company, Ms. Poon has been playing an important role in the development of the Group since its inception in 1995. Ms. Poon is an experienced entrepreneur who has over 10 years' experience in the F&B industry. Prior to establishing the Company, Ms. Poon was engaged in trading Asian food products in US and Hong Kong. Ms. Poon is particularly well versed and experienced in specialty foods from northern and southern regions of China. Ms. Poon is a committee member and assistant director of the Shanghai Restaurants Association as well as the vice president of Shanghai Commercial Enterprise Management Association. Ms. Poon was awarded Ernst & Young Entrepreneur Of The Year — Hong Kong/Macau Region in October 2007.

Yin Yibing (尹一兵), aged 53, is the chief operating officer and an executive Director of the Company. He is responsible for supervising market development, overall operations and daily management of the Group. Mr. Yin joined the Group in 1997. He has abundant knowledge about the F&B industry, involving areas such as manufacturing and logistics with over 10 years' experience. Prior to joining the Group, Mr. Yin worked in an international trade and leasing company and has more than 10 years' experience in the industry. Mr. Yin has a degree in mechanical engineering from the Northeast China Institute of Heavy Machinery (東北重型機械學院) and obtained a Master of Arts degree in management systems from the University of Hull in 1994.

Poon Ka Man, Jason (潘嘉聞), aged 52, is the chief marketing officer and an executive Director of the Company. He has been an executive Director of the Company since 8 March 2007. He is responsible for the marketing of the "Ajisen" brand name and the design of the Group's chain restaurants. Mr. Poon has over 20 years of experience in construction and design. Mr. Poon also owns his own contracting and design firm in Hong Kong, specializing in the design and renovation of offices, commercial retail spaces, factories and residential properties. Mr. Poon is the brother of Ms. Poon Wai.

Non-executive Directors

Katsuaki Shigemitsu (重光克昭), aged 40, has been a non-executive Director of the Company since 8 March 2007. Mr. Shigemitsu is also a shareholder and director of Shigemitsu, the Group's Franchisor. In addition, Mr. Shigemitsu has served as a non-executive director of a Singapore-listed company, namely Japan Food Holdings Limited since November 2008. Mr. Shigemitsu has over 15 years of experience in the F&B industry. After his graduation in 1991, Mr. Shigemitsu joined his family's business, Shigemitsu. Mr. Shigemitsu commenced his work as a restaurant manager in an Ajisen restaurant in Japan. Subsequently, Mr. Shigemitsu has assumed several senior management positions in Shigemitsu. In 1995, he was appointed as the vice-chairman of Shigemitsu. In 1997, he was appointed as the chairman of Shigemitsu. Mr. Shigemitsu holds a degree in structural engineering from the Kumamoto Institute of Technology (熊本工業大學).

Wong Hin Sun, Eugene (黃慶生), aged 41, a non-executive Director of the Company. In September 2002, Mr. Wong founded Sirius Venture Consulting Pte Ltd, which is a business advisory and a venture capital company. Since August 2000, Mr. Wong has been the director of Crimson Asia Capital Singapore Pte. Ltd. ("Crimson Asia"), a US-based private equity fund, where his duties involved overseeing the office in Singapore. He is currently the chairman of the Singapore Venture Capital and Private Equity Association. Mr. Wong also serves as a non-executive director of a Singapore-listed company, namely Japan Food Holdings Limited and a non-executive director of Haike Chemical Group Ltd, a company listed on the London AIM. He graduated with a Master in Business Administration from the Imperial College, London, Executive Programme for Growing Companies from Stanford Business School and a Bachelor of Business Administration from the National University of Singapore. He is also a a member of the UK Institute of Directors, Singapore Institute of Directors and Australia Institute of Company Directors.

Independent non-executive Directors

Jen Shek Voon (任錫文), aged 62, an independent non-executive Director of the Company. He is a sole proprietor of Jen Shek Voon, PAS, a public accounting firm in Singapore that specializes in international and regional financial and business advisory services. Mr. Jen currently holds a certificate of registration issued by the Accounting and Corporate Regulatory Authority of Singapore, authorizing him to practise as a public accountant in Singapore. Mr. Jen also sits as an independent non-executive director on the boards of directors of a number of publicly listed companies in Singapore and the region in Malaysia, the People's Republic of China and Hong Kong S.AR.. Mr. Jen is a fellow of the Singapore Institute of Directors. He holds a Bachelor of Accounting degree from the University of Singapore and a post-graduate commerce degree from the University of New South Wales. He is a fellow of the Institute of Chartered Accountants in Australia, the Association of Chartered Certified Accountants in UK and the Taxation Institute of Australia, and a practising member of the Institute of Certified Public Accountants in Singapore and the Malaysian Institute of Accountants.

Lo Peter (路嘉星), aged 53, has been an independent non-executive Director of the Company since 8 March 2007. Mr. Lo is a director of China Enterprise Capital Limited and the chairman and an executive director of Bio-Dynamic Group Limited (stock code: 0039), a company listed on the Stock Exchange. Mr. Lo has more than 15 years of experience in operating businesses in the PRC, including but not limited to trade and investment in various industries such as leather goods, power plants, auto manufacturers, medical equipment and beer brewery. From 1998 to 2004, Mr. Lo was the chief executive officer and an executive director of Harbin Brewery Group Limited. From February 2005 to May 2008, Mr. Lo was an independent non-executive director of China Infrastructure Machinery Holdings Limited (now known as Lonking Holdings Limited) (Stock Code: 3339), a company listed on the Stock Exchange. Mr. Lo is also an independent non-executive director of Uni-President China Holdings Ltd (stock code: 0220), a company listed on the Stock Exchange. Mr. Lo holds a bachelor's degree in Mathematical Economics and Econometrics from the London School of Economics and Political Science. Mr. Lo is a member of the China People's Consultative Conference of Harbin City, the PRC.

Wang Jincheng (王金城), aged 54, has been an independent non-executive Director of the Company since 9 September 2008. Mr. Wang has over 35 years extensive experience in the hospitality industry in the PRC. Since 2003, Mr. Wang has served as the president of Shanghai Baolong (Group) Co. Ltd, the main business of which includes hotel and hostel services, food and beverage services and rental car services in the PRC. He has been a director of the World Cuisine Association since 2003, and is currently the chairman of the professional committee of career managers of the China Cuisine Association and the vice-chairman of both the Shanghai Cuisine Association (上海市烹飪協會) and the Shanghai Restaurants Association. He was awarded a Distinguished Entrepreneur of the Food & Beverage Industry of China in 2007 and a Distinguished Commercial Venturing Entrepreneur of China in 2006. Mr. Wang was a deputy to 5th and 6th National People's Congress of the Baoshan District of Shanghai, the PRC.

Senior Management

Lau Ka Ho, Robert (劉家豪), aged 34, is the chief financial officer and the qualified accountant of the Company. Mr. Lau has approximately over 10 years' experience in audit, finance and business advisory, during which he worked for the Deloitte Touche Tohmatsu and various listed companies in Hong Kong. Mr. Lau graduated from the Hong Kong Polytechnic University with a bachelor's degree in Accountancy. He is a certified public accountant and is a member of the Hong Kong Institute of Certified Public Accountants.

Other senior staff

Jing Zhi En (景志恩), aged 40, is the vice president of the Group. He served as the general manager of Wei Qian Noodle (Shenzhen) Co., Ltd, general manager of Weiqian Noodle Food Service (Shenzhen) Co., Ltd and chief operating director of the Group before becoming the vice president. Mr. Jing is primarily responsible for the management of the Group's operating department, quality control department, systematic training enhancement department and marketing department in the PRC. Prior to joining the Group, he worked in the southern PRC divisional office of Pizza Hut, a subsidiary of Hong Kong Yihe International F&B Group, where he was the head of Shenzhen regional operation and development department. Mr. Jing has obtained a certificate in hotel management from Shenzhen University and also holds a Master of Business Administration from Beijing Jiaotong University. He has accumulated more than 15 years' experience in catering services management.

Jiang Guo Peng (蔣國鵬), aged 35, is the vice president of the Group. He joined the Company in October 2007 and is currently responsible for the daily business operation and management of the Group's four functional departments, namely manufacture, logistics, quality control and large infrastructural project. Prior to joining the Group, Mr. Jiang worked in Bright Dairy where he held his office successively from a technician to a manager of sale branch, manager of Wuhan manufacture factory, manager of supply chain of central China, and then to be the general manager of a regional department integrating manufacture, supply and sale in Jiangxi province from 1998 to 2005. Mr. Jiang was also the operating vice president of Beifa Group, the biggest stationery enterprise in China, taking in charge of information technology and supply chain. Mr. Jiang holds a bachelor's degree in Food Science from Hangzhou Business College (currently Zhejiang Gongshang University).

Ngai Wai Fung (魏偉峰), aged 47, is the company secretary of the Company. Mr. Ngai is a director and head of listing services of KCS Hong Kong Limited, a corporate secretarial and accounting services provider in Hong Kong. Mr. Ngai is currently the vice president of the Hong Kong Institute of Chartered Secretaries ("HKICS") and the chairman of its Membership Committee. He is also a fellow of HKICS and the Institute of Chartered Secretaries and Administrators in the United Kingdom, a member of the Hong Kong Institute of Certified Public Accountants, a member of the Association of Chartered Certified Accountants in the United Kingdom, a member of Hong Kong Institute of Directors and a member of Hong Kong Securities Institute. Mr. Ngai holds a Master of Corporate Finance from The Hong Kong Polytechnic University, a Master of Business Administration from Andrews University of the United States and a Bachelor of Laws (with Honours) degree from the University of Wolverhampton, the United Kingdom. He is also a PhD (thesis stage) in Finance at Shanghai University of Finance and Economics.

Lee Man Lung, Vincent (李文龍), aged 49, General Manager of Hong Kong Ajisen Co Ltd, is responsible for the management and operation of the Ajisen restaurants in Hong Kong. Mr. Lee has over 20 years' experience in information technology industry, particularly in the sales and marketing of various information technology related hardware and software products in both Hong Kong and the PRC market. Mr. Lee holds a bachelor degree in Business Administration from the Chinese University of Hong Kong.

Wu Xiaobin (吳曉彬), aged 35, General Manager of Shandong Weiqian, is responsible for the development and daily management and operations of the company. Mr. Wu has over 9 years' experience in the F&B industry. Mr. Wu graduated with a diploma in English and Law from the Southwest University of Political Science and Law.

Zhang Bo (張波), aged 33, General Manager of Nanjing Weiqian, is responsible for the development, sales and daily operations and management of the company in Jiangsu and Zhejiang provinces. Mr. Zhang joined the Group in 2001. He has a degree in Economic Law from Northwest University of Political Science and Law.

Gao Lei (高磊), aged 35, General Manager of Shenzhen Weiqian for South China region, is responsible for the brand development strategy and the daily operations and management of the company in South China. Before this, he was the operating manager of Shenzhen Weiqian and deputy general manager for South China region. Prior to joining the Group, Mr. Gao worked in Pizza Hut in charge of the operations and management. He has approximately 14 years' experience in the F&B industry. He holds a graduation certificate in Chinese Language and Culture from Egang Vocational College in Ezhou city, Hubei Province.

Chen Haisong (陳海松), aged 35, General Manager of Shenzhen Weiqian for Southwest China region, is responsible for the brand development strategy and the daily operations and management of the company in Southwest China. Mr. Chen was the deputy General Manager of Shenzhen Weiqian for Southwest China region before his appointment as the general manager. Prior to joining the Group in 2004, Mr. Chen worked in Pizza Hut in charge of the operations and management. He has accumulated abundant management experience in the F&B industry. He holds a graduation certificate in Business Management from Hainan University.

Report of the Directors

The directors of the Company (the “Directors” or the “Board”) are pleased to present their report together with the audited financial statements of the Group for the year ended 31 December 2008.

Principal activities

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

Results and appropriations

The results and appropriations of the Group are set out in page 51 and page 85 of the consolidated financial statements.

The Board recommended the payment of a final dividend of HK5.25 cents per ordinary share and a special dividend of HK4.20 cents per ordinary share (collectively the “Final Dividend”) for the financial year ended 31 December 2008.

Share capital

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

Reserves

Movements in the reserves of the Group are set out in page 54 to page 56 of the financial statements.

Distributable reserves

As at 31 December 2008, the Company has no reserve available for distribution.

Subsidiaries

Particulars of the Company’s principal subsidiaries are set out in note 41 to the consolidated financial statements.

Property, plant and equipment

Details of the movements in property, plant and equipment of the Group are set out in note 16 to the consolidated financial statements.

Borrowings

Details of the borrowings of the Group are set out in note 29 to the consolidated financial statements.

Pre-emptive rights

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

Major customers and suppliers

The aggregate sales attributable to the Group's five largest customers were less than 3% of the Group's total turnover. The purchase from the Group's largest supplier, Shigemitsu Industry Co., Ltd. accounted for approximately 5.0% of the Group's total purchase for the year and the purchase from the five largest suppliers of the Group accounted for approximately 12.0% of the Group's total purchase.

Save for Mr. Katsuaki Shigemitsu, the non-executive Director, who owns an approximately 45% interest in Shigemitsu Industry Co. Ltd (also known as Shigemitsu Kabushiki Kaisha or Shigemitsu Sangyo Co. Ltd), a company incorporated in Japan on 5 July 1972, which is the franchisor of the Company (details of which are set out on page 44 of this Annual Report), none of the Directors or their respective associates, or the shareholders who, to the knowledge of the Directors, own more than 5% of the issued share capital of the Company, has any interest in any of the five largest customers or the five largest suppliers of the Group.

Donations

The Company did not make any charitable and other donations during the year under review.

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 2008.

Financial summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 119 of this Annual Report.

Directors

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

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

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

Independent Non-executive Directors:
Mr. Lo Peter
Mr. Jen Shek Voon
Mr. Wang Jincheng (appointed on 9 September 2008)
Mr. Yan Yu (resigned on 9 September 2008)

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

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

In accordance with Article 108 of the Articles of Association of the Company, Mr. Poon Ka Man, Jason, Mr. Katsuaki Shigemitsu and Mr. Lo Peter shall retire by rotation, and being eligible, have offered themselves for re-election at the forthcoming Annual General Meeting (the "AGM"). Meanwhile, in accordance with Article 112 of the Articles of Association, Mr. Wang Jincheng will retire from his office of Director, and being eligible, has offered himself for re-election at the forthcoming AGM.

Confirmation of independence of independent non-executive Directors

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

Directors' service contracts

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

Each of the non-executive Directors of the Company and Mr. Lo Peter and Mr. Jen Shek Voon have entered into a letter of appointment with the Company for a period of two years commencing on 8 March 2007, which may be terminated according to the Articles of Association of the Company.

Mr. Wang Jincheng, being an independent non-executive Director, has entered into a letter of appointment with the Company for a term of two years commencing from 9 September 2008 but will be subject to retirement by rotation and will be eligible for re-election at the forthcoming AGM pursuant to the Articles of Association of the Company.

Saved as disclosed above, no Director standing for re-election at the forthcoming AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the Company within one year without payment of compensation other than the normal statutory compensation.

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

As at 31 December 2008, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance of Hong Kong, Chapter 571 of the laws of Hong Kong (the "SFO")) which were required to be entered in the register kept by the Company pursuant to section 352 of the SFO, or which were required, to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules, are set out below:

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

Name of Director	Capacity and Nature of Interest	Number of Shares *(Note 1)*	Approximate % of Shareholding
Ms. Poon Wai	founder of a discretionary trust *(Note 2)*	531,976,941 shares (L)	49.83%
Ms. Poon Wai	beneficial owner	19,277,347 shares (L)	1.80%
Mr. Poon Ka Man, Jason	beneficiary of a trust *(Note 2)*	531,976,941 shares (L)	49.83%
Mr. Yin Yibing	interest in controlled corporation *(Note 3)*	28,352,679 shares (L)	2.66%
Mr. Katsuaki Shigemitsu	interest in controlled corporation *(Note 4)*	13,604,251 shares (L)	1.27%
Mr. Katsuaki Shigemitsu	beneficial owner	31,707,129 shares (L)	2.97%
Mr. Wong Hin Sun, Eugene	interest in controlled corporation *(Note 5)*	500,340 shares (L)	0.05%

Notes:

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

2. The 531,976,941 shares were held by Favor Choice Group Limited ("Favor Choice"), which is an investment holding company wholly owned by Anmi Holding Company Limited ("Anmi Holding"). Anmi Holding is incorporated in the British Virgin Islands and its issued share capital is wholly owned by Anmi Trust, which is founded by Ms. Poon Wai. Ms. Poon Wai is an executive Director and the Chief Executive Officer of the Company. Mr. Poon Ka Man, Jason, an executive Director of the Company, is one of the beneficiaries of Anmi Trust.

3. The 28,352,679 shares were held by Brilinda Hilltop Inc., which is an investment holding company wholly owned by Mr. Yin Yibing, an executive Director of the Company.

4. The 13,604,251 shares were held by Shigemitsu Industry Co. Ltd., which is owned as to approximately 45% by Mr. Katsuaki Shigemitsu, a non-executive Director of the Company.

5. The 500,340 shares were held by Sirius Investment Inc., which is wholly owned by Mr. Wong Hing Sun, Eugene, a non-executive Director of the Company.

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

Name of Director	Capacity and Nature of Interest	Description of Equity Derivatives	Number of Underlying Shares *(Note 1)*
Ms. Poon Wai	interest in controlled corporation *(Note 2)*	Share option *(Note 3)*	13,485,000 shares (L)
Mr. Yin Yibing	interest in controlled corporation *(Note 2)*	Share option *(Note 3)*	13,485,000 shares (L)
Mr. Poon Ka Man, Jason	interest in controlled corporation *(Note 2)*	Share option *(Note 3)*	13,485,000 shares (L)

Notes:

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

2. Ms. Poon Wai, Mr. Yin Yibing and Mr. Poon Ka Man, Jason, who are the executive Directors, were granted share options under the Pre-IPO Share Option Scheme of the Company to subscribe for 8,485,000 shares, 2,500,000 shares and 2,500,000 shares respectively. They have formed a company in British Virgin Islands named Center Goal Holdings Limited ("Center Goal") to hold the share options. Center Goal is owned as to approximately 62.92% by Ms. Poon Wai, as to approximately 18.54% by Mr. Poon Ka Man, Jason and as to approximately 18.54% by Mr. Yin Yibing.

3. The share options were granted under the Pre-IPO Share Option Scheme of the Company.

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

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

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

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

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

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

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

Save as disclosed herein, as at 31 December 2008, none of the Directors and chief executive of the Company, or any of their spouse, or children under eighteen years of age, has any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations, recorded in the register required to be kept under section 352 of the SFO or required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Interests and short positions of substantial shareholders discloseable under the SFO

So far as is known to the Company, as at 31 December 2008, as recorded in the register required to be kept by the Company under section 336 of the SFO, the following persons, other than a Director or chief executive of the Company, were the substantial shareholders (within the meaning of the Listing Rules) of the Company and had the following interests or short positions in the shares or underlying shares of the Company:

Name of Shareholder	Capacity and Nature of Interest	Number of Shares	Approximate % of Shareholding
Favor Choice *(Note 1)*	beneficial owner	531,976,941	49.83%
Anmi Holding *(Notes 1 and 2)*	interest of controlled corporation	531,976,941	49.83%
HSBC International Trustee Limited *(Note 2)*	trustee	531,976,941	49.83%
Mr. Cheng Wai Tao	beneficial owner	72,882,580	6.97%
JP Morgan Chase & Co.	investment manager	66,276,000	6.21%
JP Morgan Chase & Co.	custodian corporation/ approved lending agent	7,338,000	0.69%

Notes:

1. The 531,976,941 shares were held by Favor Choice, which is an investment holding company wholly owned by Anmi Holding. Anmi Holding is incorporated in the British Virgin Islands and its issued share capital is wholly owned by Anmi Trust, which is founded by Ms. Poon Wai. Ms. Poon Wai is an executive Director and the Chief Executive Officer of the Company. Mr. Poon Ka Man, Jason, an executive Director of the Company, is one of the beneficiaries of Anmi Trust.

2. HSBC International Trustee Limited (in its capacity as the trustee of Anmi Trust) is the legal owner of the entire issued share capital of Anmi Holding. HSBC International Trustee Limited holds these shares under Anmi Trust for the benefit of the beneficiaries of Anmi Trust.

Save as disclosed herein, as at 31 December 2008, the Company had not been notified of any substantial shareholder (other than a Director or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company that were recorded in the register required to be kept under section 336 of the SFO.

Directors' interests in contract of significance

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

Directors' interests in competing business

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

Each of Ms. Poon Wai, Mr. Poon Ka Man, Jason and Mr. Katsuaki Shigemitsu who are Directors of the Company, has provided an annual confirmation in respect of the compliance with the non-competition undertaking given by her/him (as described in the Prospectus) (the "Non-competition Undertaking") and information regarding her/his investment and engagement in any F&B business (other than the Company's business or as disclosed in the Prospectus) and the nature of such investment and engagement.

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

Directors' rights to acquire shares or debentures

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

Management contracts

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

Compliance with code on corporate governance practices

Details of the compliance by the Company with the "Code on Corporate Governance Practices" contained in Appendix 14 to the Listing Rules are set out in the Corporate Governance Report on page 18 to page 28 of this Annual Report.

Share option scheme

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

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

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

At 31 December 2008, the number of shares in respect of which options under the Share Option Scheme had been granted and remained outstanding was 2,500,000 (2007: N/A), representing approximately 0.23% of the shares of the Company in issue as at 31 December 2008.

Details of the share options granted under the Share Option Scheme and remained outstanding as at 31 December 2008 are as follows:

Grantee	Date of Grant *(Note 1)*	Outstanding as at 1 January 2008	Number of Share Options					Outstanding as at 31 December 2008
			Granted *(Notes 2, 3 & 4)*	Exercised	Forfeited	Modified	Lapsed	
Employees (in aggregate)	25 June 2008	—	2,780,000	—	—	(430,000)	(900,000)	1,450,000
	31 December 2008	—	1,050,000	—	—	—	—	1,050,000
			3,830,000	—	—	(430,000)	(900,000)	2,500,000

Notes:

1. During the year ended 31 December 2008, 2,780,000 share options and 1,050,000 share options were granted by the Company on 25 June 2008 and 31 December 2008 respectively. The estimated fair values of the options on those dates were approximately HK$11,063,000 and HK$1,909,000 respectively. During the year ended 31 December 2008, 900,000 share options previously granted by the Company lapsed due to the departure of employees. No share options granted on 25 June 2008 and 31 December 2008 by the Company were exercised during the year ended 31 December 2008.

2. The share options granted under the Share Option Scheme on 25 June 2008 and 31 December 2008 were at the exercise price of HK$8.394 per share and HK$3.726 per share respectively.

3. Particulars of share options:

Number of Share Options Granted on 25 June 2008	Vesting period	Exercise period	Closing Price per Share immediately Prior to the Grant Date HK$
230,000	25/6/2008–24/12/2008	25/12/2008–30/3/2017(i)	8.22
700,000	25/6/2008–24/12/2008	25/12/2008–30/3/2017(ii)	8.22
80,000	25/6/2008–1/7/2009	2/7/2009–30/3/2017(iii)	8.22
200,000	25/6/2008–17/9/2009	18/9/2009–30/3/2017(iv)	8.22
1,570,000	25/6/2008–24/6/2009	25/6/2009–30/3/2017(v)	8.22
2,780,000			

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

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

(iii) The share options will vest on 2 July 2009.

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

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

4.

Number of Share Options Granted on 31 December 2008	Vesting period	Exercise period	Closing Price per Share immediately Prior to the Grant Date HK$
550,000	31/12/2008–30/12/2009	31/12/2009–30/12/2012(vi)	3.72
500,000	31/12/2008–30/12/2009	31/12/2009–30/12/2013(vii)	3.72
1,050,000			

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

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

5. During the year ended 31 December 2008, the Company implemented some modifications in relation to certain outstanding share options. The exercise price of 1,180,000 outstanding share options was reduced from HK$8.394 per share to HK$3.726 per share. In addition, the Company reduced the number of outstanding share options by 430,000 on the same date. The Directors of the Company confirmed that the reduction on number of outstanding share options and reduction on the exercise price would be part of the same arrangement and the reduction on number of outstanding share options would not have occurred without the reduction on exercise price and vice versa.

6. The closing price per share on the date of grant on 25 June 2008 and 31 December 2008 were HK$8.3 and HK$3.61 respectively and the average closing price per share for the 5 business days immediately preceding the date of grant were HK$8.394 and HK$3.726 respectively.

Pre-IPO share option scheme

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

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

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

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

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

Grantees	Number of Options Granted on 8 March 2007 *(Notes 1 & 3)*	Number of Options							
		Exercise During the Year	Forfeited During the Year	Lapsed During the Year	Outstanding up to 31 December 2007	Exercise During the Year	Forfeited During the Year *(Note 4)*	Lapsed During the Year	Outstanding up to 31 December 2008
(1) Directors									
Ms. Poon Wai *(Note 2)*	8,485,000	—	—	—	8,485,000	—	—	—	8,485,000
Mr. Poon Ka Man, Jason *(Note 2)*	2,500,000	—	—	—	2,500,000	—	—	—	2,500,000
Mr. Yin Yibing *(Note 2)*	2,500,000	—	—	—	2,500,000	—	—	—	2,500,000
(2) Employees and others	6,515,000	—	—	(270,000)	6,245,000	(202,500)	—	(642,500)	5,400,000
	20,000,000	—	—	(270,000)	19,730,000	(202,500)	—	(642,500)	18,885,000

Notes:

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

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

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

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

(4) In respect of the share options exercised during the year, the weighted average share price at the dates of exercise is HK$7.46 (2007: N/A). During the year ended 31 December 2008, 642,500 (2007: 270,000) share options granted to employees of the Group lapsed due to departure of the employees.

As at 31 December 2008, the number of shares in respect of which options under the Pre-IPO Share Option Scheme had been granted and remained outstanding was 18,885,000 (2007: 19,730,000), representing approximately 1.76% (2007 as restated: approximately 1.85%) of the shares of the Company in issue as at 31 December 2008.

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

Retirement scheme

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

Connected transactions

Details of the continuing connected transactions during the year ended 31 December 2008 are as follows:

Shigemitsu Transactions

Shigemitsu is a company incorporated in Japan and owned by the Shigemitsu family. Mr. Katsuaki Shigemitsu, a non-executive Director of the Company, personally owns approximately 45% interest in Shigemitsu, which is thus a connected person of the Company pursuant to the Listing Rules.

1. ***The franchise agreements***

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

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

   The annual cap set for the aggregate franchise fees and technical fees payable under the Franchise Agreements for the year ending 31 December 2008 is HK$18,144,057. The aggregate amount of the franchise fees and the technical fees for the year ended 31 December 2008 is approximately HK$13,040,802.

2. ***Supply agreement between Fortune Choice Limited and Shigemitsu***

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

   The annual cap set for the Group's total amount payable to Shigemitsu under the Supply Agreement for the year ended 31 December 2008 is HK$81,714,557. The actual amount payable for the year is approximately HK$24,757,487.

3. ***Sales agreement between Fortune Choice and Shigemitsu***

   Fortune Choice and Shigemitsu entered into a sales agreement on 23 March 2006 (the "Sales Agreement (Japan)"), pursuant to which Fortune Choice agrees to sell and export various goods to Shigemitsu, including fried union crispy packs, fried garlic crispy packs and other sundry items.

   The annual cap set for Shigemitsu's total amount payable to the Group under the Sales Agreement (Japan) for the year ended 31 December 2008 is HK$912,535. The actual amount received for the year is approximately HK$510,459.

Shenzhen Weiqian transactions

Weiqian Noodle Food Service (Shenzhen) Co. Ltd. ("Shenzhen Weiqian") is a wholly foreign owned enterprise established in the PRC and wholly owned by Ajisen Ramen Group Limited, which was wholly and beneficially owned by Ms. Poon Wai, an executive Director of the Company.

Framework agreement

A framework agreement was entered between the Group and Shenzhen Weiqian on 8 March 2007 to provide for general terms as well as specific agreements to deal with the connected transactions between the Group and Shenzhen Weiqian (the "Framework Agreement"). The Framework Agreement comprised the following agreements:

1. ***Management agreement***

   Shenzhen Weiqian entered into a management agreement with the Group for a period of three years commencing from 1 January 2006 (the "Management Agreement"). Pursuant to the Management Agreement, Shenzhen Weiqian entrusted its head office and Ajisen restaurants to the Group for management. The Group provided various management services to Shenzhen Weiqian, including development of restaurant business, formulation of marketing strategy, purchase of materials and equipment and provision of staff training.

   The service fee payable by Shenzhen Weiqian to the Group under the Management Agreement was equivalent to 22% of the total turnover of Shenzhen Weiqian.

2. ***Trademark licence agreement***

   Shenzhen Weiqian and the Group entered into a trademark licence agreement, pursuant to which Shenzhen Weiqian was granted a three-year licence to use the Ajisen trademark in its Ajisen restaurant business commencing from 1 January 2006 (the "Trademark Licence Agreement"). The licence fee payable by Shenzhen Weiqian to the Group was equivalent to 2% of the total turnover of Shenzhen Weiqian. The 2% licence fee was included as part of the 22% management fee payable by Shenzhen Weiqian under the Management Agreement.

3. ***Sales agreement (Shenzhen)***

   Shenzhen Weiqian and the Group entered into a sales agreement, pursuant to which the Group agreed to sell various goods and supplies to Shenzhen Weiqian for its Ajisen restaurant business for a term of three years commencing from 1 January 2006 (the "Sales Agreement (Shenzhen)").

   The prices of the goods supplied under the Sales Agreement (Shenzhen) would be determined with reference to the prevailing market prices and would be no more favorable than those offered by the Group to its other purchasers.

4. ***Tenancy agreements***

   Pursuant to the two separate tenancy agreements signed between the Group as landlord and Shenzhen Weiqian as tenant (the "Tenancy Agreements"), the Group leased to Shenzhen Weiqian certain premises in the PRC for use as office and retail shops for a term of three years commencing from 1 January 2006. During 2007, the Tenancy Agreement in respect of office premises was terminated with effective from 1 April 2007.

   An independent professional property valuer had reviewed the Tenancy Agreements and confirmed that the terms of the Tenancy Agreements were normal commercial terms and the rental payable under the Tenancy Agreements were in line with fair market rentals.

The annual cap set for Shenzhen Weiqian's total amount payable to the Group under the Framework Agreement (together with the Management Agreement, the Trademark Licence Agreement, the Sales Agreement (Shenzhen) and the Tenancy Agreements) for the year ended 31 December 2008 is HK$43,027,191. The actual amount payable for the year is HK$24,133,944.

Design Union transactions

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

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

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

The annual cap set for the amount payable by the Group to Design Union under the Design Union Agreement for the year ended 31 December 2008 is HK$16,445,000. The actual amount payable for the year is HK$11,206,546.

Waivers from the Stock Exchange

Each of the Franchise Agreements, the Supply Agreement, the Sales Agreement (Japan), the Framework Agreement and the Design Union Agreement constitutes a continuing connected transaction subject to applicable reporting, announcement and independent shareholders' approval requirements pursuant to the relevant Listing Rules.

The Directors have confirmed that the terms of the Franchise Agreements, the Supply Agreement, the Sales Agreement (Japan), the Framework Agreement and the Design Union Agreement have been negotiated on an arm's length basis between the parties involved. The Directors are of the opinion that the annual caps set respectively for the Franchise Agreements, the Supply Agreement, the Sales Agreement (Japan), the Framework Agreement and the Design Union Agreement are arrived at after due and careful consideration.

Accordingly, pursuant to Rule 14A.42(3) of the Listing Rules, the Group applied to the Stock Exchange for, and the Stock Exchange has granted to the Group, a waiver from strict compliance with the announcement and independent shareholders' approval requirements under Rule 14A.35 of the Listing Rules in respect of the Franchise Agreements, the Supply Agreement, the Sales Agreement (Japan), the Framework Agreement and the Design Union Agreement.

The Shenzhen Weiqian transactions as described in the above ceased to be continuing connected transactions of the Company following the completion of acquisition of Shenzhen Weiqian by the Group in July 2008, whereupon Shenzhen Weiqian has become an indirect wholly-owned subsidiary of the Company (the "Acquisition"). The Acquisition constituted a major and connected transaction of the Company.

After completion of the Acquisition, the Group has a continuing connected transaction with Ms. Poon Wai, an executive Director, whereby Ms. Poon Wai leases to Shenzhen Weiqian certain premises for use by Shenzhen Weiqian as offices.

Ms. Poon Wai leases to Shenzhen Weiqian certain premises for use as offices for a term of three years commencing from 1 July 2008 (the "Leasing Agreement").

An independent professional property valuer has reviewed the Leasing Agreement and confirmed that the rent does not exceed the reasonable range of the prevailing market rent.

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

The annual cap in respect of the rent payable under the Leasing Agreement for the year ended 31 December 2008 is HK$923,468. The actual amount payable for the year is HK$923,468.

The Board, including the independent non-executive Directors of the Company, has reviewed and confirmed that the continuing connected transactions set out above have been entered into:

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

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

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

The auditors of the Company performed certain pre-determined procedures and reported their findings regarding whether the continuing connected transactions entered into by the Group set out above for the year ended 31 December 2008:

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

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

(3) have not exceeded the relevant cap amounts disclosed in the prospectus of the Company dated 19 March 2007 and the announcement of the Company dated 9 July 2008; and

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

As Ms. Poon Wai, Mr. Poon Ka Man, Jason and Mr. Katsuaki Shigemitsu have interests in Shenzhen Weiqian, Design Union and Shigemitsu respectively, they have abstained from physically attending meetings or have abstained from voting on any such board resolution of the Group in relation to the Acquisition and the continuing connected transactions.

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

Sufficiency of public float

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

Post-balance sheet events

Details of significant events occurring after the balance sheet date are set out in note 40 to the consolidated financial statements.

Auditors

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

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

The PRC, 17 April 2009

Independent Auditor's Report

Deloitte.
德勤

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

We have audited the consolidated financial statements of Ajisen (China) Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 51 to 117, which comprise the consolidated balance sheet as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2008 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
17 April 2009

Consolidated Income Statement

For the year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000 (As restated)
Turnover	6	1,673,072	1,081,970
Other income	7	55,258	105,557
Other gains and losses	8	(4,785)	(3,906)
Cost of inventories consumed		(539,545)	(344,093)
Staff costs		(297,670)	(158,297)
Depreciation		(85,507)	(49,531)
Property rentals and related expenses		(236,433)	(152,565)
Other operating expenses		(264,818)	(170,043)
Finance costs	9	(660)	(1,887)
Profit before taxation	10	298,912	307,205
Taxation	12	(68,554)	(68,167)
Profit for the year		230,358	239,038
Attributable to:			
Equity holders of the Company		220,841	231,572
Minority interests		9,517	7,466
		230,358	239,038
Dividends paid	13	61,131	—
		HK cents	HK cents
Earnings per share			
— Basic	14	20.69	23.51
— Diluted	14	20.57	23.33

Consolidated Balance Sheet

At 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000 (As restated)
Non-current assets			
Investment properties	15	**96,868**	—
Property, plant and equipment	16	**528,356**	345,538
Prepaid lease payments	17	**39,293**	5,869
Deposits paid for acquisition of property, plant and equipment		**4,324**	13,415
Deposits paid for acquisition of land lease		**24,809**	10,723
Rental deposits		**49,286**	29,114
Goodwill	18	**37,135**	37,135
Deferred tax assets	19	**3,685**	3,555
Available-for-sale investments	20	**2,109**	2,155
		785,865	447,504
Current assets			
Inventories	21	**51,973**	31,062
Trade and other receivables	22	**89,281**	79,255
Amount due from a director	23	**—**	8,460
Amounts due from related parties	24	**9,117**	10,920
Taxation recoverable		**3,130**	1,245
Other financial assets	25	**253,940**	41,200
Bank balances and cash	26	**1,382,752**	1,814,391
		1,790,193	1,986,533
Current liabilities			
Trade and other payables	27	**225,534**	155,481
Amounts due to related companies	28	**13,595**	10,913
Amounts due to directors	28	**1,166**	544
Amount due to a shareholder	28	**12,728**	7,388
Dividend payable		**1**	—
Taxation payable		**36,514**	50,912
Secured bank loans — current	29	**3,768**	—
Bank overdrafts	30	**—**	614
		293,306	225,852
Net current assets		**1,496,887**	1,760,681
Total assets less current liabilities		**2,282,752**	2,208,185

At 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000 (As restated)
Non-current liabilities			
Deferred tax liabilities	19	7,294	4,692
Secured bank loans — non-current	29	63,324	—
		70,618	4,692
Net assets		2,212,134	2,203,493
Capital and reserves			
Share capital	31	106,769	104,510
Reserves		2,074,546	2,076,065
Equity attributable to equity holders of the Company		2,181,315	2,180,575
Minority interests		30,819	22,918
Total equity		2,212,134	2,203,493

The consolidated financial statements on pages 51 to 117 were approved and authorised for issue by the Board of Directors on 17 April 2009 and are signed on its behalf by:

Poon Wai
Director

Poon Ka Man, Jason
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2008

	Attributable to equity holders of the Company												
	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000	Share options reserve HK$'000	Capital reserve HK$'000	Investment revaluation reserve HK$'000	Properties revaluation reserve HK$'000	Translation reserve HK$'000	Statutory surplus reserve fund HK$'000	Retained profits HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 1 January 2007 (As previously stated)	8	—	86,160	—	59	—	—	562	4,722	71,285	162,796	5,658	168,454
Arising from Common Control Combination (see *Notes 2 and 31*)	10	—	—	—	—	—	—	60	2,880	12,427	15,377	—	15,377
At 1 January 2007 (As restated)	18	—	86,160	—	59	—	—	622	7,602	83,712	178,173	5,658	183,831
Exchange differences arising on translation	—	—	—	—	—	—	—	23,812	—	—	23,812	1,065	24,877
Gain on fair value changes in available-for-sale investments	—	—	—	—	—	82	—	—	—	—	82	—	82
Net income recognised directly in equity	—	—	—	—	—	82	—	23,812	—	—	23,894	1,065	24,959
Profit for the year	—	—	—	—	—	—	—	—	—	231,572	231,572	7,466	239,038
Total recognised income for the year	—	—	—	—	—	82	—	23,812	—	231,572	255,476	8,531	263,997
Issue of shares of as consideration for the acquisition of a subsidiary pursuant to the Group Reorganisation (As defined in *Note 2*)	380	—	(380)	—	—	—	—	—	—	—	—	—	—
Arising on Group Reorganisation (as defined in *Note 2*)	(8)	—	8	—	—	—	—	—	—	—	—	—	—
Capitalisation issue of new shares *(Note 31 (a)(iii))*	70,548	(70,548)	—	—	—	—	—	—	—	—	—	—	—
Issue of new shares by the Company	33,572	1,802,827	—	—	—	—	—	—	—	—	1,836,399	—	1,836,399
Transaction costs attributable to issue of new shares	—	(93,100)	—	—	—	—	—	—	—	—	(93,100)	—	(93,100)
Capital contributions from minority shareholders	—	—	—	—	1,100	—	—	—	—	—	1,100	8,729	9,829
Transfer	—	—	—	—	—	—	—	—	4,647	(4,647)	—	—	—
Recognition of equity-settled share-based payments	—	—	—	2,537	—	—	—	—	—	—	2,537	—	2,537
At 31 December 2007 and 1 January 2008 (As restated)	104,510	1,639,179	85,788	2,537	1,159	82	—	24,434	12,249	310,637	2,180,575	22,918	2,203,493

Consolidated Statement of Changes in Equity (continued)

For the year ended 31 December 2008

	Attributable to equity holders of the Company												
	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000	Share options reserve HK$'000	Capital reserve HK$'000	Investment revaluation reserve HK$'000	Properties revaluation reserve HK$'000	Translation reserve HK$'000	Statutory surplus reserve fund HK$'000	Retained profits HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 31 December 2007 and 1 January 2008 (As restated) — continued	104,510	1,639,179	85,788	2,537	1,159	82	—	24,434	12,249	310,637	2,180,575	22,918	2,203,493
Exchange differences arising on translation	—	—	—	—	—	—	—	38,161	—	—	38,161	1,595	39,756
Surplus on revaluation of properties	—	—	—	—	—	—	5,305	—	—	—	5,305	—	5,305
Deferred tax liability arising on revaluation of properties	—	—	—	—	—	—	(1,326)	—	—	—	(1,326)	—	(1,326)
Loss on fair value changes in available-for-sales investments	—	—	—	—	—	(46)	—	—	—	—	(46)	—	(46)
Net (expense) income recognised directly in equity	—	—	—	—	—	(46)	3,979	38,161	—	—	42,094	1,595	43,689
Profit for the year	—	—	—	—	—	—	—	—	—	220,841	220,841	9,517	230,358
Total recognised income and expense for the year	—	—	—	—	—	(46)	3,979	38,161	—	220,841	262,935	11,112	274,047
Dividends paid to minority interests	—	—	—	—	—	—	—	—	—	—	—	(3,211)	(3,211)
Dividends declared	—	—	—	—	—	—	—	—	—	(61,131)	(61,131)	—	(61,131)
Capital contributions from a shareholder for incorporation of Luck Right *(Note 2)*	78	—	—	—	—	—	—	—	—	—	78	—	78
Arising on the Common Control Combination *(Note 2)*	(88)	—	88	—	—	—	—	—	—	—	—	—	—
Issue of new shares of the Company pursuant to the Common Control Combination *(Note 2)*	2,248	153,570	(155,818)	—	—	—	—	—	—	—	—	—	—
Payment to shareholders pursuant to the Common Control Combination *(Note 2)*	—	—	(207,713)	—	—	—	—	—	—	—	(207,713)	—	(207,713)
Shares issued upon exercise of share options	21	978	—	(57)	—	—	—	—	—	—	942	—	942
Transfer	—	—	—	—	—	—	—	—	1,006	(1,006)	—	—	—
Recognition of equity-settled share-based payments	—	—	—	5,629	—	—	—	—	—	—	5,629	—	5,629
At 31 December 2008	106,769	1,793,727	(277,655)	8,109	1,159	36	3,979	62,595	13,255	469,341	2,181,315	30,819	2,212,134

The special reserve mainly represents the aggregate of:

(a) An amount of approximately HK$41 million, being the difference between the paid-in capital of Ajisen (China) International Limited ("Ajisen International") and the subsidiaries involved in the group reorganisation set out in the paragraph headed "Corporate Reorganisation" in Appendix VI to the prospectus dated 19 March 2007 issued by the Company.

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

(c) A net debit amount of approximately HK$363 million, being the difference between (i) the consideration which comprised cash consideration of HK$208 million and share consideration of HK$155 million of the Common Control Combination (as defined in Note 2) and (ii) the share capital of Luck Right Limited ("Luck Right").

Share options reserve represents fair values of share options recognised as expense over the vesting period on a straight-line basis.

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

Investment revaluation reserve represents the changes in fair value of available-for-sale investments.

Properties revaluation reserve represents the difference between (i) the carrying amount and (iii) the fair value of property interests previously classified as property, plant and equipment by the Group at the date the Group changed its intention and transferred these property interests to investment properties.

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

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	2008 HK$'000	2007 HK$'000 (As restated)
Operating activities		
Profit before taxation	298,912	307,205
Adjustments for:		
Allowance for doubtful debts	147	137
Change in fair values of investment properties	5,064	—
Change in fair values of other financial assets	(7,381)	(1,200)
Depreciation	85,507	49,531
Interest expenses	660	1,887
Interest income	(24,667)	(69,976)
Loss on disposal of property, plant and equipment	4,425	2,079
Operating lease rentals in respect of prepaid lease payments	1,140	1,696
Share-based payment expenses	5,629	2,537
Gain on disposal of shares allotted under subscription of a new listing applicant's shares on the Stock Exchange of Hong Kong Limited (the "Share Subscription")	—	(962)
Operating cash flows before movements in working capital	369,436	292,934
Increase in rental deposits	(20,172)	(29,114)
Increase in inventories	(19,384)	(4,829)
Increase in trade and other receivables	(4,579)	(8,446)
Increase in trade and other payables	50,919	39,309
Cash from operations	376,220	289,854
Tax paid	(89,466)	(44,921)
Tax refunded	2,562	723
Net cash from operating activities	289,316	245,656

(continued)

Consolidated Cash Flow Statement (continued)

For the year ended 31 December 2008

	2008 HK$'000	2007 HK$'000 (As restated)
Investing activities		
Proceeds on redemption of other financial assets	244,641	—
Interest received	24,667	69,976
Repayment from (advance to) a director	24,013	(8,460)
Proceeds from disposal of property, plant and equipment	3,749	8,240
Repayment from related parties	2,779	32,710
Deposits paid for acquisition of property, plant and equipment	(4,324)	(13,415)
Addition of prepaid lease payments	(23,503)	(744)
Deposits paid for acquisition of land leases	(24,809)	(10,723)
Purchase of investment properties	(93,464)	—
Payment to shareholders pursuant to the Common Control Combination	(207,713)	—
Purchase of property, plant and equipment	(231,623)	(180,507)
Addition of other financial assets	(450,000)	(40,000)
Payment of transaction costs attributable to issue of new shares	—	(93,100)
Application for the Share Subscription	—	(206,058)
Refund of unsuccessful application monies in respect of the Share Subscription	—	204,382
Proceeds on disposal of shares allotted under the Share Subscription	—	2,638
Purchase of available-for-sale investments	—	(537)
Net cash used in investing activities	(735,587)	(235,598)
Financing activities		
Bank loans raised	68,000	194,508
Advance from shareholders	4,966	3,257
Advance from (repayment to) related companies	1,919	(2,923)
Proceeds from issue of shares	942	1,836,399
Capital contribution from a shareholder	78	—
Interest paid	(660)	(1,887)
Repayment of bank loans	(908)	(314,693)
Dividends paid to minority interests	(3,211)	—
Repayment to directors	(14,445)	(37,723)
Dividends paid	(61,130)	(11,220)
Capital contributions from minority shareholders	—	9,829
Net cash (used in) from financing activities	(4,449)	1,675,547

(continued)

Consolidated Cash Flow Statement (continued)

For the year ended 31 December 2008

	2008 HK$'000	2007 HK$'000 (As restated)
(Decrease) increase in cash and cash equivalents	(450,720)	1,685,605
Cash and cash equivalents at 1 January	1,813,777	119,178
Effect of foreign exchange rate changes	19,695	8,994
Cash and cash equivalents at 31 December	1,382,752	1,813,777
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	1,382,752	1,814,391
Bank overdrafts	—	(614)
	1,382,752	1,813,777

1. General

The Company is incorporated and registered as an exempted company with limited liability on 6 April 2006 under the Companies Law of the Cayman Islands and acts as an investment holding company. The principal activities of its principal subsidiaries are set out in note 41. Its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 30 March 2007. Its immediate holding company is Favour Choice Limited, a company which is incorporated in the British Virgin Islands and wholly-owned by Anmi Holdings Limited, a company which is incorporated in the British Virgin Islands and wholly-owned by Anmi Trust, which is founded by Ms. Poon who is a director of the Company. The addresses of the registered office and the principal place of business of the Company are disclosed in the "Corporation Information" section of the annual report.

The functional currency of the Company and its Hong Kong operating subsidiaries is Hong Kong dollars ("HK$"). The functional currency of its Mainland China (the "PRC") operating subsidiaries is Renminbi ("RMB").

Previously, the directors of the Company prepared the consolidated financial statements of the Group in RMB. During the year ended 31 December 2008, the directors of the Company changed the presentation currency of the consolidated financial statements from RMB to HK$ as the directors of the Company consider that it is an appropriate presentation for a company listed in Hong Kong and for the convenience of the shareholders of the Company.

During the year ended 31 December 2008, the directors of the Company changed the analysis of expenses on the consolidated income statement from a classification based on their function within the Group to a classification based on the nature of the expenses. The directors of the Company consider that the change provides a more relevant and reliable presentation on the expense classification after taking into account the industry factors and the nature of operations of the Group.

2. Basis of preparation of the consolidated financial statements

Under a group reorganisation (the "Group Reorganisation") in preparation for the listing of the Company's shares on the Stock Exchange, the Company has become the holding company of Ajisen (China) International Limited and its subsidiaries on 8 March 2007 (together with the Company and the Luck Right Group defined below, collectively referred to as the "Group") upon completion of the Group Reorganisation.

Details of the Group Reorganisation are set out in the paragraph headed "Corporate Reorganisation" in Appendix VI to the prospectus dated 19 March 2007 issued by the Company (the "Prospectus").

During the year ended 31 December 2008, Festive Profits Limited, a wholly-owned subsidiary of the Company acquired the entire interests in Luck Right Limited ("Luck Right"), which was incorporated on 3 January 2008, and its subsidiaries (together referred to as the "Luck Right Group") from Ms. Poon Wai (the "Common Control Combination") which has been satisfied by the issue of 22,484,570 of the new shares of the Company of HK$0.10 each and cash payment of approximately HK$207,713,000 on 9 July 2008. Details of the Common Control Combination are set out in the Prospectus and circular of the Company dated 28 May 2008 (the "Circular"), respectively. The Common Control Combination was completed on 20 June 2008 when all precedent conditions were fulfilled.

2. Basis of preparation of the consolidated financial statements (continued)

Although the Group resulting from the above-mentioned Group Reorganisation and Common Control Combination did not exist until 8 March 2007 and 20 June 2008 respectively, the directors of the Company consider that meaningful information as regards to the historical performance of the Group, which includes entities under common control, is provided by treating the Group resulting from the Group Reorganisation and Common Control Combination as a continuing entity as if the group structure existed after the Group Reorganisation and Common Control Combination had been in existence from the beginning of the year ended 31 December 2007. Accordingly, the consolidated financial statements of the Group have been prepared using the principles of merger accounting in accordance with Accounting Guideline 5 "Merger accounting for common control combinations" issued by the Hong Kong Institute of Certified Public Accountants as if the group structure resulted from the Group Reorganisation and Common Control Combination had been in existence from 1 January 2007 onwards or since the respective incorporation or establishment dates of the Company comprising the Group, whichever is the shorter period.

Under the principles of merger accounting, the consolidated income statements, the consolidated cash flow statements and consolidated statement of changes in equity for the year ended 31 December 2007 have been restated to include the financial information of the Luck Right Group as if the group structure upon the completion of the Common Control Combination had been in existence from 1 January 2007 onwards. The consolidated balance sheet as at 31 December 2007 has been restated to include the assets and liabilities of the Luck Right Group as if the group structure upon the completion of the Common Control Combination had been in existence at that date.

The effect of the Common Control Combination on the consolidated balance sheet as at 31 December 2007 is summarised below:

Balance sheet items	As previously stated HK$'000	Carrying amounts of net asset of the Luck Right Group HK$'000	Elimination and adjustment HK$'000	As restated HK$'000
Non-current assets	420,702	26,802	—	447,504
Current assets *(Note a)*	1,969,973	27,934	(11,374)	1,986,533
Current liabilities *(Notes a and b)*	(204,955)	(28,044)	7,147	(225,852)
Non-current liabilities	(4,692)	—	—	(4,692)
Total effects on assets and liabilities	2,181,028	26,692	(4,227)	2,203,493

2. Basis of preparation of the consolidated financial statements (continued)

The effect of the Common Control Combination on the consolidated balance sheet as at 1 January 2007 is summarised below:

Balance sheet items	As previously stated	Carrying amounts of net asset of the Luck Right Group	Elimination	As restated
	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	213,068	26,606	—	239,674
Current assets *(Note a)*	247,069	44,817	(35,510)	256,376
Current liabilities *(Note a)*	(218,578)	(56,046)	35,510	(239,114)
Non-current liabilities	(73,105)	—	—	(73,105)
Total effects on assets and liabilities	168,454	15,377	—	183,831

Notes:

(a) The adjustment represents the elimination of balances between the Group and the Luck Right Group as at 31 December 2007 and as at 1 January 2007 which arose from the connected transactions between the Group and the Luck Right Group as disclosed in the Company's 2007 annual report.

(b) The adjustment represents the transaction costs of approximately HK$4,227,000.

The Group's turnover and profit for the year ended 31 December 2007 have been restated to include the turnover and profit attributable to the Luck Right Group for the year ended 31 December 2007 of approximately HK$151,713,000 and HK$8,968,000 respectively.

3. Application of new and revised Hong Kong financial reporting standards ("HKFRSs")

In the current year, the Group has applied, for the first time, a number of amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are or have become effective. The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 39 (Amendment)	Eligible hedged items[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 7 (Amendment)	Improving Disclosure about Financial Instruments[2]
HKFRS 8	Operating Segments[2]
HK(IFRIC)-Int 9 & HKAS 39 (Amendments)	Embedded Derivatives[4]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[5]
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation[6]
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners[3]
HK(IFRIC)-Int 18	Transfers of Assets from Customers[7]

1 Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009

2 Effective for annual periods beginning on or after 1 January 2009

3 Effective for annual periods beginning on or after 1 July 2009

4 Effective for annual periods ending on or after 30 June 2009

5 Effective for annual periods beginning on 1 July 2008

6 Effective for annual periods beginning on or after 1 October 2008

7 Effective for transfers on or after 1 July 2009

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 January 2010. HKAS 27 (Revised) will affect the Group's accounting treatment for changes in the Group's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and financial position of the Group.

4. Significant accounting policies

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments and investment properties, which are measured at fair values, as explained in accordance with the accounting policies set out below.

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year, except for those acquired pursuant to the Group Reorganisation and those accounted for as common control combinations (see accounting policy below), are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business combination

Common control combinations

The business combinations under common control are accounted for in accordance with Accounting Guideline 5 "Merger Accounting for common control combinations". In applying merger accounting, the consolidated financial statements incorporate the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated income statement includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

4. Significant accounting policies (continued)

Business combination (continued)

Common control combinations (continued)

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the previous balance sheet date or when they first come under common control, which is the shorter.

Business combinations other than common control combinations

The acquisitions of subsidiaries under business combination other than common control combinations are accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 "Business Combinations" are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Goodwill

Goodwill arising on an acquisition of a subsidiary or acquisition of additional interest in subsidiaries represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a business or additional interests in a subsidiary is presented separately in the consolidated balance sheet.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

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

4. Significant accounting policies (continued)

Excess of an acquirer's interest in the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over cost ("discount on acquisitions")

A discount on acquisition arising on an acquisition of a subsidiary represents the excess of the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination. Discount on acquisition is recognised immediately in profit or loss after re-assessment.

Acquisition of additional interest in subsidiaries

Goodwill arising on acquisition of additional interest in subsidiaries represents the excess of the cost of the acquisition over the fair value of the net assets attributable to the additional interest in the subsidiaries. The Group continues to measure the assets and liabilities of the subsidiaries at the respective carrying values and the difference between the consideration and the goodwill and the carrying values of the underlying assets and liabilities attributable to the additional interests in subsidiaries is debited directly to special reserve.

Revenue recognition

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

Revenue from sale of goods are recognised when goods are delivered and title has passed while service revenue (including management fee and commission fee) is recognised when the services are provided.

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

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

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

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

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

4. Significant accounting policies (continued)

Property, plant and equipment (continued)

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

Investment properties

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

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value 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 or 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 consolidated income statement in the year in which the item is derecognised.

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 the consolidated income statement on a straight-line basis over the term of the relevant lease.

The Group as leasee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis. Contingent rents are recognised and charged as expense in the period, in which they are incurred.

Leasehold land and building

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

4. Significant accounting policies (continued)

Inventories

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

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

At each balance sheet date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the tangible asset 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 in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the three categories, including loans and receivables, available-for-sale investments and financial assets at fair value through profit or loss ("FVTPL"). 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.

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

4. Significant accounting policies (continued)

Financial instruments (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss of the Group comprise those designated as at fair value through profit or loss upon initial recognition.

A financial asset may be designated as at fair value through profit or loss 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 FVTPL.

Other financial assets

Other financial assets are hybrid instruments that contain embedded derivatives. The Group has designated these financial assets as "financial assets at fair value through profit or loss" upon initial recognition in accordance with HKAS39. The assets are carried at fair values, with changes in fair values recognised in profit or loss in which they arise. The net gain or loss recognised in profit or loss includes interest earned on such other financial assets.

Loans and receivables

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

Available-for-sale investments

Available-for-sale investments are non-derivative financial assets that are either designated or not classified as FVTPL, loans and receivables or held-to-maturity investment. At each balance sheet date subsequent to initial recognition, available-for-sale investments are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss (see accounting policy on impairment loss on financial assets below).

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settle by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition (see accounting policy on impairment loss on financial assets below).

4. Significant accounting policies (continued)

Financial instruments (continued)

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are 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 impacted.

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

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

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganisation.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

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

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

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 losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in equity.

4. Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Financial liabilities (including trade and other payables, amounts due to related companies, amounts due to directors, amount due to a shareholder, dividend payable, short-term and long-term secured bank loans and bank overdrafts) are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Group are recorded as the proceeds received, net of direct issue costs. Equity instruments issued as consideration for acquisition of subsidiaries are recorded at fair value of the shares at acquisition date.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. 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 directly in equity is recognised in profit or loss.

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

4. Significant accounting policies (continued)

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have enacted or substantively enacted by the balance sheet date.

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

Deferred tax liabilities are recognised for taxable differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date 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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Borrowing costs

All borrowing costs are recognised as and included in finance costs in the consolidated income statement in the period in which they are incurred.

Government subsidies

Government subsidies are recognised as income over the periods necessary to match them with the related costs. The subsidies are recognised as other income in the consolidated income statement where there is reasonable assurance that the subsidies will be received and the Group comply with conditions attaching to them, if any.

4. Significant accounting policies (continued)

Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency).

In preparing the financial statements of individual entities, transactions in currencies other than the entity's functional currency (foreign currency) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated at the rates prevailing at 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 re-translated.

Exchange differences arising on the settlement of monetary items, and on the re-translation of monetary items, are included in profit or loss for the period. Exchange differences arising on the re-translation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the re-translation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated to HK$ using exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during the period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Retirement benefit costs

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

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

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

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

4. Significant accounting policies (continued)

Share-based payment transactions (continued)

Equity-settled share-based payment transactions (continued)

Share options granted to employees (continued)

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

At the time when the terms of share options were modified, any incremental fair values, which represent the excess of fair values of the share options immediately after modification over that of immediately before modification, will be expensed over the remaining vesting period of the share options being modified.

5. Key sources of estimation uncertainty

In the process of applying the Group's accounting policies which are described in note 4. The management has made various estimates based on past experience, expectations of the future and other information. The key sources of estimation uncertainty at the balance sheet date, 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.

Estimated impairment of Cash Generating Units (as defined below), containing goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the restaurants operating in Hong Kong and the PRC (the "Cash Generating Units") to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the Cash Generating Units and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. Details of the recoverable amount calculation are disclosed in note 18.

Fair values of other financial instruments not quoted in active markets

The directors of the Company use their judgement in selecting appropriate valuation techniques for financial instruments not quoted in active markets. Valuation techniques commonly used by market practitioners are applied. In relation to the other financial assets set out in note 25, they are valued using a discounted cash flow analysis based on the terms of the instruments and assumptions supported by market rates. As at 31 December 2008, the carrying amount of the financial instruments is approximately HK$253.9 million (2007: HK$41.2 million). Details of such financial instruments are disclosed in note 25.

Fair values of share options granted and/or modified by the Company

As described in note 32, the directors of the Company use their judgement in selecting appropriate valuation techniques for share options granted and/or modified by the Company. Valuation technique, namely Black Scholes pricing model, which is commonly used by market practitioners, has been applied for estimating the fair values of share options. The estimation of fair values of the share options are derived after taking into account the input parameters, such as the Company's share price, exercise price of the share options, expected volatility of the Company's share price, expected life of the share options, risk-free interest rates and expected dividend yield of the shares, etc. Details of the inputs and parameters for estimating the fair values of options are disclosed in note 32.

6. Geographical and business segments

Geographical segments

The Group's operations are located in Hong Kong and the PRC. This is used as the basis on which the Group reports its primary segment information. The following table provides an analysis of the Group's segment information by geographical location of customers, irrespective of the origin of the goods:

Income Statement

	2008 HK$'000	2007 HK$'000 (As restated)
TURNOVER		
Hong Kong		
— external sales	271,808	216,175
— inter-segment sales *(Note)*	4,816	7,021
	276,624	223,196
PRC		
— external sales	1,401,264	865,795
— inter-segment sales *(Note)*	8,741	6,961
	1,410,005	872,756
Elimination of inter-segment sales	(13,557)	(13,982)
	1,673,072	1,081,970

Note: Inter-segment sales are charged at a margin ranging from 8% to 10% on cost.

6. Geographical and business segments (continued)

Geographical segments (continued)

Results

	2008 HK$'000	2007 HK$'000 (As restated)
Profit from operations		
— Hong Kong	58,403	45,553
— PRC	280,082	201,341
	338,485	246,894
Unallocated income	32,059	93,836
Unallocated expenses	(70,972)	(31,638)
Finance costs	(660)	(1,887)
Profit before taxation	298,912	307,205
Taxation	(68,554)	(68,167)
Profit for the year	230,358	239,038

Balance Sheet

	Segment assets	
	2008 HK$'000	2007 HK$'000 (As restated)
By location of customers which is also where assets locate:		
Segment assets		
Hong Kong	154,057	94,914
PRC	682,610	467,169
	836,667	562,083
Unallocated	1,739,391	1,871,954
Total assets	2,576,058	2,434,037

6. Geographical and business segments (continued)

Geographical segments (continued)

Balance Sheet (continued)

	Segment liabilities 2008 HK$'000	Segment liabilities 2007 HK$'000 (As restated)
Segment liabilities		
Hong Kong	(23,048)	(13,976)
PRC	(224,552)	(146,545)
	(247,600)	(160,521)
Unallocated	(116,324)	(70,023)
Total liabilities	(363,924)	(230,544)

Other Information

For the year ended 31 December 2008

	Hong Kong HK$'000	PRC HK$'000	Unallocated HK$'000	Total HK$'000
Depreciation	10,910	74,461	136	85,507
Capital addition	160,841	224,806	—	385,647
Allowance for doubtful debts	—	147	—	147
Loss on disposal of property, plant and equipment	—	4,425	—	4,425
Operating lease rentals in respect of prepaid lease payments	198	942	—	1,140
Change in fair values of investment properties	4,874	190	—	5,064

6. Geographical and business segments (continued)

Geographical segments (continued)

Other Information (continued)

For the year ended 31 December 2007

	Hong Kong HK$'000 (As restated)	PRC HK$'000 (As restated)	Unallocated HK$'000 (As restated)	Total HK$'000 (As restated)
Depreciation	7,308	42,144	79	49,531
Capital addition	18,114	176,491	1,458	196,063
Allowance for doubtful debts	—	137	—	137
Loss on disposal of property, plant and equipment	541	1,538	—	2,079
Operating lease rentals in respect of prepaid lease payments	—	1,696	—	1,696

Business segments

The Group is currently organised into two operating divisions namely operation of restaurants and the manufacture and sales of noodle and related products.

The following table provides an analysis of the Group's turnover from external customers, the carrying amount of segment assets and capital additions by business segments:

	2008 HK$'000	2007 HK$'000 (As restated)
TURNOVER		
Operation of restaurants		
— external sales	1,596,106	1,026,052
Sales of packaged noodles and related products		
— external sales	76,966	55,918
— inter-segment sales	13,557	13,982
	90,523	69,900
Elimination of inter-segment sales	(13,557)	(13,982)
	1,673,072	1,081,970

6. Geographical and business segments (continued)

Business segments (continued)

	Capital additions 2008 HK$'000	Capital additions 2007 HK$'000 (As restated)	Carrying amount of assets 2008 HK$'000	Carrying amount of assets 2007 HK$'000 (As restated)
Operation of restaurants	233,992	185,001	632,491	443,438
Sales of packaged noodles and related products	151,655	9,655	204,176	118,645
	385,647	194,656	836,667	562,083
Unallocated	—	1,407	1,739,391	1,871,954
	385,647	196,063	2,576,058	2,434,037

7. Other income

	2008 HK$'000	2007 HK$'000 (As restated)
Commission income	—	496
Government subsidies	11,263	19,111
Interest income		
— on monies received from application of new shares	—	20,645
— on bank deposits	24,667	49,331
Management fee income *(Note 39)*	—	6,965
Property rental (net of negligible (2007: nil) outgoings)	3,443	1,676
Royalty income from sub-franchisee	10,652	1,894
Others	5,233	5,439
	55,258	105,557

8. Other gains and losses

	2008 HK$'000	2007 HK$'000 (As restated)
Allowance for doubtful debts	(147)	(137)
Change in fair values of investment properties	(5,064)	—
Change in fair values of other financial assets *(Note)*	7,381	1,200
Loss on disposal of property, plant and equipment	(4,425)	(2,079)
Net foreign exchange loss	(2,530)	(3,852)
Gain on disposal of shares allocated under subscription at new listing applicant's shares under the Stock Exchange	—	962
	(4,785)	(3,906)

Note: Included in change in fair values of other financial assets is interest income earned on other financial assets of approximately HK$3,441,000 (2007: nil).

9. Finance costs

	2008 HK$'000	2007 HK$'000 (As restated)
Interest on bank loans		
— wholly repayable within five years	21	1,638
— not wholly repayable within five years	639	249
	660	1,887

10. Profit before taxation

	2008 HK$'000	2007 HK$'000 (As restated)
Profit before taxation has been arrived at after charging:		
Cost of inventories consumed *(Note a)*	539,545	344,093
Directors' remuneration *(Note 11)*	5,938	4,646
Other staff costs	258,410	139,583
Other staff's retirement benefits scheme contributions	29,846	13,301
Other staff's share-based payment expenses	3,476	767
Total staff costs	297,670	158,297
Advertising and promotion expenses	20,018	14,541
Auditor's remuneration	4,442	3,065
Non-audit services	3,153	800
	7,595	3,865
Fuel and utility expenses	103,591	73,294
Operating lease rentals in respect of		
— prepaid lease payments	1,140	1,696
— rented premises *(Note b)*	211,835	146,298

Notes:

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

b. Included in the operating lease rentals in respect of rented premises are minimum lease payments of approximately HK$127,586,000 (2007: HK$122,737,000) and contingent rent of approximately HK$84,249,000 (2007: HK$23,561,000).

11. Directors' and employees' remuneration

The emoluments paid or payable to each of the nine (2007: eight) directors were as follows:

	2008						2007					
	Fees HK$'000	Salaries and other benefits HK$'000	Performance related incentive bonuses HK$'000 *(Note c)*	Share-based payment expenses HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000	Fees HK$'000 (As restated)	Salaries and other benefits HK$'000 *(Note c)* (As restated)	Performance related incentive bonuses HK$'000 (As restated)	Share-based payment expenses HK$'000 (As restated)	Retirement benefits scheme contributions HK$'000 (As restated)	Total HK$'000 (As restated)
Executive directors												
Ms. Poon Wai	–	1,732	71	1,355	12	3,170	74	1,420	—	1,114	12	2,620
Mr. Yin Yibing	–	358	–	399	–	757	—	36	—	328	—	364
Mr. Poon Ka Man, Jason	–	840	35	399	12	1,286	74	675	27	328	13	1,117
Non-executive directors												
Mr. Wong Hin Sin, Eugene	162	–	–	–	–	162	122	—	—	—	—	122
Mr. Katsuaki Shigenitsu	100	–	–	–	–	100	74	—	—	—	—	74
Independent non-executive directors												
Mr. Peter Lo	163	–	–	–	–	163	122	—	—	—	—	122
Mr. Jen Shek Voon	163	–	–	–	–	163	122	—	—	—	—	122
Mr. Wang Jincheng *(Note a)*	42	–	–	–	–	42	—	—	—	—	—	—
Mr. Yan Yu *(Note b)*	95	–	–	–	–	95	105	—	—	—	—	105
	725	2,930	106	2,153	24	5,938	693	2,131	27	1,770	25	4,646

Notes:

a. He was appointed as an independent non-executive director of the Company with effect from 9 September 2008.

b. He resigned as an independent non-executive director of the Company with effect from 9 September 2008.

c. The performance related incentive bonuses for the year ended 31 December 2008 and 31 December 2007 were determined based on performance of the Group.

The five highest paid individuals included two (2007: two) directors of the Company, details of whose emoluments are set out above. The emoluments of the remaining three (2007: three) highest paid individuals during the year are as follows:

	2008 HK$'000	2007 HK$'000 (As restated)
Employees		
— Basic salaries and allowances	2,224	2,178
— Performance related incentive bonuses	768	460
— Share-based payment expenses	588	144
— Retirement benefits scheme contributions	46	34
	3,626	2,816

11. Directors' and employees' remuneration (continued)

The emoluments of the five highest paid individuals were within the following bands:

	2008 HK$'000	2007 HK$'000 (As restated)
HK$nil to HK$1,000,000	1	2
HK$1,000,001 to HK$1,500,000	3	2
HK$2,500,001 to HK$3,000,000	—	1
HK$3,000,001 to HK$3,500,000	1	—

During the year, no emoluments were paid by the Group to the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during the year.

12. Taxation

	2008 HK$'000	2007 HK$'000 (As restated)
Hong Kong Profits Tax		
— current year	4,457	4,049
— under(over)provision in prior years	1,754	(457)
	6,211	3,592
PRC income tax		
— current year	64,274	63,480
— overprovision in prior years	(3,077)	(1,317)
	61,197	62,163
	67,408	65,755
Deferred taxation *(note 19)*		
— current year	993	2,105
— attributable to a change in tax rate	153	307
	1,146	2,412
	68,554	68,167

12. Taxation (continued)

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which includes the reduction in corporate profit tax rate by 1% to 16.5% effective from the year of assessment 2008/2009. The annual tax rate used for Hong Kong Profits Tax is 16.5% (2007: 17.5%) for the year ended 31 December 2008.

PRC income tax is calculated at the applicable tax rates in accordance with the relevant law and regulations in the PRC.

On 16 March 2007, the People's Republic of China promulgated the Law of the People's Republic of China on Enterprise Income Tax ("New Tax Law") by Order No. 63 of the President of the People's Republic of China. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Tax Law. The New Tax Law and Implementation Regulations (i) changes the tax rate from 33% to 25% for certain subsidiaries of the Group from 1 January 2008 and (ii) provides a five-year transition period starting from its effective date for those enterprises which were established before the promulgation date of the New Tax Law and were entitled to a preferential lower tax rate and/or tax holiday under the then effective tax laws or regulations ("Tax Exemptions"). The relevant tax rates for the Group's subsidiaries in the PRC in 2008 range from 18% to 25% (2007: 15% to 33%).

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

The deferred tax balance has already reflected the tax rates that are expected to apply to the respective periods when the asset is realised or the liability is settled.

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

	Hong Kong				PRC				Total			
	2008		2007		2008		2007		2008		2007	
	HK$'000	%	HK$'000 (As restated)	%	HK$'000	%	HK$'000 (As restated)	%	HK$'000	%	HK$'000 (As restated)	%
Profit before taxation	33,012		82,234		265,900		224,971		298,912		307,205	
Tax at the applicable income tax rate	5,447	16.5	14,391	17.5	66,475	25.0	74,240	33.0	71,922	24.1	88,631	28.9
Tax effect of expenses not deductible for tax purposes	240	0.7	176	0.2	508	0.2	902	0.4	748	0.3	1,078	0.4
Tax effect of income not taxable for tax purposes	(3,847)	(11.7)	(13,187)	(16.0)	–	–	—	—	(3,847)	(1.3)	(13,187)	(4.4)
Tax effect of deemed taxable income	–	–	—	—	–	–	2,084	0.9	–	–	2,084	0.7
Effect of Tax Exemptions granted to PRC subsidiaries	–	–	—	—	(3,261)	(1.2)	(2,058)	(0.9)	(3,261)	(1.1)	(2,058)	(0.7)
Tax effect of tax losses not recognised	2,170	6.6	1,000	1.2	1,712	0.6	1,762	0.8	3,882	1.3	2,762	0.9
Decrease in opening deferred tax asset resulting from a decrease in applicable tax rate	153	0.5	—	—	–	–	307	0.1	153	0.1	307	0.1
Withholding income tax provision on dividends from PRC	–	–	—	—	2,000	0.8	—	—	2,000	0.7	—	—
Income tax at concessionary rate	–	–	—	—	–	–	(9,291)	(4.1)	–	–	(9,291)	(3.0)
Under(over)provision in prior years	1,754	5.3	(457)	(0.6)	(3,077)	(1.2)	(1,317)	(0.6)	(1,323)	(0.5)	(1,774)	(0.6)
Others	(119)	(0.4)	(1,080)	(1.3)	(1,601)	(0.6)	695	0.3	(1,720)	(0.6)	(385)	(0.1)
Tax charge and effective tax rate for the year	5,798	17.5	843	1.0	62,756	23.6	67,324	29.9	68,554	23.0	68,167	22.2

13. Dividends

	2008 HK$'000	2007 HK$'000
Dividends recognised as distribution during the year: Final, paid — HK5.85 cents per share for 2007 (2007: nil for 2006)	61,131	—

A final dividend of HK5.25 cents per ordinary share (2007: HK5.85 cents per ordinary share) and a special dividend of HK4.20 cents per ordinary share (2007: nil), which amounted to an aggregate amount of approximately HK$100,896,000 (2007: HK$61,131,000) for the year ended 31 December 2008 have been proposed by the directors and is subject to approval by the shareholders in the annual general meeting to be held on 29 June 2009.

14. Earnings per share

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

	2008 HK$'000	2007 HK$'000 (As restated)
Earnings for the purposes of basic and diluted earnings per share, being profit for the year attributable to equity holders of the Company	220,841	231,572
	Number of shares	
Weighted average number of ordinary shares for the purposes of calculating basic earnings per share	1,067,582,714	985,187,570
Effect of dilutive potential ordinary shares relating to: — outstanding share options	6,276,067	7,380,000
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	1,073,858,781	992,567,570

In calculating the weighted average number of ordinary shares for the purpose of calculating basic earnings per share, the shares that were issued for purchase of a subsidiary pursuant to the Group Reorganisation, the Common Control Combination and capitalisation issue of shares are treated as if they had been in issue throughout both years.

15. Investment properties

	HK$'000
FAIR VALUE	
At 1 January 2007, 31 December 2007 and 1 January 2008	—
Additions	93,464
Transfers from property, plant and equipment	8,468
Change in fair values recognised in the consolidated income statement	(5,064)
At 31 December 2008	96,868

During the year ended 31 December 2008, the Group transferred certain of its property interests with carrying values of approximately HK$3,163,000 (2007: nil) from property, plant and equipment to investment properties. Such property interests are then measured using the fair value model and classified and accounted for as investment properties. The resulting revaluation surplus of approximately HK$5,305,000 arising from such a change of intention have been credited to the properties revaluation reserve.

The fair value of the Group's investment properties were valued by CB Richard Ellis Limited and DTZ Debenham Tie Leung Limited, independent qualified professional valuers not connected with the Group, at 1 January 2008 (the date of change of intention for the use of the property interests mentioned above) and at 31 December 2008. CB Richard Ellis Limited and DTZ Debenham Tie Leung Limited are members of the Hong Kong Institute of Surveyors, and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation was arrived at by reference to market evidence of transaction prices for similar properties in the same locations and condition at respective dates.

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

Included in the Group's investment properties are investment properties with carrying amounts of approximately HK$59,600,000 (2007: nil) that have been pledged to secure bank loans granted to the Group.

The carrying value of investment properties shown above comprises:

	2008 HK$'000	2007 HK$'000
Land in Hong Kong:		
Medium-term lease	88,590	—
Land outside Hong Kong:		
Medium-term lease	8,278	—
	96,868	—

16. Property, plant and equipment

	Buildings HK$'000	Leasehold improvements HK$'000	Furniture & fixtures and equipment HK$'000	Motor vehicles HK$'000	Plant and machinery HK$'000	Total HK$'000
COST						
At 1 January 2007						
(As previously stated)	55,316	106,405	18,047	5,794	46,281	231,843
Effect of Common Control						
Combination	6,736	19,355	1,661	1,202	2,941	31,895
At 1 January 2007 (As restated)	62,052	125,760	19,708	6,996	49,222	263,738
Currency realignment	6,616	10,207	1,326	497	3,629	21,811
Additions	117,615	103,844	14,777	2,456	27,393	195,319
Disposals	—	(3,003)	(6,162)	(119)	(3,269)	(12,553)
At 31 December 2007 (As restated)	115,053	236,808	29,649	9,830	76,975	468,315
Currency realignment	7,277	15,831	1,883	422	5,200	30,613
Additions	20,522	155,453	19,654	366	60,531	256,526
Disposals	—	(7,778)	(153)	(924)	(888)	(9,743)
Transfer to investment properties	(3,880)	—	—	—	—	(3,880)
At 31 December 2008	138,972	400,314	51,033	9,694	141,818	741,831
DEPRECIATION						
At 1 January 2007 (As previously						
stated)	7,003	31,468	7,215	1,371	18,091	65,148
Effect of Common Control						
Combination	373	4,474	220	283	462	5,812
At 1 January 2007 (As restated)	7,376	35,942	7,435	1,654	18,553	70,960
Currency realignment	696	2,939	321	100	989	5,045
Provided for the year	4,502	31,529	3,328	1,329	8,843	49,531
Eliminated on disposals	—	(826)	(194)	(119)	(1,620)	(2,759)
Transfer to investment properties	(717)	—	—	—	—	(717)
At 31 December 2007 (As restated)	12,574	69,584	10,890	2,964	26,765	122,777
Currency realignment	919	4,657	536	143	1,222	7,477
Provided for the year	5,752	54,581	6,746	1,402	17,026	85,507
Eliminated on disposals	—	(683)	(53)	(46)	(787)	(1,569)
Eliminated upon transfer to						
Investment properties	(717)	—	—	—	—	(717)
At 31 December 2008	18,528	128,139	18,119	4,463	44,226	213,475
CARRYING VALUES						
At 31 December 2008	120,444	272,175	32,914	5,231	97,592	528,356
At 31 December 2007 (As restated)	102,479	167,224	18,759	6,866	50,210	345,538

16. Property, plant and equipment (continued)

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

Land and buildings	20 years
Leasehold improvements	Over the shorter of the period of the respective lease or 10 years
Furniture & fixtures and equipment	15%–20%
Motor vehicles	20%
Plant and machinery	15%–20%

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

The Group pledged certain of its land and buildings with carrying values of approximately HK$13,275,000 at 31 December 2008 (2007: nil) to a bank to secure the bank loans granted to the Group.

At 31 December 2008, the Group has not yet obtained certificates of legal ownership on certain buildings with aggregate carrying amounts of HK$19,707,000 (2007: nil). The Group is in the process to obtain the related certificates and the directors of the Company do not anticipate that the Group will have any obstacles in the process to obtain these related legal titles.

17. Prepaid lease payments

	2008 HK$'000	2007 HK$'000
CARRYING VALUE		
At 1 January	6,469	7,421
Additions during the year	35,657	744
Charged to consolidated income statement for the year	(1,140)	(1,696)
At 31 December	40,986	6,469
Less: Amount to be amortised within one year included in trade and other receivables	(1,693)	(600)
Non-current portion	39,293	5,869
Prepaid lease payments comprises:		
Land use rights situated in the PRC under medium-term lease	13,614	4,918
Leasehold land situated in Hong Kong under medium-term lease	23,202	—
Property rentals paid in advance for restaurants	4,170	1,551
	40,986	6,469

17. Prepaid lease payments (continued)

The Group pledged certain of its leasehold land with carrying values of approximately HK$23,202,000 at 31 December 2008 (2007: nil) to a bank to secure the bank loans granted to the Group.

At 31 December 2008, the Group has not yet obtained certificates of legal ownership on certain land use rights with carrying amount of HK$8,505,000 (2007: nil). The Group is in the process to obtain the related certificates and the directors of the Company do not anticipate that the Group will have any obstacles in the process to obtain these related legal titles.

18. Goodwill

	2008 HK$'000	2007 HK$'000 (As restated)
COST	37,135	37,135

Included above, goodwill of HK$35.6 million is allocated to the Cash Generating Units of certain restaurants operating in Hong Kong while the remaining goodwill is allocated to the Cash Generating Units of the restaurants operating in the PRC.

During the year, management of the Group determines that there was no impairment of any of its Cash Generating Units containing goodwill.

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

During the year, the Group performed impairment review for goodwill based on cash flow forecasts derived from the most recent financial budgets for the next five years approved by management using a discount rate of 12.5% (2007: 9%) which reflects current market assessments of the time value of money and the risks specific to the Cash Generating Units. The cash flows for the remaining years up to 2015 are explorated using a growth rate of 3% (2007: 4.6%) per annum. The growth rates are based on industry growth forecasts. No impairment loss was considered necessary.

19. Deferred taxation

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

	Difference in depreciation HK$'000	Revaluation of properties HK$'000	Accrued rentals HK$'000	Withholding tax on undistributed dividends HK$'000	Tax losses HK$'000	Government subsidies HK$'000	Total HK$'000
At 1 January 2007	(114)	—	1,389	—	—	—	1,275
Credit to consolidated income statement for the year	2,120	—	(1,026)	—	1,354	(4,553)	(2,105)
Effect of change in tax rate	—	—	(307)	—	—	—	(307)
At 31 December 2007	2,006	—	56	—	1,354	(4,553)	(1,137)
Credit to equity directly	—	(1,326)	—	—	—	—	(1,326)
Credit (charge) to consolidated income statement for the year	637	836	2	(2,000)	(1,277)	809	(993)
Effect of change in tax rate	(76)	—	—	—	(77)	—	(153)
At 31 December 2008	2,567	(490)	58	(2,000)	—	(3,744)	(3,609)

For the purposes of balance sheet presentation, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2008 HK$'000	2007 HK$'000
Deferred tax assets	3,685	3,555
Deferred tax liabilities	(7,294)	(4,692)
	(3,609)	(1,137)

19. Deferred taxation (continued)

The Group has unutilised tax losses of approximately HK$30,327,000 (2007: HK$18,068,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unutilised tax losses due to the unpredictability of future profit streams. The unrecognised tax losses may be carried forward indefinitely except the losses which expire as follows:

	2008 HK$'000	2007 HK$'000 (As restated)
Year of expiry		
2009	183	183
2010	—	—
2011 and afterwards	17,596	5,364
	17,779	5,547

Under the New Tax Law, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not yet been provided for in the consolidated financial statements in respect of temporary differences attributable to undistributed profits of the PRC subsidiaries derived in the year ended 31 December 2008 amounting to approximately HK$144,278,000 as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

20. Available-for-sale investments

	2008 HK$'000	2007 HK$'000 (As restated)
Unlisted investments	1,572	1,618
Unlisted equity investments in Taiwan, at cost	537	537
	2,109	2,155

As at 31 December 2008, the unlisted investments are index funds and stated at fair value provided by the counterparty investment fund managers.

As at 31 December 2008, the unlisted equity investments are equity securities issued by a private entity established in Taiwan. They are measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so significant that the directors are of the opinion that fair values cannot be measured fairly.

21. Inventories

	2008 HK$'000	2007 HK$'000 (As restated)
Raw materials and consumables	**45,915**	24,337
Work in progress	**5**	15
Finished goods	**6,053**	6,710
	51,973	31,062

22. Trade and other receivables

	2008 HK$'000	2007 HK$'000 (As restated)
Trade receivables		
— related companies	**404**	4,827
— others	**26,137**	17,516
	26,541	22,343
Rental and utility deposits	**30,604**	16,077
Property rentals paid in advance for restaurants	**5,194**	16,612
Advance to suppliers	**3,171**	1,530
Other receivables and prepayments	**23,771**	22,693
	89,281	79,255

The related companies are companies in which certain directors of the Company, Ms. Poon Wai, Mr. Poon Ka Man, Jason and Mr. Kasuaki Shigemitsu, have significant beneficial interests or a shareholder of the Company, Mr. Cheng Wai Tao, has significant beneficial interest.

22. Trade and other receivables (continued)

Payment terms of customers of independent third parties and related companies relating to sales of noodles and related products are mainly on credit after receiving deposits. Customers are normally granted 60 to 90 days credit period upon issuance of invoices, except for certain well established customers for which the credit terms are up to 180 days. There was no credit period for customers relating to sales from operation of restaurants. The following is an aged analysis of trade receivables net of allowance for doubtful debts at the reporting date:

	2008 HK$'000	2007 HK$'000 (As restated)
Age		
0 to 30 days	14,121	11,142
31 to 60 days	4,040	3,517
61 to 90 days	2,674	1,872
91 to 180 days	2,279	407
Over 180 days	3,427	5,405
	26,541	22,343

No interest is charged on the trade receivables. The Group has provided fully for all receivables over 365 days based on historical experience. Trade receivables between 180 and 365 days are provided for based on estimated irrecoverable amounts from the sales of goods, determined by reference to past default experience and objective evidences of impairment. Majority of the debtors of the Group's trade receivables that are neither past due nor impaired at 31 December 2008 and 31 December 2007 have no default history and of good credit quality.

Included in the Group's trade receivable balances are debtors with a carrying amount of approximately HK$3,427,000 (2007: HK$5,405,000) which are past due as at 31 December 2008 for which the Group has not provided as the Group has recovered such amount subsequent to the balance sheet date. The Group does not hold any collateral over the balances. The age of these balances was 210 days as at 31 December 2008 (2007: 210 days).

Movement in the allowance for doubtful debts:

	HK$'000
Balance at 1 January 2007	—
Increase in allowance recognised in consolidated income statement	137
Balance at 31 December 2007	137
Increase in allowance recognised in consolidated income statement	147
Balance at 31 December 2008	284

22. Trade and other receivables (continued)

Included in the allowance for doubtful debts is impairment of approximately HK$284,000 (2007: HK$137,000) recognised in respect of individually fully impaired trade receivables relating to entities under severe financial difficulties. The Group does not hold any collateral over these 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 reporting date. After reassessment, the directors believe that no further allowance is required.

23. Amount due from a director

Details of the amount due from a director are as follows:

	2008 HK$'000	2007 HK$'000 (As restated)	Maximum amount outstanding during the year HK$'000
Ms. Poon Wai	–	8,460	24,013

At 31 December 2007, the amount was unsecured, interest-free and repayable on demand. The amount was fully settled during the year ended 31 December 2008.

24. Amounts due from related parties

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

Name of related party	2008 HK$'000	2007 HK$'000 (As restated)	Maximum amount outstanding during the year HK$'000
Shanghai Jiacai Ramen Restaurant, a sole proprietor entity held by a cousin of Ms. Poon Wai	9,080	10,887	13,289
Well Keen International Ltd., a company in which Ms. Poon Wai has a beneficial interest	25	25	25
Step Profit Ltd., a company in which Ms. Poon Wai, Mr. Poon Ka Man, Jason and Mr. Katsuaki Shigemitsu have beneficial interests	12	8	12
	9,117	10,920	

24. Amounts due from related parties (continued)

The amounts are unsecured, interest-free and repayable on demand.

As at 31 December 2008 and 31 December 2007, the related parties balances of the Group are neither past due nor impaired as they have no default history and there are continuous subsequent settlement. The Group does not hold collateral over these balances.

25. Other financial assets

	2008 HK$'000	2007 HK$'000
Financial assets designated as at fair value through profit or loss (FVTPL)	253,940	41,200

At 31 December 2008, the Group had three (31 December 2007: one) contract(s) of principal-protected deposit(s) with two (31 December 2007: one) bank(s) for a period of one year (31 December 2007: one year). The significant terms and conditions relating to the financial assets as FVTPL are as follows:

31 December 2008

(i) ***Deposit linked to USDCNY Booster***

Notional amount	Start date	Deposit end date	Interest rate	Fair value HK$'000
HK$100,000,000	24 January 2008	23 January 2009	variable	99,958

The deposit is a principal-protected deposit. Yield rate is related to the change of USD spot exchange rate in comparison to that of RMB on specific date pre-determined by the bank and the Group each month ("Monthly Appreciation"). In accordance with the relevant terms of the agreement, the yield rate would be 5% per annum if all the twelve Monthly Appreciations during the period from start date to deposit end date (the "Period") are greater than or equal to 0.1%. The yield rate would be 4% per annum if any of eleven Monthly Appreciations during the Period are greater than or equal to 0.1%. The yield rate would be 3% per annum if any of ten Monthly Appreciations during the Period are greater than or equal to 0.1%. The yield rate would be 2% per annum if any of nine Monthly Appreciations during the Period are greater than or equal to 0.1%. Otherwise, the yield rate would be zero. On 23 January 2009, the deposit was settled at principal amount.

25. Other financial assets (continued)

31 December 2008 (continued)

(ii) ***USDCNY Inverse Floater Quanto Deposit***

Notional amount	Start date	Deposit end date	Interest rate	Fair value HK$'000
HK$100,000,000	4 February 2008	4 February 2009	variable	102,511

The deposit is a principal-protected deposit. Yield rate is related to the average of total monthly depreciation of USD spot exchange rates in comparison to RMB on specific date pre-determined by the bank and the Group ("Annualised Cumulative Monthly CNY Depreciation"). In accordance with the relevant terms of the agreement, the yield rate would be 370% after deducting the Annualised Cumulative Monthly CNY Depreciation, if the Annualised Cumulative Monthly CNY Depreciation was less than 370% during the period from start date to deposit end date (the "Period"). However, when the Annualised Cumulative Monthly CNY Depreciation was greater than 370% during the period, the amount payable by the bank to the Group would be 100% of the notional amount of the deposit. On 4 February 2009, the deposit was settled at principal amount plus yield.

(iii) ***Deposit linked to DB EUR Forward Rate Bias Index***

Notional amount	Start date	Deposit end date	Interest rate	Fair value HK$'000
HK$50,000,000	28 March 2008	28 March 2009	variable	51,471

The deposit is a principal-protected deposit. Yield rate is related to the European Dollars ("Euro") forward exchange rates in comparison to RMB. In accordance with the relevant terms of the agreement, the yield rate would be 250% of the difference between the Euro forward rate at 5 business days before the deposit end date and the Euro forward rate at the deposit start date ("Change"), if the Change was greater than zero. However, when the Change was less than zero, the amount payable by the bank to the Group would be 100% of the notional amount of the deposit. On 28 March 2009, the deposit was settled at principal amount plus yield.

25. Other financial assets (continued)

At 31 December 2007

(iv) ***Deposit linked to DB Balanced Currency Harvest Index***

Notional amount	Start date	Deposit end date	Interest rate	Fair value HK$'000
HK$40,000,000	30 July 2007	1 August 2008	variable	41,200

The deposit was a principal-protected deposit with guaranteed yield of 2% on its notional amount. Yield rate was related to the United States Dollars ("USD") forward exchange rates and forward interest rates in comparison to Turkish Lira/South African Rand/Brazilian Real/New Zealand Dollars/Australia Dollars/South Korean Won/Japanese Yen/Swiss Franc/Singaporean Dollars and Taiwan Dollars (the "bracket of currencies"). In accordance with the relevant terms of the agreement, when the yield rate was greater than zero, the amount payable by the bank to the Group would be 102% plus 60% of the yield rate of the notional amount of the deposit. However, when the yield rate was less than zero, the amount payable by the bank to the Group would be 102% of the notional amount of the deposit. The deposit was settled at principal amount plus yield during the year ended 31 December 2008.

The products (i), (iii) and (iv) are issued by Deutsch Bank AG, London and the product (ii) is issued by BNP Paribas.

The principal-protected deposits are designated at fair values through profit or loss upon initial recognition as the deposits form part of contracts containing embedded derivatives. They are stated at fair values derived from discounted cash flow analysis based on the terms of the deposits and relevant market inputs, such as forward and spot exchange rates of USD and Euro and interest rates (2007: forward exchange and interest rates of a bracket of currencies), on each balance sheet date, which are provided by the counterparty financial institutions.

During the year ended 31 December 2008, the change in fair value of the deposits is approximately HK$7,381,000 (2007: HK$1,200,000) and has been credited to the consolidated income statement.

26. Bank balances and cash

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less which carry interest at market rates ranging from 0.72% to 4.14% (2007: 0.72% to 5.72%) per annum.

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

	2008 HK$'000	2007 HK$'000 (As restated)
USD	306,225	21,216

26. Bank balances and cash (continued)

Certain bank balances and cash of approximately HK$781,683,000 (2007: HK$359,065,000) were denominated in RMB which is not a freely convertible currency in the international market. The exchange rate of RMB is determined by the Government of the PRC and the remittance of these funds out of the PRC is subject to exchange restrictions imposed by the Government of the PRC.

27. Trade and other payables

	2008 HK$'000	2007 HK$'000 (As restated)
Trade payables		
— related companies	7,263	5,283
— others	96,659	61,860
	103,922	67,143
Payroll and welfare payables	22,944	12,243
Customers' deposits received	3,824	1,799
Payable for acquisition of property, plant and equipment	32,975	21,487
Payable for property rentals	30,944	17,063
Other taxes payable	15,007	18,313
Others	15,918	17,433
	225,534	155,481

The related companies are companies in which Mr. Kasuaki Shigemitsu or Ms. Poon Wai has significant beneficial interest.

The following is an aged analysis of trade payables at the balance sheet date:

	2008 HK$'000	2007 HK$'000 (As restated)
0 to 30 days	58,791	47,763
31 to 60 days	18,840	11,920
61 to 90 days	7,696	3,648
91 to 180 days	8,298	1,856
Over 180 days	10,297	1,956
	103,922	67,143

28. Amount(s) due to related companies/directors/a shareholder

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

Either Ms. Poon Wai or Mr. Katsuaki Shigemitsu has significant beneficial interest in these related companies.

29. Secured bank loans

	2008 HK$'000	2007 HK$'000
Carrying amount repayable:		
Within one year	3,768	—
More than one year, but not exceeding two years	3,869	—
More than two years but not more than five years	12,241	—
More than five years	47,214	—
	67,092	—
Less: Amounts due within one year shown under current liabilities	(3,768)	—
	63,324	—

During the year, the Group obtained bank loans as mentioned above in the amount of HK$68,000,000 (2007: nil). The Group's bank loans carry interest at 2.60% below Hong Kong Prime Rate. The bank loans will be fully repayable in 15 years. The average effective interest rate (which is also equal to contracted interest rate) on the Group's variable rate bank loans is 2.90% (2007: N/A). The proceeds were used to finance the acquisition of certain of property, plant and equipment, leasehold land and investment properties of the Group.

30. Bank overdrafts

As at 31 December 2007, the bank overdrafts were unsecured and carried interest at market rates at 14.75% per annum.

31. Share capital

	Notes	Number of shares	Share capital HK$'000
Authorised:			
Ordinary shares of HK$0.10 each			
At 1 January 2007		3,800,000	380
Increase during the year	(a)(i)	9,996,200,000	999,620
At 31 December 2007, 1 January 2008 and 31 December 2008		10,000,000,000	1,000,000
Issued and fully paid:			
At 1 January 2007		1	—
Issue of shares as consideration for the acquisition of a subsidiary pursuant to the Group Reorganisation	(b)	3,799,999	380
Issue of new shares upon listing of the Company's share on the Stock Exchange	(a)(ii)	290,722,000	29,072
Capitalisation issue of shares	(a)(iii)	705,478,000	70,548
Issue of new shares upon exercise of the over-allotment option	(c)	45,000,000	4,500
At 31 December 2007 and 1 January 2008		1,045,000,000	104,500
Exercise of share options		202,500	21
Arising from the Common Control Combination	(d)	22,484,570	2,248
At 31 December 2008		1,067,687,070	106,769

The share capital at 31 December 2007 represented the issued and fully paid capital of the Company and Ajisen Ramen Group Limited, which became a wholly-owned subsidiary of Luck Right upon the incorporation of Luck Right in 2008.

Notes:

(a) On 8 March 2007, shareholder's resolutions were passed to approve the matters set out in the paragraph headed "Written resolutions of the shareholders of the Company passed on 8 March 2007" in Appendix to the Prospectus, pursuant to which:

(i) The authorised share capital of the Company was increased from HK$380,000 to HK$1,000,000,000 divided into 10,000,000,000 ordinary shares of HK$0.10 each.

(ii) On 30 March 2007, 290,722,000 ordinary shares of HK$0.10 each of the Company were issued ("New Issue") at HK$5.47 by way of placing and public offer. On the same date, the Company's shares were listed on the Main Board of the Stock Exchange.

31. Share capital (continued)

Notes: (continued)

(iii) Upon the New Issue, the directors of the Company allocated and issued at par 705,478,000 ordinary shares to the shareholders of the Company on the register of members of the Company at the close of business on 8 March 2007 in proportion to their then respective existing shareholdings in the Company by capitalisation of total amount of HK$70,547,800 (equivalent to RMB70,547,800) standing to the credit of the share premium account of the Company.

(b) On 8 March 2007, the Company took up the entire share capital of Ajisen International from Ms. Poon Wai, Mr. Cheng Wai Tao, Mr. Katsuaki Shigemitsu, Shigemitsu Industry Co., Ltd., Sirius Investment Inc. and Sirus Capital Holdings Pte Limited by exchange of its shares through (i) the crediting as fully paid up at par the one nil-paid share registered in the name of Favor Choice Group Limited ("Favor Choice") and (ii) the allotment and issue of 3,001,999 shares to Favor Choice, credited as fully paid, at the direction of Ms. Poon Wai, 418,000 shares to Mr. Cheng Wai Tao, credited as fully paid, 76,000 shares to Shigemitsu Industry Co., Ltd. credited as fully paid, 190,000 shares to Mr. Katsuaki Shigemitsu, credit as fully paid, 76,000 shares to Sirius Investment Inc., credited as fully paid and 38,000 shares to Sirius Capital Holdings Pte Limited, credited as fully paid.

(c) On 10 April 2007, an over-allotment option was exercised and a further 45,000,000 shares of HK$0.10 each were issued at HK$5.47 per share.

(d) On 9 July 2008, 22,484,570 ordinary shares were issued for the purpose of the acquisition of Luck Right which was accounted for as business combination under common control (see note 2).

(e) During the year ended 31 December 2008, the Company issued 202,500 new shares upon exercise of share options at the issue price of HK$4.6495 per share.

All shares issued during the year ranked pari passu in all respects with all shares then in issue.

32. Share option schemes

The Company adopted its share option scheme (the "Share Option Scheme") and pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") on 8 March 2007.

(a) Share Option Scheme

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

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

32. Share option schemes (continued)

(a) Share Option Scheme (continued)

The subscription price of a share in respect of option granted under the Share Option Scheme will be determined by the Board provided that it shall not be less than the higher of : (i) the closing price of the shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant, and (ii) the average closing price of the shares as stated in the daily quotations sheets of the Stock Exchange for the 5 business day immediately preceding the date of grant, and (iii) the nominal value of the shares.

The following table disclosed movements of the Company's share options under the Share Option Scheme during the year:

Grant date	Outstanding at 1 January 2008	Granted during the year	Exercised during the year	Lapsed during the year	Forfeited during the year	Modified during the year	Outstanding at 31 December 2008
25 June 2008	—	2,780,000	—	(900,000)	—	(430,000)	1,450,000
31 December 2008	—	1,050,000	—	—	—	—	1,050,000
	—	3,830,000	—	(900,000)	—	(430,000)	2,500,000

During the year ended 31 December 2008, 2,780,000 share options and 1,050,000 share options were granted on 25 June 2008 and 31 December 2008, respectively. The estimated fair values of the options on those dates are approximately HK$11,063,000 and HK$1,909,000, respectively. During the year ended 31 December 2008, 900,000 share options previously granted by the Company were lapsed due to the departure of employees. No share options granted on 25 June 2008 and 31 December 2008 by the Company were exercised during the year ended 31 December 2008.

During the year ended 31 December 2007, no option was granted by the Company under the Share Option Scheme.

Set out below are details of the share options granted during the year:

(1) The share options granted under the Share Option Scheme during the year were at exercise prices of HK$3.726 per share and HK$8.394 per share respectively.

32. Share option schemes (continued)

(a) Share Option Scheme (continued)

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

Share options granted on 25 June 2008

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

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

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

(iii) The share options will vest on 2 July 2009.

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

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

Share options granted on 31 December 2008

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

32. Share option schemes (continued)

(a) Share Option Scheme (continued)

(2) (continued)

Share options granted on 31 December 2008 (continued)

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

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

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

	Granted on 25 June 2008	Granted on 31 December 2008
Share price	HK$8.300	HK$3.610
Exercise price	HK$8.394	HK$3.726
Expected volatility	52.380%	61.99%
Expected life	4.88 to 5.63 years	5.50–7.50 years
Risk-free interest rates	3.461–3.545%	1.179%–1.190%
Expected dividend yield	0.641%	1.473%

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

The Group recognised the total expense of approximately HK$2,479,000 for the year ended 31 December 2008 (2007: nil) in relation to share options granted by the Company under the Share Option Scheme.

(4) During the year ended 31 December 2008, the Company modified details of certain outstanding share options. The exercise price of 1,180,000 outstanding share options was reduced from HK$8.394 per share to HK$3.726 per share. In addition, the Company reduces the number of outstanding share options by 430,000 on the same date. The directors of the Company confirmed that the reduction on number of outstanding share options and reduction on the exercise price would be part of the same arrangement and the reduction on number of outstanding share options would not have occurred without the reduction on exercise price and vice versa.

32. Share option schemes (continued)

(a) Share Option Scheme (continued)

(4) (continued)

The fair values of the share options of the Company immediately before and after modification at 31 December 2008 were calculated using the Black Scholes pricing model. The inputs into the model were as follows:

	Before modification	After modification
Share price	HK$3.61	HK$3.61
Exercise price	HK$8.394	HK$3.726
Expected volatility	61.99%	61.99%
Expected life	4.11 to 5.98 years	4.11 to 6.49 years
Risk free interest rates	1.053% to 1.194%	1.053% to 1.194%
Expected dividend yield	1.473%	1.473%

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

The fair values of the share options of the Company immediately before and after modification at 31 December 2008 were approximately HK$1,888,000 and HK$1,962,000, respectively. The incremental fair values of approximately HK$74,000 will be expensed over the remaining vesting period of the relevant share options.

At 31 December 2008, the number of shares in respect of which options under the Share Option Scheme had been granted and remained outstanding was 2,500,000 (2007: N/A), representing 0.23% of the shares of the Company in issue at that date.

(b) Pre-IPO Share Option Scheme

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

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

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

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

32. Share option schemes (continued)

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

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

	Number of Options								
Grantees	Number of options granted on 8 March 2007	Exercise during the year	Forfeited during the year	Lapsed during the year	Outstanding up to 31 December 2007	Exercise during the year	Forfeited during the year	Lapsed during the year	Outstanding up to 31 December 2008
(1) Directors									
Ms.Poon Wai *(Note 2)*	8,485,000	—	—	—	8,485,000	—	—	—	8,485,000
Mr. Poon Ka Man, Jason *(Note 2)*	2,500,000	—	—	—	2,500,000	—	—	—	2,500,000
Mr. Yin Yibing *(Note 2)*	2,500,000	—	—	—	2,500,000	—	—	—	2,500,000
(2) Employees and others	6,515,000	—	—	(270,000)	6,245,000	(202,500)	—	(642,500)	5,400,000
	20,000,000	—	—	(270,000)	19,730,000	(202,500)	—	(642,500)	18,885,000

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

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

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

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

32. Share option schemes (continued)

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

(4) In respect of the share options exercised during the year, the weighted average share price at the dates of exercise is HK$7.46 (2007: N/A). During the year ended 31 December 2008, 642,500 (2007: 270,000) share options granted to employees of the Group were lapsed due to departure of the employees. At 31 December 2008, the number of shares in respect of which options under the Pre-IPO Share Option Scheme had been granted and remained outstanding was 18,885,000 (2007: 19,730,000), representing 1.76% (2007 as restated: 1.85%) of the shares of the Company in issue at that date.

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

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

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

The risk-free rate interest was based on yield of Hong Kong Exchange Fund Note. Expected volatility was determined by using the historical volatility of entities with the business in which the Group is engaged. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioral considerations.

The Group recognised total expense of HK$3,150,000 for the year ended 31 December 2008 (2007: HK$2,537,000) in relation to share options granted by the Company under the Pre-IPO Share Option Scheme.

33. Financial instruments

(a) Financial risk management objectives and policies

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

Currency risk

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

Although the fair values of the other financial assets will be affected by the fluctuations of the exchange rates of USD and Euro (2007: forward exchange rates of the bracket of currencies (see note 25)), the downside foreign currency risk arising from such deposit will be minimal due to its principal-protected nature.

The carrying amounts of the Group's bank balances that are denominated in foreign currency of group entities, mainly USD, as at 31 December 2008 and 31 December 2007 are approximately HK$306,225,000 and HK$21,216,000, respectively.

Management will continue to monitor foreign currency risk exposure and consider hedging against it should the need arise.

Sensitivity analysis

This sensitivity analysis only details the Group's sensitivity to a 5% (2007: 5%) appreciation and depreciation in the foreign currency, USD, against RMB. The directors of the Company consider that exposure of the Group's HK operating subsidiaries to USD is insignificant as that HK$ is pegged to USD. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis includes only outstanding USD denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rate. If functional currency had strengthened/weakened 5% against the relevant currency, the Group's post-tax profit for the year ended 31 December 2008 would have decreased/increased approximately by HK$6,246,000 (2007: decrease/increase approximately by HK$56,000).

33. Financial instruments (continued)

(a) Financial risk management objectives and policies (continued)

Interest rate risk

As at 31 December 2008, the Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances, short-term and long-term secured bank loans (see notes 26 and 29 for details of these balances). As at 31 December 2007, the Group is exposed to cash flow, interest risk in relation to variable-rate bank balances, short-term secured bank loans and bank overdraft (see notes 26, 29 and 30 for details of these balances).

Management monitors interest rate exposures and will consider hedging significant interest rate risk should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for interest-bearing financial instruments at the respective balance sheet dates assuming the financial instruments existed on the balance sheet date were outstanding for the whole year.

A 10 basis point (2007: 10 basis point) increase or decrease on variable-rate bank balances and 50 basis point (2007: 50 basis point) increase or decrease on variable short-term and long-term secured bank loans and bank overdrafts are used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. If the interest rate on bank balances had been 10 basis points higher or lower and all other variables were held constant, the Group's post-tax profit would increase or decrease approximately HK$11,457,000 (2007: HK$16,594,000).

If interest rates of short-term and long-term unsecured bank loans and bank overdrafts had been 50 basis points higher or lower and all other variables were held constant, the Group's post-tax profit would decrease or increase by approximately HK$2,801,000 (2007: HK$24,000).

Credit risk

As at 31 December 2008, the Group's principal financial assets are available-for-sale investments, trade and other receivables, amounts due from related companies, other financial assets and bank balances and cash. The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arising from the carrying amount of the respective recognised financial assets is stated in the consolidated balance sheet.

The Group's credit risk is primarily attributable to its trade and other receivables and amounts due from related parties. As at 31 December 2008, the five largest trade receivables accounted for approximately 32% (2007: 43%) of total trade receivables (net of allowance). The amounts presented in the consolidated balance sheet are net of allowances for doubtful receivables, if any, estimated by the Group's management based on prior experience and their assessment of the current economic environment. The Group reviews the recoverable amount of each individual trade debtor and related party at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider the Group's credit risk is significantly reduced.

33. Financial instruments (continued)

(a) Financial risk management objectives and policies (continued)

Credit risk (continued)

The credit risk on liquid funds and other financial assets is limited because majority of counterparties are banks with high credit-ratings assigned by international credit-rating agencies and state owned banks with good reputation.

Liquidity risk management

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

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities which have drawn up based on the undiscounted cash flows on financial liabilities based on the earliest date in which the Group can be required to pay. The tables include both interest and principal cash flows:

	Weighted effective interest rate	Within one year	One year to two years	Two years to three years	Three years to four years	Four years to five years	After five years	Total undiscounted cash flows	Carrying amounts
	% *(Note)*	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2008									
Financial liabilities									
Non-interest bearing		214,099	—	—	—	—	—	214,099	214,099
Interest bearing Instruments	2.90	3,877	3,981	4,088	4,197	4,310	48,583	69,036	67,092
		217,976	3,981	4,088	4,197	4,310	48,583	283,135	281,191
At 31 December 2007 — as restated									
Financial liabilities									
Non-interest bearing		144,331	—	—	—	—	—	144,331	144,331
Interest bearing Instruments	14.75	614	—	—	—	—	—	614	614
		144,945	—	—	—	—	—	144,945	144,945

Note: The interest is based on the rates outstanding at the balance sheet dates.

33. Financial instruments (continued)

(a) Financial risk management objectives and policies (continued)

Categories and fair value of financial instruments

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

The Group's financial assets and financial liabilities carried at amortised costs using effective interest method approximate their fair values.

	2008 HK$'000	2007 HK$'000 (As restated)
Financial assets		
Loans and receivables	1,433,811	1,878,319
Available-for-sale investments	2,109	2,155
FVTPL	253,940	41,200
	1,689,860	1,921,674
Financial liabilities		
Liabilities measured at amortised costs	281,191	144,945

Capital risk management

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

The capital structure of the Group consists of bank deposits, cash and cash equivalents and equity attributable to equity holders of the Company comprising share capital, reserves and retained profits as disclosed in the consolidated financial statements. As at 31 December 2008, external debts of approximately HK$67,092,000 (2007: nil) were raised by the Group.

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

34. Major non-cash transaction

During the year ended 31 December 2008, the Group transferred its property previously held under operating leases with carrying values of approximately HK$3,163,000 (2007: nil) to investment properties. Details are set out in note 15.

35. Capital commitments

	2008 HK$'000	2007 HK$'000 (As restated)
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of the acquisition of		
— property, plant and equipment	**15,149**	8,511
— land lease	**35,065**	21,181
	50,215	29,692

36. Operating lease commitments

The Group as lessee

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

	2008 HK$'000	2007 HK$'000 (As restated)
Within one year	**180,371**	141,711
In the second to fifth year inclusive	**468,674**	411,749
After five years	**202,422**	223,261
	851,467	776,721

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

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

37. Operating lease arrangements

The Group as lessor

The Group's properties with carrying amounts of approximately HK$67,868,000 (2007: nil) were held for rental purposes. These properties are expected to generate at annualised rental yields of approximately 8.32% (2007: N/A) on ongoing basis.

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

	2008 HK$'000	2007 HK$'000 (As restated)
Within one year	4,798	4,136
In the second to fifth year inclusive	2,146	9,684
After five years	—	3,864
	6,944	17,684

38. Retirement benefits scheme

The Group's qualifying employees in Hong Kong participate the Mandatory Provident Fund (the "MPF") in Hong Kong. The assets of the MPF are held separately from those of the Group in funds under the control of trustee. The Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by employees but subject to a maximum amount of HK$1,000 per month for each employee.

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

The total cost charged to consolidated income statement for the year is approximately HK$29,870,000 (2007 as restated: HK$13,326,000) and amounts due to the MPF and state-managed retirement plans included in trade and other payables is approximately HK$626,000 (2007 as restated: HK$1,534,000).

39. Related party transactions

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

Relationship with related party	Nature of transaction	2008 HK$'000	2007 HK$'000 (As restated)
Shigemitsu Industry Co., Ltd., a shareholder	Sales of noodles and related products	**510**	368
	Purchase of raw materials	**24,757**	10,856
	Franchise commissions paid	**13,274**	7,610
Companies in which Ms. Poon Wai has significant beneficial interest	Sales of noodles and related products	**3,223**	6,177
	Purchase of raw materials	**882**	14,308
	Commissions received	**—**	496
	Management fee received	**—**	6,965
Companies in which Mr. Yin Yibing has significant beneficial interest	Sales of noodles and related products	**583**	223
Ms. Poon Wai	Property rentals paid	**923**	—
Companies in which Mr. Poon Ka Man, Jason, a director of the Company, has significant beneficial interest	Decoration expenses paid	**11,207**	11,467

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

	2008 HK$'000	2007 HK$'000 (As restated)
Short-term employee benefits	**6,753**	5,489
Other long-term benefits	**70**	59
Share-based payment	**2,741**	1,914
	9,564	7,462

The following significant events took place subsequent to 31 December 2008:

The remuneration of directors and key executives is determined by the remuneration committee of the Company having regard to the performance of individual and market trends.

40. Post-balance sheet events

(a) Subsequent to year end, the directors of the Company re-assessed the appropriateness of using HK$ as the functional currency of the Company. After 1 January 2009, the Company changed its functional currency from HK$ to RMB as the Group focused the chain restaurant network expansion in the PRC.

(b) Pursuant to a written resolution of the directors of the Company on 22 January 2009, the Company granted 350,000 share options to certain directors of the Company. The fair values of the options granted on 22 January 2009 determined at the date of grant using the Black-Scholes option pricing model is approximately HK$503,000. Up to the date of this report, the number of shares in respect of which options had been granted and remained outstanding was 350,000.

41. Principal subsidiaries

Details of the Company's principal subsidiaries at 31 December 2008 and 31 December 2007 are as follows:

Name of subsidiary	Place of incorporation/ establishment/ operations	Nominal value of issued and fully paid share capital/ registered capital	Attributable proportion of nominal value of issued share capital/registered capital held by the Company 2008	2007	Principal activities
Ajisen International*	British Virgin Islands	US$1,000	100%	100%	Investment holding
Ajisen (Hong Kong) Limited	British Virgin Islands	US$990	100%	100%	Investment holding
Ajisen Group Management Limited	Hong Kong	HK$10,000	100%	100%	Provision of management services
Brilliant China Holdings Limited	Hong Kong	HK$10,000	100%	100%	Operating the Group's Hong Kong office and food processing Ajisen factory
Colour Wave Development Limited	Hong Kong	HK$10,000	100%	100%	Operating an Ajisen chain restaurant
Festive Profits Limited	British Virgin Islands	US$100	100%	100%	Investment holding
Fortune Choice Limited	Hong Kong	HK$10,000	100%	100%	Holding company of Shenzhen factory and trading of noodles
Gold Regent Limited	Hong Kong	HK$10,000	100%	100%	Operating an Ajisen chain restaurant
Hong Kong Ajisen Co., Ltd.	Hong Kong	HK$10,000	100%	100%	Operating an Ajisen chain restaurant
Hong Kong Ajisen Food Company Limited	Hong Kong	HK$10,000	100%	100%	Operating an Ajisen chain restaurant

41. Principal subsidiaries (continued)

Name of subsidiary	Place of incorporation/ establishment/ operations	Nominal value of issued and fully paid share capital/ registered capital	Attributable proportion of nominal value of issued share capital/registered capital held by the Company 2008	2007	Principal activities
Nice Concept Limited	Hong Kong	HK$10,000	100%	100%	Operating an Ajisen chain restaurant
Long Wave Limited	Hong Kong	HK$10,000	100%	100%	Operating an Ajisen chain restaurant
Ocean Talent Limited	Hong Kong	HK$10,000	100%	100%	Operating an Ajisen chain restaurant
Pacific Smart Limited	Hong Kong	HK$10,000	100%	100%	Operating an Ajisen chain restaurant
Seamax Limited	Hong Kong	HK$10,000	100%	100%	Operating an Ajisen chain restaurant
Sunny Pearl Investment Limited	Hong Kong	HK$10,000	100%	100%	Operating an Ajisen chain restaurant
Top Overseas Limited	Hong Kong	HK$10,000	100%	100%	Operating an Ajisen chain restaurant
Wintle Limited	Hong Kong	HK$10,000	100%	100%	Operating an Ajisen chain restaurant
Well Good Limited	Hong Kong	HK$10,000	100%	100%	Operating an Ajisen chain restaurant
領先食品（上海）發展有限公司 Lead Food (Shanghai) Development Co. Ltd.	PRC wholly foreign owned enterprise	US$1,200,000	100%	100%	Operating a noodle factory in Shanghai, the PRC
上海領先餐飲管理有限公司 (Shanghai Lead Food & Restaurant Management Co. Ltd.)	PRC wholly foreign owned enterprise	US$9,412,700	100%	100%	Investment holding and operating Ajisen chain restaurants in Shanghai, the PRC
南京味千餐飲有限公司 Nanjing Weiqian Food & Restaurant Management Co. Ltd.	PRC sino-foreign equity joint venture	RMB1,000,000	100%	100%	Operating Ajisen chain restaurants in Nanjing, the PRC
山東味千餐飲管理有限公司 Shandong Weiqian Food & Restaurant Management Co. Ltd.	PRC limited liability enterprise	RMB10,000,000	55%	55%	Operating Ajisen chain restaurants in Shandong, the PRC

41. Principal subsidiaries (continued)

Name of subsidiary	Place of incorporation/ establishment/ operations	Nominal value of issued and fully paid share capital/ registered capital	Attributable proportion of nominal value of issued share capital/registered capital held by the Company 2008	2007	Principal activities
北京味千餐飲有限公司 Beijing Weiqian Food & Restaurant Management Co. Ltd.	PRC sino-foreign equity joint venture	US$2,200,000	55%	55%	Operating Ajisen chain restaurants and food processing centre in Beijing, the PRC
重慶味千餐飲管理有限公司 Chongqing Weiqian Food & Restaurant Management Co. Ltd.	PRC limited liability enterprise	RMB1,500,000	100%	100%	Operating Ajisen chain restaurants in Chongqing, the PRC
大連餐飲有限公司 Dalian Weiqian Food Co., Ltd.	PRC limited liability enterprise	RMB500,000	51%	51%	Operating Ajisen chain restaurants in Dalian, the PRC
味千拉麵飲食服務（深圳）有限公司 Weiqian Noodle Food Service (Shenzhen) Co., Ltd.	PRC limited liability enterprise	RMB210,000	100%	**	Operating Ajisen chain restaurants in Guangdong province, Wuhan and Chengdu, the PRC

* Directly held by the Company

** Acquired upon the completion of Common Control Combination

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of all the subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities outstanding at the end of the year, or at any time during the year.

Properties Held for Investment

Name/Location	Type	Carrying values in existing state at 31 December 2008	Lease term
1. Units 903 to 908, Block A Xinian Center, Tairanjiu Road Futian District, Shenzhen City, Guangdong Province, the PRC	C	8,278	Medium-term lease
2. Workshops 1 to 24 on 10th Floor and a car packing space 1 on Level 3 Wah Yin Industrial Center, Nos., 30–32 Au Pui Wan Street, Shatin, New Territories, Hong Kong	C	22,990	Medium-term lease
3. Storage B on Base Floor, Storages/ Workshops B on Ground Floor and 1st Floor and Workshops B on 2nd Floor, Nos. 24 & 26 Sze Shan Street, Yan Tong, Kowloon, Hong Kong	C	59,600	Medium-term lease

Type of properties: C-commercial

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

Financial Summary

	Year ended 31 December				
	2004 HK$'000 (As restated)	2005 HK$'000 (As restated)	2006 HK$'000 (As restated)	2007 HK$'000 (As restated)	**2008** **HK$'000**
RESULTS					
Turnover from continuing operations	302,607	470,001	676,321	1,081,970	**1,673,072**
Profit before taxation	57,481	80,805	144,605	307,205	**298,912**
Taxation	(11,174)	(17,595)	(31,643)	(68,167)	**(68,554)**
Profit for the year from continuing operations	46,307	63,210	112,962	239,038	**230,358**
Profit for the year from discontinued operations	273	249	—	—	**—**
Profit for the year	46,580	63,459	112,962	239,038	**230,358**
Attributable to:					
— equity holders of the Company	37,607	56,967	111,365	231,572	**220,841**
— minority interests	8,973	6,492	1,597	7,466	**9,517**
	46,580	63,459	112,962	239,038	**230,358**

	As at 31 December				
	2004 HK$'000 (As restated)	2005 HK$'000 (As restated)	2006 HK$'000 (As restated)	2007 HK$'000 (As restated)	**2008** **HK$'000**
ASSETS AND LIABILITIES					
Total assets	246,380	370,124	496,050	2,434,037	**2,576,058**
Total liabilities	(175,449)	(247,290)	(312,219)	(230,544)	**(363,924)**
Net assets	70,931	122,834	183,831	2,203,493	**2,212,134**

AJISEN RAMEN
味千拉麵

スープのこだわり

豚骨スープ

九州の味、熊本生まれ。
世界の味千ラーメン

ことこと　ことこと…。
豚骨の旨味を丁寧に凝縮した、
味千自慢の豚骨スープ。
濃厚な味わいですが
スッキリとした後味。
ご堪能ください！

AJISEN RAMEN
味千拉麵