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

Annual Report 2007 年報


味千拉麵
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AJISEN RAMEN
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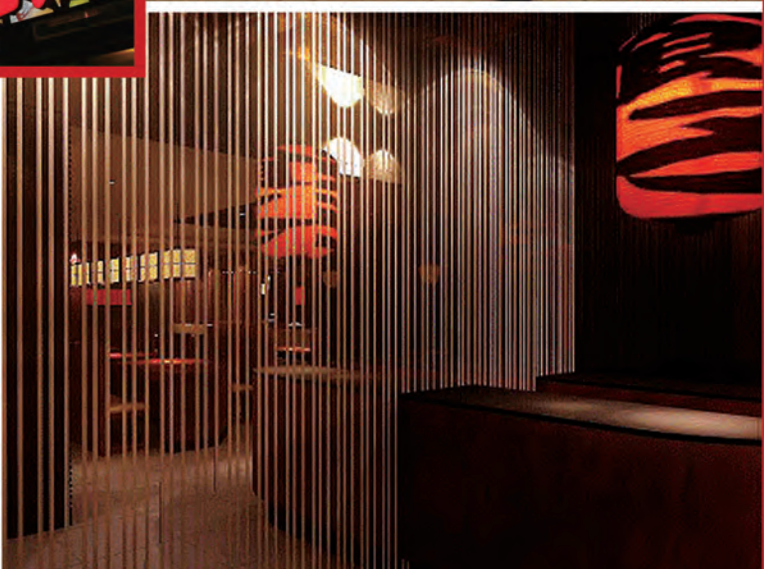

Corporate Profile

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. Incorporating Chinese people's culinary preferences and the essence of the Chinese cuisine, we have carefully developed over one hundred types of Japanese-style dishes 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 ("HKEx") on 30 March 2007, the strong capital support has injected vitality into the Group's rapid expansion. As of the date of this report, the Group's nationwide network comprises 232 restaurants. As a renowned brand in the F&B industry, Ajisen's fast casual chain restaurants are very popular among consumers with its outlets covering the prime locations of major cities in the PRC and Hong Kong. To date, Ajisen restaurants have entered 40 cities in 17 provinces of the PRC. Among the major cities, the international metropolis Shanghai has the largest number of Ajisen restaurants, being 53, followed by 27 in Shenzhen and 14 in Beijing, together with the remaining 92 restaurants spanning across other major cities from the southern to the northern region of the PRC. In Hong Kong, Ajisen operates 24 chain restaurants with its chain network covering all the major business areas of the city. Moreover, the restaurant network is supported by the Group's Shanghai and Shenzhen manufacturing centers, as well as nine food manufacturing and processing centers in other major cities.

On 30 March 2007, Ajisen (China) was successfully listed on the main board of HKEx.

In 2007, the Group was ranked first among the top 50 fastest-growing Asian enterprises of the year awarded by the influential Hong Kong 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 *FinanceAsia*, a renowned international business publication.

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

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Ms. Poon Wai
(Chairman and Chief Executive Officer)
Mr. 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. Yan Yu

AUDIT COMMITTEE

Mr. Jen Shek Voon *(Chairman)*
Mr. Lo Peter
Mr. Yan Yu
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. Yan Yu

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)*

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1301, 13th Floor
Top Glory Tower
262 Gloucester Road
Causeway Bay
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
Hongkong and Shanghai Banking Corporation Limited
Standard Chartered Bank (Hong Kong) Limited
Industrial and Commercial Bank of China (Asia) Limited
Bank of Shanghai

COMPLIANCE ADVISER

Cazenove Asia Limited

HONG KONG LEGAL ADVISERS

Fairbairn Catley Low & Kong
Winnie Mak, Chan & Yeung

AUDITOR

Deloitte Touche Tohmatsu

INVESTOR AND MEDIA RELATIONS CONSULTANT

iPR Ogilvy Ltd
www.iprogilvy.com

IR CONTACT

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Ajisen (China) Holdings Limited
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No. 98 Middle Huaihai Road
Shanghai, PRC200021
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CO. WEBSITE

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

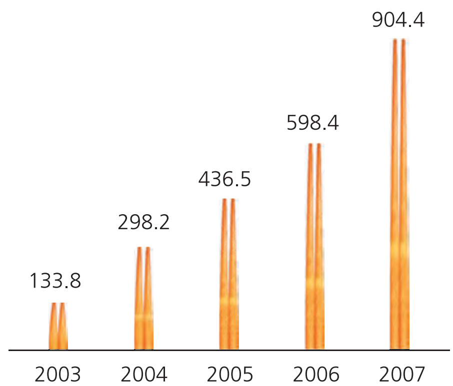
STOCK CODE:

538

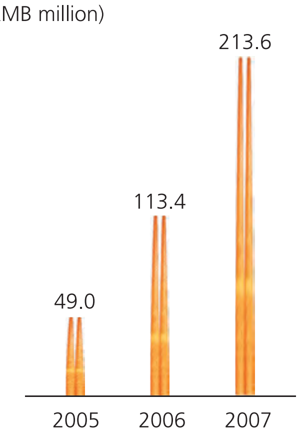
Financial Highlights

	2007	2006	Change
Turnover *(RMB'000)*	**904,353**	598,391	+51.1%
Gross profit *(RMB'000)*	**603,552**	378,980	+59.3%
Profit before taxation *(RMB'000)*	**284,195**	142,971	+98.8%
Profit attributable to equity holders of the Company *(RMB'000)*	**213,574**	113,365	+88.4%
Earnings per share — Basic	**22.18 cents**	15.98 cents	+38.8%
Total assets *(RMB'000)*	**2,232,042**	460,662	+384.5%
Net assets *(RMB'000)*	**2,032,589**	168,000	+1,109.9%
Bank balances and cash *(RMB'000)*	**1,682,765**	107,473	+1,465.8%
Inventory turnover (days)	**27.9**	30.3	-2.4 days
Trade payable turnover (days)	**51.5**	47.3	+4.2 days
Gross profit margin	**66.74%**	63.33%	+3.4 points
Net profit margin	**24.41%**	19.23%	+5.2 points
Current ratio	**9.4**	1.1	+754.5%
ROE	**20.1%**	81.3%	-61.2 points
Gearing ratio	**0.01%**	26.4%	-26.39 points
Interest coverage ratio	**156.9**	117.6	+33.4%

Turnover
(in RMB million)

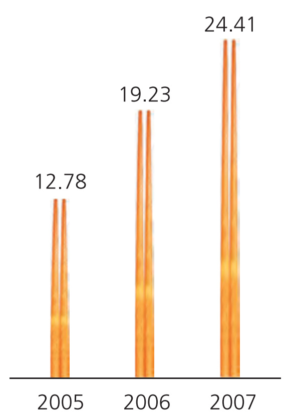


Net profit attributable to equity holders of the company
(in RMB million)



Gross Profit Margin
(%)

Net Profit Margin
(%)









Chairman's Statement

Dear shareholders,

I am pleased to present the annual results of Ajisen (China) Holdings Limited and its subsidiaries for the year ended 31 December 2007.

2007 marked an important milestone in the Group's development. On 30 March 2007, the Group was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited and received tremendous support from investors. The fund raised from the initial public offering further enhanced the Group's financial strength and market position. Since our listing, the Group's fast casual chain restaurants have entered a rapid and steady development stage with the total number of restaurants increasing from 120 in 2006 to 210 by the end of 2007, outpacing our original goal of opening 200 restaurants.

The Group achieved outstanding results in 2007. Turnover increased by 51.1% over the same period of last year to RMB904.4 million, while gross profit and net profit increased by 59.3% and 91.9% respectively to RMB603.6 million and RMB220.8 million. Basic earnings per share was approximately RMB22.18 cents.

The Group has focused on its development in mainland China, especially the first tier cities with a high level of modernization and strong spending power such as Shanghai, Beijing, Shenzhen and Guangzhou. The Group will continue to grow and expand its restaurant business into inland cities and other emerging cities with high growth potential across China, gradually developing a nationwide restaurant network spanning across the country's southern and northern regions. In 2007, the Group's restaurant network entered 14 new cities, including inland and developing provincial capital cities such as Shenyang in Liaoning Province, Nanning in Guangxi Province, Kunming in Yunnan Province, Guiyang in Guizhou Province and Xi'an in Shanxi Province, as well as the third tier cities such as Shaoguan in Guangdong Province and Shaoxing in Zhejiang Province.

The Group has also expanded its production lines in both Shanghai and Shenzhen's processing facilities to meet the demand of our fast-growing nationwide restaurant network. At present, the Shanghai and Shenzhen factories operate 15 and 6 production lines respectively. In the next two years, the Group will build four new food manufacturing and processing centers in Shanghai, Dongguan, Tianjing and Chengdu. Upon completion and commencement of operation by the end of 2009, the four newly built food manufacturing and processing centers could satisfy the demand of approximately 1,500 new restaurants.

During the year under review, the Group's brand image was further strengthened. Our leading position in the industry has gradually become more prominent and we have gained extensive recognition from our customers. In just half a year after its listing, the Group was selected as a constituent of the 200-stock Hang Seng Composite Index and Hang Seng Freefloat Composite Index on 10 September 2007. The Group was also ranked first among the top 50 fastest-growing Asian enterprises of the year awarded by the influential financial magazine *Business Week* in November, and the Group was the only enterprise in the Food and Beverage ("F&B") industry on the list. Moreover, the Group's initial public offering was named "2007 Best Mid-Cap Equity Deal" by *FinanceAsia*, a renowned Asian financial publication.

2007 was the first year since the Group's listing on the Main Board of HKEx. We will distribute dividend to shareholders for the first time. The amount of dividend proposed to be distributed this year is RMB5.2 cents per ordinary share.

The Group successfully raised approximately HK$1.8 billion through its listing on the Main Board of the HKEx at the end of March 2007. This has provided sufficient capital for the Group's rapid expansion and has further enhanced the Group's brand recognition, laying a solid foundation for the Group's future development. Meanwhile, since our listing, the Group has further strengthened on corporate management structure. We have recruited a team of experienced senior management personnel and completed the initial management structure of the Group's headquarters.

Since the inception of the first Ajisen restaurant in Hong Kong in 1996, the Group has opened 210 restaurants as at the end of 2007. As the chairman of the Group, I am very proud of the accomplishment we have achieved to date. After spending more than ten years in building the "Ajisen" brand name in the PRC and Hong Kong, we have created a brand image which in consumers' mind equals to style, quality, health and Japanese-flavor. We have established an effective business model which comprises food manufacturing and processing facilities, delivering centers and restaurant network in the past decade. We aim to standardize industrialized production and implement stringent quality control, providing all our chain restaurants with uniform and high-quality products. The success of this model has enabled us to successfully expand our chain restaurant network in different cities and achieve a steady business growth.

For 2008, the developing trend of China's F&B industry remains positive. The Beijing Olympic Games event will no doubt attract a large number of overseas visitors to China, creating further growth opportunities for the F&B industry. We will capture the increasing market opportunities and continue the rapid and steady expansion of our chain restaurant network, especially in the Beijing market. According to China Statistic Bureau, China has a total of 652 cities, and the Group's chain network covers only 40 of them. We believe there are still enormous room for development and strong market potential in the sector.

Looking forward, the Group will strive to maintain its leading position in China's fast casual restaurants. We will invest more resources in product development to meet our consumers' demand with more nutritious and delicious new products. I consider the Group's success to be attributable to the vitality of our Ajisen products. We will also put additional efforts in marketing, including new market exploration and implementation of innovative promotional activities. We will capture the business opportunities resulting from the rapid growth of the F&B industry and leverage on the Group's strong brand recognition to carry out strategic expansion plan, which is to increase the total number of our restaurants to at least 320 by the end of 2008 from 210 in 2007.

Finally, I would like to take this opportunity to thank all our shareholders and customers for their long time support and trust. Also, I would like to extend my gratitude to the outstanding members of the Board of Directors, the management team and every employee for their contribution and selfless dedication to the Group. With the support of our customers, all the employees of our Group will try their very best to maintain the outstanding results of the Group. I am confident that we will continue to bring desirable returns for our shareholders.

Poon Wai
Chairman and Chief Executive Officer

The PRC, 24 April 2008

Management Discussion and Analysis

Industry Review

In 2007, China's economy featured a continuing fast growth in consumption demands, with actual growth in retail sales leading a ten-year high. It is expected that the retail sales of consumptions in the year of 2007 will amount to RMB8,950.7 billion, representing an increase of 16.2% over last year, recording the fastest growth since 1997, and consumption demands were contributing to the growth incrementally. According to market experts, growth in consumption will become the main driver of China's economy.

As a pillar industry in the PRC's consumption sector, F&B is growing at an even faster rate, outpacing the growth of the retail industry. For the year 2007, total sales nationwide for lodging and F&B reached RMB1,235.2 billion, representing an increase of 19.4% over last year, contributing 13.8% to the total retail sales and 15.6% to the total retail sales growth. The fast growing F&B industry has become the main engine in domestic demands and consumption.

F&B in the PRC recorded a double digit growth over a decade on a continuous basis. However, according to Euromonitor, with a population of 1.3 billion, China's expenditure per capita on F&B is only USD131. This is far lower than that of developed countries, with USD1,598 for Japan, USD1,822 for the United States and USD1,356 for the United Kingdom. With its huge population and the rapidly improved affluence of people, China's F&B industry has a huge growth potential. Amid such a promising market prospect, the Group is embracing a great opportunity for fast expansion.

Currently, Ajisen is the only FCR operator who has a nationwide restaurant network in the PRC and a listed company on the Hong Kong Stock Exchange. The Group has established a well recognized brand name across the nation, and enjoys a strong reputation among consumers. The Group has an industrialized and standardized operational model, with a dedicated and professional team to develop products that meet the palates of customers across the nation. We also have a unique Japanese style décor, an elegant dining environment and an increasingly powerful brand loyalty. All these have been instrumental in ensuring our Group's continuous leading position among the peers of the industry.

Business Review

During the year, the Group achieved remarkable growth. For 2007, turnover increased from RMB598.4 million to RMB904.4 million, representing a growth of 51.1% over the corresponding period of last year. Gross profit grew to RMB603.6 million from RMB379.0 million in 2006. Profit attributable to shareholders of the Company increased by 88.4% to RMB213.6 million. Basic earnings per share was RMB22.18 cents (2006: RMB15.98 cents). The Board resolved to propose the payment of a final dividend of RMB5.2 cents per ordinary share for the year ended 31 December 2007.

The remarkable results we achieved are attributable to the further enhancement of our Ajisen brand and the rapid expansion of our FCR network. The expansion of our restaurants is the main driver of our results, while the booming F&B industry has provided the Group with sufficient room to grow. At the end of 2007, the Group's number of restaurants increased to 210 restaurants. The Group's distribution network covers the East, South, North and Central part of China. Average daily visits per restaurant and spending per capita for these regions are 475 persons and RMB34, respectively.

In 2007, the Group gradually strengthened its marketing strategy, such as placing advertisements on different culinary magazines in both Beijing and Shanghai, as well as promoting its brand through advertising on more than 10,000 buses with mobile media, which targets at one of the largest audiences in Shanghai. The Group also implemented a series of national promotions through its own restaurants, such as the launching of seasonal set menus and distribution of souvenirs.

On 28 March 2008, the Board resolved to exercise the call option on the acquisition of Shenzhen Weiqian, which has a total of 22 restaurants located in the prosperous southeastern region of China. The Director believe that the acquisition of Shenzhen Weiqian would enhance the operation and business of the Group.

In response to the expanding production demand of its FCR network, the Group plans to build four new production facilities, located in Shanghai, Dongguan, Tianjing and Chengdu, respectively. The new production facilities will cover the regions of Eastern and Central China. The Shanghai and Tianjing production bases occupy an area of 70 mu and 60 mu respectively, and are scheduled to commence operations around the second quarter of 2009. The Dongguan plant will occupy an area of approximately 60 mu, the first phase is scheduled to commence operations during the first half of 2008. The Chengdu plant will occupy an area of 88 mu, expected to be in operation in the first half of 2009. Upon the completion of the Group's four new production sites, on top of our existing production lines we would be able to meet the demand of approximately 1,500 more new restaurants.

Despite the rising inflation pressure, the Group has efficiently controlled our major costs to a satisfactory level through leveraging on economies of scale, our business strategies and our brand name. These costs include raw ingredients, wages and rentals, etc. In 2007, cost of sales accounted for 33.3% of the turnover, 3.4 percentage points down from 36.7% in 2006. While gross profit margin also increased to 66.7%, as compared to 63.3% in 2006.

It is evident that inflation has not caused any significant influence to the costs of raw ingredients and sales of the Group. Although the price of agricultural products increased rapidly in 2007, the Group launched new product series every half year with appropriate adjustment of the menu price, which partly offset the inflation effect. Besides, the purchasing department of the Company has managed the trend of the seasonal price for various ingredients and made purchasing decision when the price stayed in a relatively low level. Ajisen (China) also provides its customers with over 100 selections which include over 250 different types of raw ingredients, with each kind accounting for no more than 10% of the total costs of sales. Due to the aforementioned reason, the impact of rising prices on the Group's costs was limited.

Moreover, the Group's menu is scheduled to be reviewed every Spring and Autumn. The least performing 30% of selections in the menu will be replaced by other newly developed products. New menu selections provides our customers an ongoing opportunity to taste and enjoy new products in Ajisen restaurants. When a new menu is launched, prices will also be adjusted upward by 20% to 25% generally. Extra costs for raw ingredients attributable to the rising prices in the first half of 2007 was approximately 5 per cent point. Under such circumstances, the Group raised the retail price of restaurant food by approximately 9% to offset the rising prices in raw ingredients. To a large extent, the rise in retail price has actually contributed to the growth of the Group's profit margin in 2007.

The localization of the procurement of raw ingredients has significantly reduced the Group's costs, and enhanced our profit margin. For instance, white soup base, one of our key ingredients, was previously imported from Japan but it is now supplied by the mainland company set up by Shigemitsu Industry, our franchisor. By doing so, the price of white soup has been reduced by 50%. Seafood like eel, kelp and laver can also be purchased from the coastal cities, where the prices are 40% lower than the imported goods of the same quality. Upon long-term research and development, gradually we are also able to localize the purchase of flour, one of our major ingredients.

Site selection is crucial to the operation of FCR. Ajisen (China) has been working with large retail chain operators such as Wal-Mart and Lotus Supermarket to conduct systematic assessments by utilizing the Group's strong research & development ("R&D") team. We also strategically entered into a basket of contracts with the expanded venues of these large retail operators. Due to our strong brand advantage, many large chain operators often take the initiative to invite us to join their new venues in order to realize the co-effect of brand interaction, jointly creating a booming retail zone. Therefore, the Group is usually awarded a fixed lease term ranging from a minimum of 7 years to a maximum of 15 years. Approximately 50% of the Group's leases are commission leases, i.e. the rent to be charged at 6% to 12% based on monthly turnover. Thus, rising property prices do not have a direct impact in our rental costs.

Retail chain restaurants

In 2007, our major business and primary source of income continued to be derived from our retail chain restaurants. During the year, our restaurant business contributed RMB844.9 million, or 93.4%, to the Group's total revenue.

As of 31 December 2007, the Group had a restaurant portfolio totaling 210 Ajisen restaurants, comprising the following:

	As of 31 December		
	2007	2006	+/-
By type:			
Owned and managed	**183**	93	90
Managed but not owned	**24**	24	0
Owned but not managed	**3**	3	0
Total	**210**	120	90
By provinces:			
Shanghai	**53**	33	20
Beijing	**14**	8	6
Guangdong (excluding Shenzhen)	**15**	12	3
Shenzhen	**27**	11	16
Jiangsu	**16**	12	4
Zhejiang	**7**	3	4
Sichuan	**10**	3	7
Chongqing	**4**	4	0
Fujian	**6**	3	3
Hunan	**3**	0	3
Hubei	**4**	3	1
Liaoning	**5**	4	1
Shandong	**14**	9	5
Guangxi	**1**	0	1
Guizhou	**2**	0	2
Jiangxi	**1**	0	1
Shan'xi	**1**	0	1
Yunnan	**1**	0	1
Hong Kong	**24**	15	9
Taiwan*	**2**	0	2
Total	**210**	120	90
By geographical regions:			
Northern China	**34**	21	13
Eastern China	**76**	48	28
Southern China	**79**	41	38
Central China	**21**	10	11
Total	**210**	120	90
Total saleable area	**56,042 sq meter**	34,329 sq meter	21,713 sq meter

Notes:

* Ajisen (China) Holdings Limited holds 15% share of the two restaurants.

The distribution network of Ajisen China can be divided into four major regions, covering East, South, North and Center of China. The average traffic flow per restaurant per day and per capita spending of the above four regions in 2007 were 475 persons and RMB34 respectively.

Our restaurants are classified into 3 categories: flagship, standard and economy.

The Ajisen flagship-size restaurants are set up in prime locations, such as the central business districts and business centres, in their respective cities. Typically, they occupy a saleable area of 400 square meters or more and have a seating capacity of 151 to 230 seats.

The Ajisen standard-size restaurants are our most common restaurants. They occupy a saleable area of 100 to 400 square metres and have a seating capacity of 71 to 150 seats. Most of our Ajisen standard-size restaurants are located in entertainment centres, shopping malls, airports and train stations.

To expand our urban footprint, we have established Ajisen economy-sized restaurants. These occupy a saleable area of approximately 100 square metres with a seating capacity of 45 to 70 seats, mostly located in Hong Kong.

The following table illustrates our restaurant breakdown by format:

	As of 31 December		
	2007	2006	+/-
By format:			
Flagship	**25**	16	9
Standard	**174**	94	80
Economy	**11**	10	1
Total	**210**	120	90

Packaged food products

Packaged noodles under the Ajisen brand name is a beneficial complement to the overall strength of Ajisen brand and form an integral part of its multi-brand strategy. All packaged noodles are manufactured in Shanghai, Shenzhen and Hong Kong in the Group's own food manufacturing and processing facilities (total area: over 17,900 square metres), leveraging on the word-class recognized Japanese technology. Meanwhile, we are also actively engaged in the research and development of other kinds of Ajisen packaged food to sell in the supermarket, providing more choices for our customers.

For the year ended 31 December 2007, sales of packaged food products recorded RMB59.5 million, accounting for about 6.6% of the Group's total turnover.

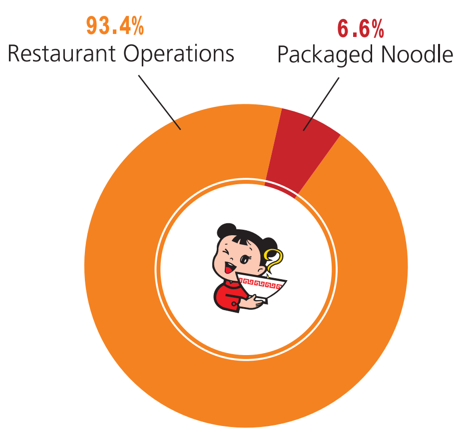
Our packaged noodle products are supplied to Ajisen's chain restaurants, other third-party restaurant operators, supermarkets, as well as other independent Ajisen restaurants located in countries such as Australia, Canada, the Philippines, Singapore and the United States. Our extensive distribution network currently amounts to approximately 6,000 points-of-sale in the PRC and Hong Kong, and our major clients include Wal-Mart, Lianhua Supermarket, City Supermarket, JUSCO and Wellcome, to name just a few. By shelving our products in these well-known retail chains, we realized the linkage effect of Ajisen brand.

Financial Review

Turnover

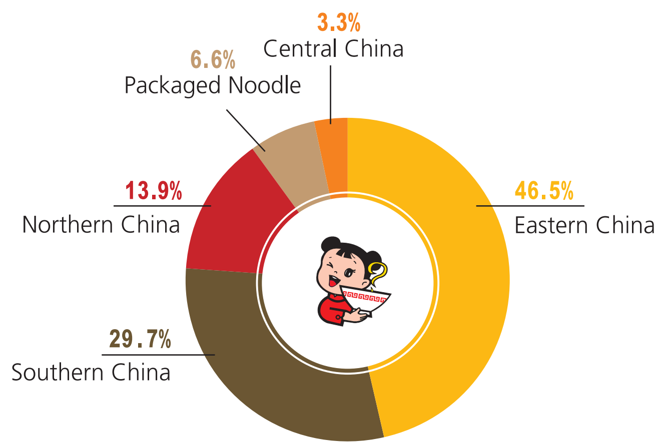
Turnover increased by approximately RMB306 million, or by approximately 51.1% from approximately RMB598.4 million for the year ended 31 December 2006 to approximately RMB904.4 million for the year ended 31 December 2007, primarily due to the increase in the number of chain restaurants of the Group operates from 120 as at 31 December 2006 to 210 as at 31 December 2007. Such increase was mainly due to the upward adjustment of menu prices and increase in customer flow, with a contribution rate of 5% and 3.9% respectively.

Turnover by business



2007

Turnover by markets

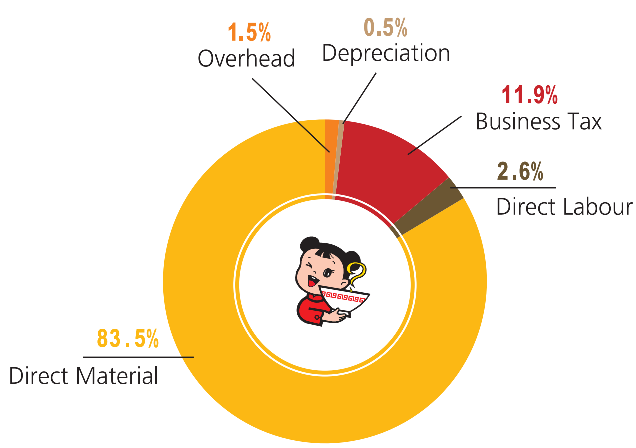


2007

Cost of sales

Cost of sales increased by approximately RMB81.4 million, or by approximately 37.1% from approximately RMB219.4 million in 2006 to approximately RMB300.8 million in 2007, which was far below the increase of turnover. Thanks to the upward adjustment of menu prices, our effective cost control and increasing customer flow per restaurant, cost of sales as a percentage of our turnover was approximately 33.26% in 2007, as compared to 36.67% in 2006.

Cost of sales breakdown



2007

Gross profit

As a result of the above, gross profit increased by approximately RMB224.6 million, or approximately 59.3% from approximately RMB379 million in 2006 to approximately RMB603.6 million in 2007. The gross profit margin increased to 66.74% in 2007, as compared to 63.33% in 2006. Increase of gross profit was due to the followings: upward adjustment of menu prices, localization for the purchase of raw ingredients, research and development of new products, increasing in customer flow and strengthening of economies of scale and efficiency.

Other income

Other income increased by approximately RMB97.4 million from approximately RMB41.7 million in 2006 to approximately RMB139.1 million in 2007, primarily due to the significant increase in interest income and government subsidies.

Distribution and selling expenses

Distribution and selling expenses increased by approximately RMB101.8 million, or approximately 64.4% from approximately RMB158.1 million in 2006 to approximately RMB259.9 million in 2007, primarily due to the increase in salary and welfare expenses of restaurant staff, utility fees, costs of consumables and utensils and depreciation costs incurred in connection with the increase in the number of chain restaurants managed and owned by the Company. Distribution and selling expenses as a percentage of our turnover were approximately 28.74% in 2007, compared to approximately 26.43% in 2006.

Administrative and general expenses

Administrative expenses increased by approximately RMB36.6 million, or approximately 108.6% from approximately RMB33.7 million in 2006 to approximately RMB70.3 million in 2007, primarily due to an increase in administrative staff salary and director's welfare. In addition, there is also an increase in professional expenses, incurred in connection with the Group's preparation of listing on The Stock Exchange of Hong Kong Limited on 30 March 2007. Administrative and general expenses as a percentage of our turnover were 5.63% in 2006 and 7.77% in 2007.

Finance costs

Finance costs increased by approximately RMB0.6 million, or approximately 48.7% from approximately RMB1.2 million in 2006 to approximately RMB1.8 million in 2007, primarily due to the interest expense arising from financing in the beginning of the year, of which the proceeds were used as the dividends declared prior to the Listing.

Profit before taxation

Profit before taxation increased by approximately RMB141.2 million, or approximately 98.7% from approximately RMB143 million in 2006 to approximately RMB284.2 million in 2007, as a result of the cumulative effect of the foregoing factors.

Assets and liabilities

Net current assets was approximately RMB1,642.1 million and current ratio was 9.4 as at 31 December 2007. As we are primarily engaged in the restaurant business, most of our sales are settled by cash. As a result, we are able to maintain a relatively low current ratio to achieve better use of our working capital.

Cash flow

Net cash inflow from operating activities for the year ended 31 December 2007 was approximately RMB184.6 million while our profit after taxation for the same period was approximately RMB220.8 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 year. The increase in trade and other receivables was primarily due to an increase in rental deposits due to the increase in the number of chain restaurants managed and owned by us during the year.

Capital expenditure

Capital expenditures was approximately RMB185.1 million in 2007 (RMB75.7 million in 2006) which was primarily related to the fast growth of our purchase of property, plant, equipment and new restaurants.

Key operating ratios for restaurant operations

	Hong Kong	PRC
Comparable restaurant Sales growth:	2.6%	7.3%
Turnover per GFA:	HK$326/day/ square metre	RMB52/day/ square metre
Turnover per day per restaurant:	HK$27,695 /day/restaurant	RMB15,085 /day/restaurant
Traffic flow per day:	484 persons	475 persons
Per capita spending:	HK$57	RMB34
Table turnover per day	8/day	6/day

Outlook for 2008 and beyond

Looking forward, the F&B industry in the PRC offers tremendous development opportunities, and the trend of diversification, segmentation and individuation in F&B industry further strengthens as consumer spending continues to grow. Due to the growing pace of the urban lifestyle and higher household income, the demand for fast food will gradually increase and fast food restaurants of high quality with competitive price and efficiency will receive overwhelming response in the market. Through a series of plans, the Group will continue to consolidate the strong position of our Ajisen brand name among customers and investors, so as to expand our market share.

Focus on the expansion of chain restaurant network. The business of chain restaurants is the most important operation of the Company and the main business of the Group. The Group's restaurants network is under a fast and steady development. We are committed to increase the number of our self-operating restaurants in major cities. The Group intends to further expand the existing network and market in the first-tier cities in the PRC, and gradually penetrate towards the second-tier and third-tier cities with strong growth potentials. We plan to establish operations in several emerging cities, such as Zhengzhou in Henan province, Shijiazhuang in Hebei province, Changchun in Jilin province Hefei in Anhui province, Wenzhou in Zhejiang province, Yangzhou in Jiangsu province, Zhanjiang in Guangdong province, and Yibin in Sichuan province in 2008. The total number of our restaurants is expected to increase to approximately 320 by the end of 2008.

Improve management ability, production capacity and production technique. The Group will endeavor to integrate our resources management and further optimize the management model. In 2007, the Group has recruited a group of experienced senior management team members who are specialized in F&B industry, and has completed the construction of our functional departments. We will further improve the management system and quantify the responsibility mechanism for each business department in order to enhance the management operation efficiency of the Group. With the strong management team and high quality control, we will continue to execute standardized production to provide products of consistent quality and taste for all chain restaurants. Standardized production will ensure the quality of products, create economies of scale and efficiency, accelerate the expansion of business and react quickly to the demand of market. In addition, the Group will gradually initialize and promote franchise business in due course subject to the improvement and enhancement of internal auditing, internal control management mechanism and IT system.

Implement multi-brand strategy. The restaurant operators in the PRC are developing in a trend of brand specialization and business diversification. We intend to leverage on our know-how in Japanese food and its production technology to further expand our customer base, developing customer groups in both high-end and low-end market of the fast casual food value-chain. While maintaining our leading position in the FCR industry, we will also keep an eye on other business development opportunities in the PRC, so as to establish our multi-brand strategies. We will target brands with advantages in capital, management and talents which could complement the Group as our potential acquiring and merging objects, in a view to accelerate the growth of the Group and achieve a leading position in the 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 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 2007, complied with all applicable code provisions under the Code on Corporate Governance Practices (the ''Code'') as set out in Appendix 14 to 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 the Code provision A.2.1 as more described below. This report describes the Company's corporate governance practices, 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 of 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 2007. The Company will review the ''Employees Guidelines for Securities Transactions'' from time to time.

The Board of Directors

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

Composition

The Board currently consists of 8 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. Yan Yu. All Directors have appropriate professional qualification or substantive experience and industry knowledge. The Board as a whole has achieved an appropriate balance of skills and experience. Their Directors' biographies are set out under the section headed ''Directors and Senior Management'' of this Annual Report.

Ms. Poon Wai, the Chairman, Chief Executive Officer and 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 also fulfils the recommended best practices of the Code.

Independent Non-Executive Directors (INEDs)

The INEDs have the same duties of care and 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 and finance and 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 the audit committee, the remuneration committee and nomination committee. The INEDs have contributed to provide adequate checks and balance to protect the interests of the Company and the Company's shareholders as a whole, and to promote 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 are appointed for a specific term. In accordance with the Company's articles of association and, at each annual general meeting 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 and 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 management shall report to the Board for its decisions 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:

1. approving annual operating budget of the Group;

2. approving connected transactions;

3. approving mergers and acquisitions;

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

5. approving Corporate Guarantee;

6. approving Internal Control Policy;

7. approving financial results announcements; and

8. approving other disclosures specifically required by or matters as specifically mentioned under the Listing Rules.

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

1. reviewing business strategies and management of the Company;

2. formulating and implementing investing and financing activities of the Company;

3. implementing the Company's strategies and monitoring performance of the management and ensuring appropriate internal risk controls are in place;

4. implementing measures and procedures in compliant with the laws, regulations, Listing Rules, article of association, internal regulations applicable to the Company; and

5. setting human resources policies of the Company.

Chairman and Chief Executive Officer (''CEO'')

Under the Code Provision A.2.1, the roles of chairman and CEO should be separated 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 CEO have not been separated.

Although Ms. Poon Wai performs both the roles of Chairman and CEO, the division of responsibilities between the Chairman and CEO are clearly established and set out in writing. In general, the Chairman is responsible for supervising the functions and performance of the Board, while the CEO is responsible for the management of the business of the Group. The two roles are performed by Ms. Poon distinctly. The Board believes that at the current stage of development of the Group, vesting the roles of both Chairman and CEO in the same person provides the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies. 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. 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 their 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 met 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. All board meeting notices, schedules and the relevant information of each 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 is responsible to take and keep minutes of all Board meetings and audit committee meetings. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and the final version is open for Directors' inspection.

During the year ended 31 December 2007, the Board held four meetings in total. Attendance of each director at the Board meetings is set out below:

Name of Directors	Board Meeting Attended/Held
Executive Directors	
Ms. Poon Wai	(4/4)
Mr. Yin Yibing	(4/4)
Mr. Poon Ka Man, Jason	(4/4)
Non-Executive Directors	
Mr. Katsuaki Shigemitsu	(4/4)*
Mr. Wong Hin Sun, Eugene	(4/4)
INEDs	
Mr. Jen Shek Voon	(4/4)
Mr. Lo Peter	(4/4)
Mr. Yan Yu	(3/4)

* represented by Ms. Karasawa Noriko in his absence for one time

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 affair. Each of the committees of the Company has been established with written terms of reference.

Executive Committee

To assist the Directors to discharge their duties and promote effective management, the Board has established Executive Committee on 29 June 2007. The Executive Committee should review specific issues and make their suggestions to the Board as reserved matters as referred to 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, CEO*
Mr. Poon Ka Man, Jason, *Chief Marketing Officer*
Mr. Yin Yibing, *Chief Operating Officer*

Remuneration Committee

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

(i) to make recommendations to the Board on the policy and structure for all remuneration of Directors, senior management and all other employees in the head 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;

(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;

(v) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct; 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

For the period between the listing date on 30 March 2007 and 31 December 2007, the Remuneration Committee did not convene any meeting. The Remuneration Committee may call any meetings at anytime when necessary or desirable pursuant to the terms of reference of the Remuneration Committee.

Nomination Committee

The Nomination Committee was set up on 8 March 2007. Details of the authorities and duties of the 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 regarding any proposed changes;

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

(iv) to make recommendations to the Board on 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. Yan Yu, an independent non-executive director

For the period between the listing date on 30 March 2007 and 31 December 2007, the Nomination Committee did not convene any meeting. The Nomination Committee may call any meetings at anytime when necessary or desirable pursuant to the terms of reference of the Nomination Committee.

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;

(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;

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

(v) to monitor the Company's financial statements and the integrity of the Company's financial statements, annual report and accounts, 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 the 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. Yan Yu, an independent non-executive director
Mr. Wong Hin Sun, Eugene, a non-executive Director

There were two Audit Committee meetings for the period between the listing date on 30 March 2007 and 31 December 2007. Attendance of each Audit Committee members at the Audit Committee meetings is set out below:

Name of members	Audit Committee Meeting Attended/Held
Mr. Jen Shek Voon	2/2
Mr. Lo Peter	2/2
Mr. Yan Yu	2/2
Mr. Wong Hin Sun, Eugene	2/2

The Audit Committee is satisfied with their review of the auditor's remuneration, the independence of the auditor, Deloitte Touche Tohmatsu (''Deloitte''), and recommended the Board to re-appoint Deloitte as the Company's auditor in 2008, which is subject to the approval of Shareholders at the forthcoming Annual General Meeting.

The Company's annual results for the year ended 31 December 2007 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:

- assessing relevant risks, considering and giving approval to necessary control activities proposed by executive Directors to rationalize the control environment so as to lower operational risks but without impeding operating efficiency;

- ensuring coordinated sharing of information;

- exercising appropriate levels of supervision to ensure the effectiveness and efficiency in the performance of various functions of the Group;

- establishing and reviewing internal control measures for minimising and eliminating risks; and

- seeking input from external consultants for the enhancement and maintenance of the Group's internal control system.

The executive Directors of the Company, in coordination with the senior management of the Group develop, implement and maintain an internal control and risk management system by conducting on-going business reviews, evaluation of the significant risks faced by the Company, formulation of 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, and following up on isolated cases and identifying inherent deficiencies in the internal control system and making timely remedies and adjustments to avoid recurrence of problems.

The Company has set up the internal audit department on 18 September 2007. The Company's internal auditors continually review the effectiveness of the Company's material internal controls, including financial, operational and compliance controls, and risk management according to their audit plans. Any material non-compliance or failures in internal controls together with recommendations for improvements were reported accordingly.

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 2007, 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 risk.

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 understands and acknowledges its responsibility for making sure 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 2007, 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 confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The auditor's statement about their reporting responsibilities on the Financial Statements is set out on page 42 and page 43 of this Annual Report.

Auditor's Remuneration

The Group's independent external auditors are Deloitte. The remuneration for the audit and non-audit services provided by Deloitte to the Group during the year ended 31 March 2007 was approximately as follows:

Type of services	**Amount** HK$'000
Audit	3,000
Non-audit services	
Other services	800
Total:	3,800

Communication with Shareholders and Investor Relations

The Board recognizes the importance of good communications with all shareholders. The Company's 2007 annual general meeting (the "2007 AGM") was 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 presented at the 2007 AGM of the Company held on 29 June 2007 to answer shareholders' questions.

A shareholders' circular was distributed to all shareholders at least 21 days before the 2007 AGM. It set out the procedures for demanding and conducting a poll and other relevant information of the proposed resolutions. Separate resolutions were proposed at the 2007 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 2007 AGM. The result of the poll was published in the newspapers and on the Company's website.

A key element of effective communication with shareholders and investors is the prompt and timely dissemination of information 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 52, 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 52, 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 51, is the chief marketing officer and an executive Director of the Company. He has been a Director of the Company since 8 March 2007 and is responsible for the marketing of the ''Ajisen'' brand name and the design of our chain restaurants. Mr. Poon has over 20 years' 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 Poon Wai.

Non-executive Directors

Katsuaki Shigemitsu (重光克昭), aged 39, has been a non-executive Director of the Company since 8 March 2007. Mr. Shigemitsu is also a shareholder and director of Shigemitsu, which is our Franchisor. Mr. Shigemitsu has over 15 years' 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, he has held various senior management positions in Shigemitsu. He was appointed as the vice-chairman of Shigemitsu in 1995 and the chairman in 1997. 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 40, a non-executive Director of our Company. He is responsible for overseeing our corporate development and finance. 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. Mr. Wong also serves as a non-executive director of a Singapore-listed company, namely Yaan Security Technology Limited and a non-executive director of Haike Chemical Group Ltd, a company listed on the London AIM. He graduated with an MBA from Imperial College, London , Executive Programme for Growing Companies from Stanford Business School and Bachelor of Business Admin (1st class honors) from National University of Singapore. He is also 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 61, 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 specialises in international and regional financial and business advisory services. Mr. Jen also sits as an independent and non-executive director on the boards of directors of a number of publicly listed companies in Singapore and the region, namely Japan Land Limited (Singapore), King's Safetywear Limited (Singapore), Centillion Environment & Recycling Limited (Singapore), Asia Environment Holdings Limited (Singapore), Junma Tyre Cord Company Limited (Singapore), China Great Land Holdings Limited (Singapore), Suiwah Corporation Berhad (Malaysia), Kokusai Kogyo Holdings Limited (Tokyo, Japan) and Asia Silk Holdings Limited (Singapore). He holds a Bachelor of Accounting Degree (Hons) 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, Singapore Institute of Directors and a practicing member of the Institute of Certified Public Accountants in Singapore and the Malaysian Institute of Accountants. Mr. Jen currently holds a certificate of registration issued by the Accounting and Corporate Regulatory Authority of Singapore, authorizing him to practice as a public accountant in Singapore.

Lo, Peter (路嘉星), aged 52, an independent non-executive Director of the Company. Mr. Lo is a director of China Enterprise Capital Limited and the chairman and an executive director of Wealthmark International (Holdings) Limited (stock code: 0039), a company listed on the Stock Exchange of Hong Kong Limited. Mr. Lo has more than 15 years' 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 1995 to 1998, Mr. Lo was the deputy general manager and a director of Acheng Relay Company Limited (stock code: 000922), a company listed on the Shenzhen Stock Exchange. From 1998 to 2004, Mr. Lo was the chief executive officer and an executive director of Harbin Brewery Group Limited. Mr. Lo is also a non-executive director of China Infrastructure Machinery Holdings Limited (stock code: 3339) and UNI-President China Holdings Ltd (stock code: 0220), both companies listed on the Hong Kong 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.

Yan Yu (閻宇), aged 45, is an independent non-executive Director of the Company. During 1988 to 1993, Mr. Yan worked in the Food and Beverage Service Management Unit of the Ministry of Commerce where he last held the position of Deputy Director. During 1998 to 2001, he worked in the Food and Beverage Service Unit of the PRC Ministry of Domestic Trade where he last held the position as head of the Unit. Mr. Yan was head of the Consumer Service Expenditure Unit of the National Domestic Trade Bureau. Thereafter, Mr. Yan was the Deputy Chairman of the China Cuisine Association as well as the Deputy Director of the fast food subcommittee from 2001 to 2007. Mr Yan has involved in strategic research, industrial analysis and corporation guidance in Food and Beverage industry for long term and has accumulated enormous experience in these aspects. Mr. Yan is currently an executive director of Zhongsheng Liancheng (Beijing) Information Investment Consulting Company (中盛聯成 (北京) 資訊投資顧問公司), and holds an economics degree from the Beijing Technology and Business University (北京工商大學).

Other Senior Management

Zheng Lixin (鄭立新), aged 42, Chief Financial Officer, is responsible for the overall accounting and financial management of the Group, developing financial strategy to support the Group's growth plan and is in charge of investors' relationship. He was employed as the financial controller of the Beijing McDonald's Food Company Ltd. between 1990 and 1992. Mr. Zheng holds a Bachelor of Arts in Finance and Accounting from Shenzhen University (深圳大學). Mr. Zheng also holds a certificate in Unix/C/C++ Program from the Illinois Institute of Technology in Chicago, USA.

Qi Dong (戚東), aged 36, vice president of the Group, was the general manager of Shanghai Factory and is currently responsible for management and daily operations of seven functional sectors. Prior to joining the Group, Mr. Qi was employed by Caltex (China) Investment Company Limited as a Department Manager, in charge of business development in Central China. Mr. Qi holds a bachelor's degree in Industrial Management Engineering and a master degree in Petroleum Engineering from the University of Petroleum (中國石油大學). Mr. Qi also holds a postgraduate diploma in Management from the University of Melbourne.

Jing Zhi En (景志恩), aged 39, Chief Operating Director of the Group and General Manger of Shenzhen Weiqian, was the general manager of Shenzhen Factory and general manager of Shenzhen Weiqian, and is currently responsible for the management and operation of the Ajisen restaurants in both PRC and Hong Kong. Mr. Jing has also obtained a certificate in hotel management from Shenzhen University (深圳大學).

Lau Ka Ho, Robert (劉家豪), aged 33, is the qualified accountant of the Company. Mr. Lau has approximately 9 years' experience in audit, finance and business advisory, during which he worked for the Deloitte Touche Tohmatsu and various HK-listed companies. 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.

Mr. Ngai Wai Fung (魏偉峰), age 46, is the joint 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 vice president of The Hong Kong Institute of Chartered Secretaries (HKICS) and the Chairmen of its China Affairs Committee and Membership Committee. He is also a fellow of HKICS and the Institute of Chartered Secretaries and Administrators in 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 48, General Manager of Hong Kong Ajisen is responsible for the management and operation of the Ajisen restaurants in Hong Kong. Mr. Lee has over 20 years' experience in the information technology business, particularly in the sales and marketing of various IT 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.

Wang Yi Chuan (王一川), aged 42, General Manger of Beijing Weiqian, is responsible for the brand development strategy and daily operation and management of the Company. Prior to joining the Group, Mr. Wang was a restaurant manager of McDonald's and a senior manager of YongHe King, and has accumulated abundant management experience in the F&B industry. He holds a bachelor's degree in Library and Information from Beijing City University (北京城市大學).

Lin Jiahe (林家和), aged 56, General Manager of Shanghai Lead Food, is mainly responsible for the management of day-to-day affairs of the company. Mr. Lin has over 27 years of experience in the F&B industry. Mr. Lin was the assistant general manager of Shanghai Kentucky Co. Ltd. between 1992 and 2002. Mr. Lin has obtained a certificate in hotel management from the Chinese University of Hong Kong and Hong Kong Hotels Association and has been certified as a trainer by The Chinese University of Hong Kong, Shanghai Jiaotong University and Hong Kong Hotels Association, under their Shanghai Hotel Management Development program. Mr. Lin is a certified senior economist.

Wu Xiaobin (吳曉彬), aged 34, General Manager of Shandong Weiqian, is responsible for the development and the day-to-day 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 (西南政法大學).

Zhang Bo (張波), aged 32, General Manager of Nanjing Weiqian, is responsible for the development, sales and day-to-day operations and management of the company in Jiangsu and Zhejiang regions. Mr. Zhang joined the Group in 2001. He has a degree in Economics Law from Northwest Institute of Political Science and Law (西北政法學院).

Report of the Directors

The directors of Ajisen (China) (the ''Directors'') are pleased to present their report together with the audited financial statements of the Group for the year ended 31 December 2007.

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 Ajisen (China)'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 Ajisen (China) are set out in page 44 and page 70 of the consolidated financial statements.

The Directors recommend the payment of a dividend of RMB5.2 cents for the financial year ended 31 December 2007.

Share Capital

Details of the movements in share capital and share options of Ajisen (China) during the year are set out in note 29 to the consolidated financial statements.

Reserves

Movements in the reserves of Ajisen (China) are set out in page 47 to page 48 of the financial statements.

Distributable Reserves

As at 31 December 2007, Ajisen (China) has no reserve available for distribution.

Subsidiaries

Particulars of Ajisen (China)'s principal subsidiaries are set out in note 40 to the consolidated financial statements.

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group are set out in note 14 to the consolidated financial statements.

Borrowings

Details of the borrowing's of the Group are set out in note 26, 27 and 28 to the consolidated financial statements.

Pre-emptive Rights

There are no pre-emptive or similar rights under the Cayman Islands law or the memorandum and 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

Aggregate sales attributable to the Group's five largest customers were less than 3% of total turnover. The purchase from the largest supplier Shigemitsu Industry Co., Ltd attributes to 7.4% of total purchases for the year and the 5 largest suppliers attribute to 17.1% of total purchase.

Save for Mr. Katsuaki Shigemitsu, the non executive Director, who owns an approximately 43.6% interest in 重光產業株式會社 (also known as Shigemitsu Kabushiki Kaisha, Shigemitsu Sangyo Co. Ltd or Shigemitsu Industry Co., Ltd), a company incorporated in Japan on 5 July 1972, which is the franchisor of the Company (details of which are set out on page 38 of this Annual Report), none of the Directors or their respective associates, or our shareholders who, to the knowledge of the Directors, own more than 5% of our issued share capital, has any interest in any of our five largest customers or our five largest suppliers.

Donations

Charitable and other donations made by the Company during the year under review amounted to HK$0.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither Ajisen (China) nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of Ajisen (China) during the year ended 31 December 2007.

Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last four financial years is set out on page 93 of this Annual Report.

Directors

The Directors of Ajisen (China) during the year and up to 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. Yan Yu

All the Directors were appointed on 8 March 2007, except Ms. Poon Wai who was appointed on 6 April 2006.

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, Ms. Poon Wai, Mr. Yin Yibing and Mr. Yan Yu shall retire by rotation at the forthcoming Annual General Meeting, and have offered themselves for re-election at the Annual General Meeting.

Confirmation of Independence of Independent Non-executive Directors

Ajisen (China) 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 Ajisen (China) considers that Mr. Lo Peter, Mr. Jen Shek Voon and Mr. Yan Yu 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 Ajisen (China) for a term of three years commencing from 30 March 2007, and will continue thereafter for successive terms of 1 year until terminated by not less than 3 months' notice in writing served by either party on the other.

Each of the non-executive Director of Ajisen (China) entered into a letter of agreement with Ajisen (China) for a period of two years commencing on 8 March 2007, which may be terminated according to the Articles of Association of Ajisen (China).

Saved as disclosed above, no Director for re-election at the forthcoming Annual General Meeting has a service contract with Ajisen (China) or any of its subsidiaries which is not determinable by the employing 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 Ajisen (China) and its Associated Corporation

As at 31 December 2007, the interests and short positions of the Directors and the chief executive of Ajisen (China) in the share capital, underlying shares and debentures of Ajisen (China) or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (''SFO'')) as recorded in the register required to be kept under section 352 of SFO, or as otherwise notified to Ajisen (China) and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies of the Listing Rules, are set out below:

(i) Interests and short positions in the shares of Ajisen (China)

Name of Director	Capacity and nature of interest	Number and class of securities *(Note 1)*	Approximate % of shareholding
Poon Wai	interest in controlled corporation *(Note 2)*	560,329,620 shares (L)	53.62%
Yin Yibing	*(Note 2)*	*(Note 2)*	
Katsuaki Shigemitsu	interest in controlled corporation *(Note 3)*	13,154,560 shares (L)	1.26%
Katsuaki Shigemitsu	beneficial owner	32,886,900 shares (L)	3.15%
Wong Hin Sun, Eugene	interest in controlled corporation *(Note 4)*	14,185,560 shares (L)	1.36%
Wong Hin Sun, Eugene	interest in controlled corporation *(Note 5)*	7,092,780 shares (L)	0.68%

Notes:

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

2. The 560,329,620 shares are held by Favor Choice Group Limited (''Favor Choice''), which is owned as to approximately 94.94% by Ms. Poon Wai and as to approximately 5.06% by Mr. Yin Yibing. Both Ms. Poon Wai and Mr. Yin Yibing are executive Directors of Ajisen (China).

3. The 13,154,560 shares are held by Shigemitsu Industry Co. Limited (''Shigemitsu''), which is owned as to approximately 43.60% by Mr. Katsuaki Shigemitsu, who is a non-executive Director of Ajisen (China).

4. The 14,185,560 shares are held by Sirius Investment Inc., the entire issued share capital of which is beneficially owned by Mr. Wong Hing Sun, Eugene, who is a non-executive Director of Ajisen (China).

5. The 7,092,780 shares are held by Sirius Capital Holdings Pte. Ltd., which is incorporated in Singapore, the entire issued share capital of which is held as to approximately 71.07% by David Lyall Holdings Limited and as to approximately 28.93% by Sirius Venture Consulting Pte. Limited. David Lyall Holdings Limited is incorporated in New Zealand and its issued share capital is wholly owned by Lyall Family Trust, the beneficiaries of which are David Lyall, George Lyall and Genevieve Lyall, who are all independent third parties and not connected with Ajisen (China). Sirius Venture Consulting Pte Limited is incorporated in Singapore and its issued share capital is owned as to approximately 99.9996% and 0.0004% by Mr. Wong Hin Sun, Eugene and Ms. Chin May Yee Emily (Mr. Wong Hin Sun, Eugene's wife) respectively. Sirius Capital Holdings Pte. Ltd. holds its shareholding in Ajisen (China) on trust for David Lyall Holdings Limited.

(ii) Interests and short positions in underlying shares of equity derivatives of Ajisen (China)

Name of Director	Capacity	Description of equity derivatives	Number of underlying Shares *(Note 1)*
Poon Wai	interest in controlled corporation *(Note 3)*	Share option *(Note 2)*	13,485,000 shares (L)
Yin Yibing *(Note 3)*	—	—	—
Poon Ka Man, Jason *(Note 3)*	—	—	—

Notes:

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

2. The share options were granted under the Pre-IPO Share Option Scheme of Ajisen (China).

3. Ms. Poon Wai, Mr. Yin Yibing and Mr. Poon Ka Man, Jason, who are the executive Directors of Ajisen (China), were granted options under the Pre-IPO Share Option Scheme of Ajisen (China) to subscribe for 8,485,000 shares, 2,500,000 shares and 2,500,000 shares respectively. They have formed a BVI company 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.

Save as disclosed herein, as at 31 December 2007, 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 SFO or required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Interests and Short Positions of Substantial Shareholder Discloseable Under the SFO

So far as is known to the Company, as at the date of this annual report, as recorded in the register required to be kept by Ajisen (China) under section 336 of the SFO, the following person, other than any Director or the chief executive of Ajisen (China), was the substantial shareholder (within the meaning of the Listing Rules) of Ajisen (China) and had the following interests or short position in the shares or underlying shares of Ajisen (China):

Name of shareholder	Capacity	Number of shares	Approximate % of shareholding
Favor Choice *(Note)*	beneficial owner	560,329,620	53.62%
Cheng Wai Tao	beneficial owner	72,882,580	6.97%

Note: Favor Choice is owned as to approximately 94.94% by Ms. Poon Wai and as to approximately 5.06% by Mr. Yin Yibing, both are the executive Directors of Ajisen (China).

Save as disclosed herein, as at the date of 31 December 2007, the Company has 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 33b 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 Ajisen (China) 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 Ajisen (China) 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 the Directors of Ajisen (China), 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 his/her investment and engagement in any F&B business (other than Ajisen (China)'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 Ajisen (China)'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 him/her.

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 AJISEN (CHINA) AND ITS ASSOCIATED CORPORATION, SHARE OPTION SCHEME and PRE-IPO OPTION SCHEME, at no time during the year was Ajisen (China) 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, Ajisen (China) or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18, was granted any right to subscribe for the equity or debt securities of Ajisen (China) 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 Ajisen (China) were entered into or subsisted during the year.

Compliance with ''Code on Corporate Governance Practices''

Details of the compliance by Ajisen (China) with the ''Code on Corporate Governance Practices'' contained in Appendix 14 of the Listing Rules are set out in the Corporate Governance Report on page 17 of this Annual Report.

Share Option Scheme

Ajisen (China) conditionally adopted its share option scheme on 8 March 2007 (the ''Share Option Scheme''). The purpose of the Share Option Scheme is to enable Ajisen (China) 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 subscription price of a share in respect of any particular option granted under the Share Option Scheme may be determined by the Board provided that it shall not be less than the higher of: (i) the closing price of the shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant, and (ii) the average closing price of the shares as stated in the daily quotations sheets of the Stock Exchange for the 5 business days immediately preceding the date of grant, and (iii) the nominal value of the shares.

For the year ended 31 December 2007, no option was granted by Ajisen (China) under the Share Option Scheme.

Pre-IPO Share Option Scheme

Ajisen (China) 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 Share Option Scheme, save as:

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

(ii) no option granted under the Pre-IPO Share Option Scheme will be exercisable within 12 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 Ajisen (China).

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

		Number of Options				
Grantee		Number of options granted on 8 March 2007	Exercise during the year	Cancelled during the year	Lapsed during the year	Outstanding up to the date of this Annual Report
(1)	**Directors**					
	Poon Wai *(Note 2)*	8,485,000	—	—	—	8,485,000
	Poon Ka Man, Jason *(Note 2)*	2,500,000	—	—	—	2,500,000
	Yin Yibing *(Note 2)*	2,500,000	—	—	—	2,500,000
(2)	**Employees and others**	6,515,000	—	(270,000)	—	6,245,000
		20,000,000	—	(270,000)	—	19,730,000

Notes:

(1) All options under the Pre-IPO 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 expiry of the first 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 expiry of the first 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 expiry of the first anniversary of the listing date to the date immediately before the fifth anniversary of the listing date

Retirement Scheme

Particulars of the retirement scheme of Ajisen (China) are set out in note 37 to the consolidated financial statements.

Connected Transactions

Details of the continuing connected transactions 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 Ajisen (China), personally owns approximately 43.6% interest in Shigemitsu, which is thus a connected person of Ajisen (China) pursuant to the Listing Rules.

1. *The Franchise Agreements*

   Our Group entered into 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 our Group to operate the franchise business manufacturing, supplying, marketing, distributing and selling ramen and the special Japanese soul 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, franchise fees and technical fees are payable by our 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 entire year ending 31 December 2007 is HK$11,632,803. The actual aggregate amount of the franchise fees and the technical fees for the year ended 31 December 2007 is HK$7,610,557.

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 our Group's total amount payable to Shigemitsu under the Supply Agreement for the year ended 31 December 2007 is HK$55,058,158. The actual amount payable for the year is HK$22,829,905.

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 our Group under the Sales Agreement (Japan) for the year ended 31 December 2007 is HK$912,535. The actual amount received for the year is HK$368,845.

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 is wholly and beneficially owned by Ms. Poon Wai, an executive Director of Ajisen (China).

Framework Agreement

A framework agreement was entered between our 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 our Group and Shenzhen Weiqian (the ''Framework Agreement''). The Framework Agreement embodies the following individual agreements:

1. *Management Agreement*
   Shenzhen Weiqian entered into a management agreement with our Group for a period of 3 years commencing from 1 January 2006 (the ''Management Agreement''). Pursuant to the Management Agreement, Shenzhen Weiqian entrusts its head office and Ajisen restaurants to our Group for management. Our Group provides 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 our Group under the Management Agreement is equivalent to 22% of the total turnover of Shenzhen Weiqian.

2. *Trademark Licence Agreement*
   Shenzhen Weiqian and our Group have entered into a trademark licence agreement, pursuant to which Shenzhen Weiqian has been 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 our Group is equivalent to 2% of the total turnover of Shenzhen Weiqian. The 2% licence fee is included as part of the 22% management fee payable by Shenzhen Weiqian under the Management Agreement.

3. *Sales Agreement (Shenzhen)*
   Shenzhen Weiqian and our Group have entered into a sales agreement, pursuant to which our Group agrees to sell various goods and supplies to Shenzhen Weiqian for its Ajisen restaurant business for a term of 3 years commencing from 1 January 2006 (the ''Sales Agreement (Shenzhen)'').

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

4. *Tenancy Agreements*
   Pursuant to two separate tenancy agreements signed between our Group as landlord and Shenzhen Weiqian as tenant (the ''Tenancy Agreements''), our Group leases to Shenzhen Weiqian premises in the PRC for use as office and retail shops for a term of 3 years commencing from 1 January 2006. During 2007, our Group terminates the Tenancy Agreement for use as office premises to Shenzhen Weiqian with effective from 1 April 2007.

   An independent professional property valuer has reviewed the Tenancy Agreements and confirmed that the terms of the Tenancy Agreements are normal commercial terms and the rental payable under the Tenancy Agreements correspond to 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 2007 is HK$43,027,191. The actual amount payable for the year is HK$39,583,782.

Design Union Transactions

Design, decoration and renovation services provided by Design Union Interior Contracting Limited (''Design Union'').

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 Ajisen (China).

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

The annual cap set for the amount payable by our Group to Design Union under the Design Union Agreement for the year ended 31 December 2007 is HK$16,445,000. The actual amount payable for the year is HK$11,278,387.

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 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, our Group applied to the Stock Exchange for, and the Stock Exchange has granted to us, 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) and the Framework Agreement and the Design Union Agreement.

The Board, including the independent non-executive Directors of Ajisen (China), 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 Ajisen (China) as a whole.

The auditor of the Company performed certain agreed-upon procedures and reported their findings regarding to whether the continuing connected transactions entered into by the Group set out above for the year ended 31 December 2007:

(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

(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 continuing connected transactions.

The Group confirms that it will comply/continue to comply with the relevant provisions of Chapter 14A of the Listing Rules including the proposed annual caps and to comply with Rules 14A.35(1), 14A.35(2) and 14A.36 to 14A.40 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.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither Ajisen (China) nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of Ajisen (China) during the year ended 31 December 2007.

Sufficiency of Public Float

Based on information that is publicly available to Ajisen (China) and within the knowledge of the Directors, the Directors confirm that Ajisen (China) 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 39 to the consolidated financial statements.

Auditor

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

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

The PRC, 24 April 2008

Independent Auditor's Report

Deloitte.
德勤

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

We have audited the consolidated financial statements of Ajisen (China) Holdings Limited (the ''Company'') and its subsidiaries (collectively referred to as the ''Group'') set out on pages 44 to 92, which comprise the consolidated balance sheet as at 31 December 2007, 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 2007 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
24 April 2008

Consolidated Income Statement

For the year ended 31 December 2007

	Notes	2007 RMB'000	2006 RMB'000
Turnover	6	904,353	598,391
Cost of sales		(300,801)	(219,411)
Gross profit		603,552	378,980
Other income	7	139,072	41,734
Property rentals		(126,403)	(84,700)
Distribution and selling expenses		(259,927)	(158,134)
Administrative and general expenses		(70,276)	(33,683)
Finance costs	8	(1,823)	(1,226)
Profit before taxation	9	284,195	142,971
Taxation	11	(63,407)	(27,929)
Profit for the year		220,788	115,042
Attributable to:			
Equity holders of the Company		213,574	113,365
Minority interests		7,214	1,677
		220,788	115,042
		RMB cents	RMB cents
Earnings per share			
— Basic	13	22.18	15.98
— Diluted	13	22.02	N/A

Consolidated Balance Sheet

At 31 December 2007

	Notes	2007 RMB'000	2006 RMB'000
Non-current assets			
Property, plant and equipment	14	**297,252**	166,695
Prepaid lease payments	15	**5,473**	6,361
Deposits paid for acquisition of property, plant and equipment		**12,511**	—
Deposit paid for acquisition of prepaid lease payments		**10,000**	—
Rental deposits		**27,152**	—
Goodwill	16	**37,135**	37,135
Deferred tax assets	17	**3,315**	1,340
Available-for-sale investments	18	**2,010**	1,536
		394,848	213,067
Current assets			
Inventories	19	**24,662**	21,376
Trade and other receivables	20	**70,554**	64,900
Amounts due from related parties	21	**20,790**	53,173
Taxation recoverable		**—**	673
Index-linked deposit	22	**38,423**	—
Bank balances and cash	23	**1,682,765**	107,473
		1,837,194	247,595
Current liabilities			
Trade and other payables	24	**129,603**	82,400
Amounts due to related companies	25	**10,024**	10,670
Amounts due to directors	25	**508**	36,507
Amount due to a shareholder	25	**6,890**	3,906
Dividend payable		**—**	11,220
Taxation payable		**47,480**	26,230
Current portion of long-term bank loans	26	**—**	1,229
Short-term bank loans	27	**—**	46,000
Bank overdrafts	28	**572**	1,395
		195,077	219,557
Net current assets		**1,642,117**	28,038
Total assets less current liabilities		**2,036,965**	241,105
Non-current liabilities			
Long-term bank loans	26	**—**	72,927
Deferred tax liabilities	17	**4,376**	178
		4,376	73,105
Net assets		**2,032,589**	168,000

Consolidated Balance Sheet (continued)

At 31 December 2007

	Notes	2007 RMB'000	2006 RMB'000
Capital and reserves			
Share capital	29	**104,500**	8
Reserves		**1,906,714**	161,972
Equity attributable to equity holders of the Company		**2,011,214**	161,980
Minority interests		**21,375**	6,020
Total equity		**2,032,589**	168,000

The consolidated financial statements on pages 44 to 92 were approved and authorised for issue by the Board of Directors on 24 April 2008 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 2007

	Attributable to equity holders of the Company											
	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000	Share options reserve RMB'000	Capital reserve RMB'000	Revaluation reserve RMB'000	Translation reserve RMB'000	Statutory surplus reserve fund RMB'000	Retained profits RMB'000	Total RMB'000	Minority interests RMB'000	Total RMB'000
At 1 January 2006	41,086	—	—	—	59	—	(255)	4,536	56,415	101,841	13,307	115,148
Exchange differences arising on translation of financial statements of foreign operations recognised directly in equity	—	—	—	—	—	—	(2,008)	—	—	(2,008)	—	(2,008)
Profit for the year	—	—	—	—	—	—	—	—	113,365	113,365	1,677	115,042
Total income and expense recognised for the year	—	—	—	—	—	—	(2,008)	—	113,365	111,357	1,677	113,034
Issue of shares of a subsidiary	9	—	—	—	—	—	—	—	—	9	—	9
Arising on group reorganisation	(41,088)	—	41,088	—	—	—	—	—	—	—	—	
Acquisition of additional interests in subsidiaries	1	—	45,072	—	—	—	—	—	—	45,073	(9,438)	35,635
Acquisition of a subsidiary	—	—	—	—	—	—	—	—	—	—	474	474
Dividends paid	—	—	—	—	—	—	—	—	(96,300)	(96,300)	—	(96,300)
At 31 December 2006 and 1 January 2007	8	—	86,160		59	—	(2,263)	4,536	73,480	161,980	6,020	168,000
Exchange differences arising on translation of financial statements of foreign operations recognised directly in equity	—	—	—	—	—	—	(111,353)	—	—	(111,353)	—	(111,353)
Gain on fair value changes in available-for-sale investments	—	—	—	—	—	77	—	—	—	77	—	77
Net expense recognised directly in equity	—	—	—	—	—	77	(111,353)	—	—	(111,276)	—	(111,276)
Profit for the year	—	—	—	—	—	—	—	—	213,574	213,574	7,214	220,788
Total recognised income and expenses for the year	—	—	—	—	—	77	(111,353)	—	213,574	102,298	7,214	109,512
Issue of shares as consideration for the acquisition of a subsidiary pursuant to the Group Reorganisation *(see Note 2)*	380	—	(380)	—	—	—	—	—	—	—	—	—
Arising on Group Reorganisation *(Note 2)*	(8)	—	8	—	—	—	—	—	—	—	—	—
Capitalisation issue of shares	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	8,141	9,241
Transfer	—	—	—	—	—	—	—	4,491	(4,491)	—	—	—
Recognition of equity-settled share based payments	—	—	—	2,537	—	—	—	—	—	2,537	—	2,537
At 31 December 2007	104,500	1,639,179	85,788	2,537	1,159	77	(113,616)	9,027	282,563	2,011,214	21,375	2,032,589

The special reserve mainly represents the aggregate of:

(a) An amount of approximately RMB41 million, being the difference between the paid-in capital of Ajisen (China) International Limited (formerly known as Favor Will Investments 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 RMB45 million, being the difference between (i) the share premium resulted from the issue of shares of the Ajisen International, of RMB221 million to acquire additional interests in subsidiaries (which resulted in a goodwill of approximately RMB36 million, see note 16 and 34) and (ii) an amount of approximately RMB176 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.

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

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

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 2007

	2007 RMB'000	2006 RMB'000
Operating activities		
Profit before taxation	284,195	142,971
Adjustments for:		
Allowance for doubtful debts	132	—
Depreciation	42,113	26,860
Fair value changes in respect of index-linked deposit	(1,160)	—
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)	—
Interest expenses	1,823	1,226
Interest income	(67,474)	(600)
Loss on disposal of property, plant and equipment	2,009	2,009
Operating lease rentals in respect of prepaid lease payment	1,639	871
Share-based payment expenses	2,537	—
Discount on acquisition of a subsidiary	—	(387)
Operating cash flows before movements in working capital	264,852	172,950
Rental deposits	(27,152)	—
Increase in inventories	(3,492)	(5,819)
Increase in trade and other receivables	(7,733)	(17,489)
Increase in index-linked deposit	(37,263)	—
Increase in trade and other payables	34,484	6,474
Cash from operations	223,696	156,116
Tax paid	(39,830)	(18,925)
Tax refunded	699	—
Net cash from operating activities	184,565	137,191
Investing activities		
Interest received	67,474	600
Purchase of property, plant and equipment	(171,005)	(73,587)
Proceeds from disposal of property, plant and equipment	7,447	83
Deposits paid for acquisition of property, plant and equipment	(12,511)	—
Deposit paid for acquisition of prepaid lease payments	(10,000)	—
Proceeds from disposal of investment properties	—	2,950
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	—
Addition of prepaid lease payments	(751)	(449)
Purchase of available-for-sale investments	(501)	(1,648)
Repayment from related parties	32,383	25,132
Purchase of additional interests in subsidiaries	—	(1,500)
Purchase of a subsidiary (net of cash and cash equivalents acquired)	—	5,580
Repayment from directors	—	97
Repayment from shareholders	—	1,956
Net cash used in investing activities	(86,502)	(40,786)

Consolidated Cash Flow Statement (continued)

For the year ended 31 December 2007

	2007 RMB'000	2006 RMB'000
Financing activities		
Proceeds from issue of shares	**1,836,399**	9
Bank loans raised	**187,953**	111,000
Capital contributions from minority shareholders	**9,241**	—
Advance from shareholders	**2,984**	3,906
(Repayment to) advance from related companies	**(646)**	5,340
Interest paid	**(1,823)**	(1,226)
Dividends paid	**(11,220)**	(105,880)
Repayment to directors	**(35,999)**	(68,553)
Payment of transaction costs attributable to issue of new shares	**(93,100)**	—
Repayment of bank loans	**(307,622)**	(6,789)
Net cash from (used in) financing activities	**1,586,167**	(62,193)
Increase in cash and cash equivalents	**1,684,230**	34,212
Cash and cash equivalents at 1 January	**106,078**	73,121
Effect of foreign exchange rate changes	**(108,115)**	(1,255)
Cash and cash equivalents at 31 December	**1,682,193**	106,078
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	**1,682,765**	107,473
Bank overdrafts	**(572)**	(1,395)
	1,682,193	106,078

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

1. General

The Company is incorporated and registered as an exempted company with limited liability on 6 April 2006 under the Companies Law of the Cayman Islands and acts as an investment holding company. Its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the ''Stock Exchange'') on 30 March 2007. Its controlling shareholder company is Favor Choice Limited, a company which is incorporated in the British Virgin Islands. 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 Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in note 40.

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''). The consolidated financial statements are presented in RMB as the management of the Company considers that it is more beneficial for the users of the consolidated financial statements.

2. Group restructuring and 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 became the holding company of Ajisen International and its subsidiaries on 8 March 2007 (together with the Company 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'').

Although the Group resulting from the above-mentioned Group Reorganisation did not exist until 8 March 2007, 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 as a continuing entity as if the group structure as at 8 March 2007 had been in existence from the beginning of the year ended 31 December 2006. 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 (the ''HKICPA'') as if the group structure under the Group Reorganisation had been in existence throughout the year ended 31 December 2006 and 31 December 2007 or since their respective dates of incorporation or establishment whichever is the shorter period.

The consolidated income statements, the consolidated cash flow statements and consolidated statement of changes in equity which are prepared in accordance with the principles of merger accounting, for each of the year ended 31 December 2006 and 31 December 2007 include the financial information of the companies comprising the Group as if the group structure upon the completion of the Group Reorganisation had been in existence throughout the year ended 31 December 2006 and the period from 1 January 2007 to the date of the Group Reorganisation or since their respective dates of incorporation or establishment whichever is the shorter period. The consolidated balance sheet of the Group as at 31 December 2006 has been prepared in accordance with the principles of merger accounting to present the assets and liabilities of the companies comprising the Group as if the group structure upon the completion of the Group Reorganisation had been in existence as at that date.

3. Application of new and revised Hong Kong financial reporting standards

In the current year, the Group has applied, for the first time, a number of new standard, amendment and interpretations (''new HKFRSs'') issued by the HKICPA, which are effective for the accounting year beginning 1 January 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

The adoption of these new HKFRSs has 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 applied the disclosure requirements under HKAS 1(Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1(Amendment) and HKFRS 7 has been presented for the first time in the current year.

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

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating segments[1]
HKFIC 11	HKFRS 2: Group and Treasury Share Transactions [3]
HKFIC 12	Service Concession Arrangements[4]
HKFIC 13	Customer Loyalty Programmes[5]
HKFIC 14	HKAS 19 — The Limited on a Defined Benefit Asset, Minimum Funding Requirements and their interaction[4]

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 July 2009
3 Effective for annual periods beginning on or after 1 March 2007
4 Effective for annual periods beginning on or after 1 January 2008
5 Effective for annual periods beginning on or after 1 July 2008

The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group except for the adoption of HKFRS 3 (Revised) Business Combinations and HKAS 27 (Revised) Consolidated and Separate Financial Statements. HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment on changes in parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

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, 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 merger accounting. 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 statements 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.

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.

4. Significant accounting policies (continued)

Basis of consolidation (continued)

Business combination (continued)

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, an associate or a jointly controlled entity for which an agreement date is on or after 1 January 2005 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.

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 related sales 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 which the sales of the franchisee take place, in accordance with the substance 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 land and 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.

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 period in which the item is derecognised.

4. Significant accounting policies (continued)

Leasing

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

The Group as lessor
Rental income from operating leases is recognised in 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.

Prepaid lease payments

The prepaid lease payments which represent up-front payments to acquire leasehold interest in land are accounted for as prepayment for operating leases and are stated initially at cost and released to profit or loss over the lease term on a straight-line basis.

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

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.

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.

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.

4. Significant accounting policies (continued)

Financial instruments (continued)

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 on 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.

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.

Index-linked deposit

Index-linked deposit is a hybrid instrument that contains embedded derivatives. The Group has designated the index-linked deposit as ''financial assets at fair value through profit or loss'' upon initial recognition in accordance with HKAS39. The deposit is carried at fair values, with changes in fair values recognised in profit or loss in which they arise.

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, 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).

4. Significant accounting policies (continued)

Financial instruments (continued)

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).

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, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated 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.

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.

4. Significant accounting policies (continued)

Financial instruments (continued)

Impairment of financial assets (continued)

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment 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.

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, long-term bank loans, short-term 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.

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.

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 recovered unconditionally.

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.

4. Significant accounting policies (continued)

Foreign currencies (continued)

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 financial statements, the assets and liabilities of the Group's foreign operations are expressed in RMB 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.

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

5. Key sources of estimation uncertainty

In the process of applying the Group's accounting policies which are described in note 4 of the consolidated financial statements, 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, that has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, is discussed below.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of 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 unit 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. As at 31 December 2007, the carrying amount of goodwill is RMB37,135,000. Details of the recoverable amount calculation are disclosed in note 16 to the consolidated financial statements.

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

	2007 RMB'000	2006 RMB'000
TURNOVER		
Hong Kong		
— external sales	208,890	184,747
— inter-segment sales	45,916	65,693
	254,806	250,440
PRC		
— external sales	695,463	413,644
— inter-segment sales	97,289	87,314
	792,752	500,958
Elimination of inter-segment sales	(143,205)	(153,007)
	904,353	598,391

Results

	2007 RMB'000	2006 RMB'000
Segment profit from operations		
— Hong Kong	44,018	49,122
— PRC	181,898	100,656
	225,916	149,778
Unallocated income	90,674	2,484
Unallocated expenses	(30,572)	(8,065)
Finance costs	(1,823)	(1,226)
Profit before taxation	284,195	142,971
Taxation	(63,407)	(27,929)
Profit for the year	220,788	115,042

6. Geographical and business segments (continued)

Geographical segments (continued)

Balance sheet

	Segment assets	
	2007 RMB'000	2006 RMB'000
By location of customers which is also where assets locate:		
Segment assets		
Hong Kong	**87,216**	98,816
PRC	**395,800**	261,590
	483,016	360,406
Unallocated	**1,749,026**	100,256
Total assets	**2,232,042**	460,662

	Segment liabilities	
	2007 RMB'000	2006 RMB'000
Segment liabilities		
Hong Kong	**16,543**	9,594
PRC	**112,801**	83,473
	129,344	93,067
Unallocated	**70,109**	199,595
Total liabilities	**199,453**	292,662

Other information

For the year ended 31 December 2007

	Hong Kong RMB'000	PRC RMB'000	Unallocated RMB'000	Total RMB'000
Depreciation	**7,062**	**34,975**	**76**	**42,113**
Capital addition	**17,504**	**166,257**	**1,360**	**185,121**
Allowance for doubtful debts	**—**	**132**	**—**	**132**
Loss on disposal of property, plant and equipment	**523**	**1,486**	**—**	**2,009**
Operating lease rentals in respect of prepaid lease payments	**—**	**1,639**	**—**	**1,639**

6. Geographical and business segments (continued)

Geographical segments (continued)

Other information (continued)
For the year ended 31 December 2006

	Hong Kong RMB'000	PRC RMB'000	Unallocated RMB'000	Total RMB'000
Depreciation	4,731	22,129	—	26,860
Capital addition	10,810	64,862	—	75,672
Loss on disposal of property, plant and equipment	—	2,009	—	2,009
Operating lease rentals in respect of prepaid lease payments	—	871	—	871

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:

	2007 RMB'000	2006 RMB'000
TURNOVER		
Operation of restaurants		
— external sales	**844,874**	529,337
Sales of noodles and related products		
— external sales	**59,479**	69,054
— inter-segment sales	**143,205**	153,007
	202,684	222,061
Elimination of inter-segment sales	**(143,205)**	(153,007)
	904,353	598,391

6. Geographical and business segments (continued)

Business segments (continued)

	Capital additions of assets		Carrying amount	
	2007 RMB'000	2006 RMB'000	**2007 RMB'000**	2006 RMB'000
Operation of restaurants	**174,431**	72,664	**392,187**	200,598
Sales of noodles and related products	**9,330**	3,008	**90,652**	106,940
	183,761	75,672	**483,469**	307,538
Unallocated	**1,360**	—	**1,748,573**	153,124
	185,121	75,672	**2,232,042**	460,662

7. Other income

	2007 RMB'000	2006 RMB'000
Commission income	**769**	2,610
Discount on acquisition of a subsidiary	**—**	387
Net exchange gain	**2,031**	1,497
Fair value changes in respect of index-linked deposit	**1,160**	—
Gain on disposal of shares allocated under subscription of new listing applicant's shares under the Stock Exchange	**962**	—
Government subsidies *(Note)*	**18,467**	—
Interest income on bank deposits	**67,474**	600
Management fee income *(note 38)*	**38,982**	31,974
Property rental income	**2,172**	1,027
Royalty income from sub-franchisee	**1,830**	1,600
Others	**5,225**	2,039
	139,072	41,734

Note: The amount of government subsidies represents the incentive subsidies receivable from the PRC local district authorities for the business activities carried out by the Group in the district. There are no specific conditions attached to the subsidies which indicate that these are future related costs which the subsidies are intended to compensate, hence the Group recognised the incentive as income of the period in which it becomes receivable.

8. Finance costs

	2007 RMB'000	2006 RMB'000
Interest on bank loans		
— wholly repayable within five years	1,582	283
— not wholly repayable within five years	241	943
	1,823	1,226

9. Profit before taxation

	2007 RMB'000	2006 RMB'000
Profit before taxation has been arrived at after charging:		
Directors' remuneration *(Note 10)*	4,489	966
Other staff costs	123,881	63,685
Other staff's retirement benefits scheme contributions	9,547	1,318
Other staff's share-based payment expenses	826	—
	138,743	65,969
Allowance for doubtful debts	132	—
Auditor's remuneration		
— Current year	2,898	2,300
— Underprovision in prior year	63	—
	2,961	2,300
Non-audit services	773	—
	3,734	2,300
Depreciation	42,113	26,860
Loss on disposal of property, plant and equipment	2,009	2,009
Operating lease rentals in respect of		
— prepaid lease payments	1,639	871
— rented premises *(Note)*	124,764	83,829

Note: Cost of operation of restaurants of RMB124,315,000 (2006: RMB82,865,000) and RMB234,925,000 (2006: RMB141,412,000) have been included in property rentals and distribution and selling expenses, respectively.

Included in the operating lease rentals in respect of rented premises are minimum lease payments of approximately RMB101,997,000 (2006: RMB70,756,000) and contingent rent of approximately RMB22,767,000 (2006: RMB13,073,000).

10. Directors' and employees' remuneration

The emoluments paid or payable to each of the eight (2006: eight) directors were as follows:

	2007						2006			
	Fees RMB'000	Salaries and other benefits RMB'000	Performance related incentive bonuses (Note) RMB'000	Share-based payment expenses RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000	Fees RMB'000	Salaries and other benefits RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000
Executive directors										
Ms. Poon Wai	72	1,372	—	1,076	12	2,532	—	463	13	476
Mr. Yin Yibing	—	35	—	317	—	352	—	248	5	253
Mr. Poon Ka Man, Jason	72	652	26	317	12	1,079	—	231	6	237
Non-executive directors										
Mr. Wong Hin Sin, Eugene	118	—	—	—	—	118	—	—	—	—
Mr. Katsuaki Shigemitsu	72	—	—	—	—	72	—	—	—	
Independent non-executive directors										
Mr. Peter Lo	118	—	—	—	—	118	—	—	—	—
Mr. Jen Shek Voon	118	—	—	—	—	118	—	—	—	—
Mr. Yan Yu	100	—	—	—	—	100	—	—	—	—
	670	2,059	26	1,710	24	4,489	—	942	24	966

The five highest paid individuals included two (2006: one) directors of the Company, details of whose emoluments are set out above. The emoluments of the remaining three (2006: four) highest paid individuals during the year are as follows:

	2007 RMB'000	2006 RMB'000
Employees		
— Basic salaries and allowances	2,105	1,381
— Performance related incentive bonuses *(Note)*	444	—
— Share-based payment expenses	140	—
— Retirement benefits scheme contributions	33	43
	2,722	1,427

Note: The performance related incentive bonuses for the year ended 31 December 2007 were determined on performance of the Group.

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

	2007 RMB'000	2006 RMB'000
HK$ nil to HK$1,000,000	2	5
HK$1,000,001 to HK$1,500,000	2	—
HK$2,500,001 to HK$3,000,000	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.

11. Taxation

	2007 RMB'000	2006 RMB'000
Hong Kong Profits Tax		
— current year's	3,913	5,242
— overprovision in prior years	(442)	—
	3,471	5,242
PRC income tax		
— current year's	58,986	22,938
— overprovision in prior years	(1,273)	—
	57,713	22,938
	61,184	28,180
Deferred taxation *(Note 17)*		
— current year	1,927	(251)
— attributable to a change in tax rate	296	—
	2,223	(251)
	63,407	27,929

Hong Kong Profits Tax is calculated at 17.5% (2006: 17.5%) on the estimated assessable profit for the year.

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

Pursuant to the Income Tax Law for the Foreign Investment Enterprises and Foreign Enterprises of the PRC, Weiqian Noodle (Shenzhen) Co., Ltd. is entitled to preferential tax relief by reducing the Foreign Enterprise Income Tax (''FEIT'') rate to 15%, as it operates in Shenzhen Special Economic Zone. Lead Food (Shanghai) Development Co., Ltd., being qualified as a manufacturing enterprise according to the relevant tax rules, is entitled to exemption from PRC corporate income tax for two years commencing from its first profit making year in 2005, followed by 50% tax rate reduction for PRC corporate income tax for the subsequent three years.

On 16 November 2006 and 26 July 2007, Shanghai Lead Food & Restaurant Management Co., Limited (''Shanghai Lead Food''), a subsidiary established in Shanghai Pudong New Area in the PRC, has relocated its business and tax registration to Huangpu District of Shanghai respectively. Shanghai Lead Food had previously been registered as operating in Shanghai Pudong New Area, where the applicable FEIT rate was 15%. On the other hand, the applicable FEIT rate for business registered as operating in Huangpu District of Shanghai is 33%. Shanghai Lead Food did not report its assessable profit to the Huangpu District bureau since November 2006, the time when it relocated its business registration, to the date of relocation of tax registration (''the intervening period'', which covers the period from 16 November 2006 to 26 July 2007) and did not pay its FEIT on assessable profit for the intervening period at 33%. Should Shanghai Lead Food be required to pay its FEIT at 33% during the intervening period, the Company would be required to recognise an additional amount of tax liabilities of RMB12.5 million at 31 December 2007 (2006: RMB3.2 million). The directors of the Company are of the opinion that Shanghai Lead Food will not be required to pay such additional taxes and accordingly, no provision for this possible tax liability was made in the consolidated financial statements.

11. Taxation (continued)

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 changes the tax rate from 33% to 25% for certain subsidiaries from 1 January 2008 and 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 which were entitled to a preferential lower tax rate and tax holiday under the then effective tax laws or regulations. Also, withholding tax rate on dividends will be charged form 5% to 10% for certain subsidiaries form 1 January 2008 onwards. 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			
	2007 RMB'000	**%**	2006 RMB'000	%	**2007 RMB'000**	**%**	2006 RMB'000	%	**2007 RMB'000**	**%**	2006 RMB'000	%
Profit before taxation	**79,463**		32,814		**204,732**		110,157		**284,195**		142,971	
Tax at the applicable income tax rate	**13,906**	**17.5**	5,742	17.5	**67,562**	**33.0**	36,352	33.0	**81,468**	**28.7**	42,094	29.5
Tax effect of expenses not deductible for tax purposes	**170**	**0.2**	—	—	**79**	**—**	200	0.2	**249**	**0.1**	200	0.1
Tax effect of income not taxable for tax purposes	**(12,742)**	**(16.0)**	(568)	(1.7)	**—**	**—**	—	—	**(12,742)**	**(4.5)**	(568)	(0.4)
Tax effect of deemed taxable income	**—**	**—**	—	—	**2,014**	**1.2**	1,240	1.1	**2,014**	**0.7**	1,240	0.8
Effect of tax exemptions granted to PRC subsidiaries	**—**	**—**	—	—	**(1,989)**	**(1.0)**	(2,583)	(2.3)	**(1,989)**	**(0.7)**	(2,583)	(1.8)
Tax effect of tax losses not recognised	**966**	**1.2**	—	—	**1,703**	**0.8**	335	0.3	**2,669**	**0.9**	335	0.2
Tax effect of utilisation of tax losses previously not recognised	**—**	**—**	—	—	**—**	**—**	(209)	(0.2)	**—**	**—**	(209)	(0.1)
Decrease in opening deferred tax asset resulting from a decrease in applicable tax rate	**—**	**—**	—	—	**296**	**0.1**	—	—	**296**	**0.1**	—	—
Income tax at concessionary rate	**—**	**—**	—	—	**(6,470)**	**(3.2)**	(12,480)	(11.3)	**(6,470)**	**(2.3)**	(12,480)	(8.7)
Overprovision in prior years	**(442)**	**(0.6)**	—	—	**(1,273)**	**(0.6)**	—	—	**(1,715)**	**(0.6)**	—	—
Others	**(1,043)**	**(1.3)**	(183)	(0.6)	**670**	**0.3**	83	—	**(373)**	**(0.1)**	(100)	—
Tax change and effective rate for the year	**815**	**1.0**	4,991	15.2	**62,592**	**30.6**	22,938	20.8	**63,407**	**22.3**	27,929	19.6

12. Dividends

No dividends have been paid or declared by the Company since its incorporation. However, during the year ended 31 December 2006, the following companies distributed dividends to their owners prior to the Group Reorganisation:

	RMB'000
Brilliant China Holdings Limited	5,250
Ajisen International	50,000
Hong Kong Ajisen Food Company Limited	1,050
Shanghai Lead Food & Restaurant Management Co., Ltd.	40,000
	96,300

For the year ended 31 December 2006, the rates of dividends and the number of shares ranking for dividends are not presented as such information is not meaningful having regard to the purpose of this report.

A final dividend of RMB5.2 cents per ordinary share for the year ended 31 December 2007 (2006: nil) has been proposed by the directors and is subject to approval by the shareholders in the annual general meeting to be held on 6 June 2008.

13. Earnings per share

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

	2007 RMB'000	2006 RMB'000
Earnings for the purposes of basic and diluted earnings per share, being profit for the year attributable to equity holders of the Company	213,574	113,365

	Number of shares	
Weighted average number of ordinary shares for the purposes of calculating basic earnings per share	962,703,000	709,278,000
Effect of dilutive potential ordinary shares relating to: — share options	7,380,000	
Weighted average number of ordinary shares for the purpose of calculating diluted earning per share	970,083,000	

In calculating the weighted average number of ordinary shares for the purpose of calculating basic earnings per share, the shares that were in issue immediately prior to the listing of the Company's shares on the Stock Exchange, which were issued pursuant to the Group Reorganisation and adjustment for the effect of the capitalisation issue of shares, are treated as if they had been in issue throughout both periods.

No dilutive earnings per share was presented for the year ended 31 December 2006 as the Company had no outstanding share options throughout that year.

14. Property, plant and equipment

	Buildings RMB'000	Leasehold improvements RMB'000	Furniture & fixtures and equipment RMB'000	Motor vehicles RMB'000	Plant and machinery RMB'000	Total RMB'000
COST						
At 1 January 2006	44,719	70,257	10,960	5,818	31,959	163,713
Currency realignment	—	(631)	(227)	(50)	(513)	(1,421)
Additions	10,597	39,573	6,929	797	16,861	74,757
Acquisition of a subsidiary *(note 33)*	—	—	798	—	117	915
Disposals	—	(2,794)	(413)	(771)	(2,143)	(6,121)
At 31 December 2006	55,316	106,405	18,047	5,794	46,281	231,843
Currency realignment	(25)	(2,478)	(418)	(133)	(834)	(3,888)
Additions	45,270	96,816	13,911	2,016	26,357	184,370
Disposals	—	(2,902)	(5,955)	(115)	(3,159)	(12,131)
At 31 December 2007	100,561	197,841	25,585	7,562	68,645	400,194
DEPRECIATION						
At 1 January 2006	3,999	18,001	6,142	2,079	12,994	43,215
Currency realignment	—	(366)	(174)	(32)	(326)	(898)
Provided for the year	3,004	15,161	1,658	6	7,031	26,860
Eliminated on disposals	—	(1,328)	(411)	(682)	(1,608)	(4,029)
At 31 December 2006	7,003	31,468	7,215	1,371	18,091	65,148
Currency realignment	—	(717)	(307)	(59)	(571)	(1,654)
Provided for the year	4,013	26,014	2,861	983	8,242	42,113
Eliminated on disposals	—	(797)	(187)	(115)	(1,566)	(2,665)
At 31 December 2007	11,016	55,968	9,582	2,180	24,196	102,942
CARRYING VALUES						
At 31 December 2007	89,545	141,873	16,003	5,382	44,449	297,252
At 31 December 2006	48,313	74,937	10,832	4,423	28,190	166,695

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

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

14. Property, plant and equipment (continued)

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

As at 31 December 2006, the Group pledged certain of its buildings with an aggregate carrying amount of RMB653,000 to certain banks to secure the credit facilities granted to the Group. During the year ended 31 December 2007, the pledge was released upon the repayment of such bank loans.

15. Prepaid Lease Payments

	2007 RMB'000	2006 RMB'000
CARRYING VALUE		
At 1 January	**6,921**	7,343
Additions during the year	**751**	449
Charged to consolidated income statement for the year	**(1,639)**	(871)
At 31 December	**6,033**	6,921
Less: Amount to be amortised within one year included in trade and other receivables	**(560)**	(560)
Non-current portion	**5,473**	6,361
Prepaid lease payments comprises:		
Land use rights situated in the PRC under medium-term lease	**4,586**	4,686
Property rentals paid in advance for restaurants	**1,447**	2,235
	6,033	6,921

16. Goodwill

	2007 RMB'000	2006 RMB'000
COST		
At 1 January	**37,135**	—
Arising on acquisition of further interest in subsidiaries during the year	**—**	37,135
At 31 December	**37,135**	37,135

Included above, goodwill of RMB35.6 million is allocated to the Cash Generating Units (''CGU'') of certain of restaurant operations in Hong Kong while the remaining goodwill is allocated to the CGU of the restaurant operations in the PRC.

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

16. Goodwill (continued)

The recoverable amounts of the CGUs 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 CGUs. 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 9% which reflects current market assessments of the time value of money and the risks specific to the CGUs. The cash flows for the budgeted 5 years are using a growth rate of 4.6% per annum. The growth rates are based on industry growth forecasts. No impairment loss was considered necessary.

17. Deferred taxation

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

	Difference in depreciation RMB'000	**Accrued rentals** RMB'000	**Tax losses** RMB'000	**Government subsidies** RMB'000	**Total** RMB'000
At 1 January 2006	(313)	1,224	—	—	911
Credit to consolidated income statement for the year	135	116	—	—	251
At 31 December 2006	(178)	1,340	—	—	1,162
Credit (charge) to consolidated income statement for the year	2,049	(993)	1,263	(4,246)	(1,927)
Effect of change in tax rate	—	(296)	—	—	(296)
At 31 December 2007	1,871	51	1,263	(4,246)	(1,061)

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:

	2007 **RMB'000**	2006 RMB'000
Deferred tax assets	**3,315**	1,340
Deferred tax liabilities	**(4,376)**	(178)
	(1,061)	1,162

17. Deferred taxation (continued)

The Group has unutilised tax losses of RMB18,068,000 (2006: RMB171,000) 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:

	2007 RMB'000	2006 RMB'000
Year of expiry		
2009	171	—
2010	—	171
2011 and afterwards	5,162	—
	5,333	171

18. Available-for-sale investments

	2007 RMB'000	2006 RMB'000
Unlisted investments	1,509	1,536
Unlisted equity investments in Taiwan, at cost	501	—
	2,010	1,536

As at 31 December 2007, the unlisted investments are stated at fair value with reference to bid prices quoted in an active market in Hong Kong.

As at 31 December 2007, 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 reliably.

19. Inventories

	2007 RMB'000	2006 RMB'000
Raw materials and consumables	18,390	16,493
Work in progress	14	11
Finished goods	6,258	4,872
	24,662	21,376

20. Trade and other receivables

	2007 RMB'000	2006 RMB'000
Trade receivables		
— related companies	**4,502**	11,475
— others	**16,467**	13,285
	20,969	24,760
Less: allowance for doubtful debts	**(132)**	—
	20,837	24,760
Rental and utility deposits	**13,088**	29,341
Property rentals paid in advance for restaurants	**6,991**	3,645
Advance to suppliers	**295**	1,726
Other receivables and prepayments	**29,343**	5,428
	70,554	64,900

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.

Payment terms with customers of independent third parties and related companies for 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 sales from restaurant operations. The following is an aged analysis of trade receivables net of allowance for doubtful debts at the balance sheet date:

	2007 RMB'000	2006 RMB'000
Age		
0 to 30 days	**10,392**	11,808
31 to 60 days	**3,280**	2,626
61 to 90 days	**1,746**	1,623
91 to 180 days	**379**	7,972
Over 180 days	**5,040**	731
	20,837	24,760

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 2007 and 31 December 2006 have no default history and of good credit quality.

20. Trade and other receivables (continued)

Included in the Group's trade receivable balances are debtors with a carrying amount of RMB5,040,000 (2006: RMB731,000) which are past due as at 31 December 2007 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 2007 (2006: 240 days).

Movement in the allowance for doubtful debts:

	RMB'000
Balance at 1 January 2006, 31 December 2006 and 1 January 2007	—
Increase in allowance recognised in consolidated income statement	132
Balance at 31 December 2007	132

Included in the allowance for doubtful debts is impairment of RMB132,000 (2006: nil) recognized in respect of individually fully impaired trade receivables which have been placed in 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.

21. Amounts due from related parties

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

Name of related party	2007 RMB'000	2006 RMB'000	Maximum amount outstanding during the year RMB'000
Mr. Gary Ng, spouse of Ms. Poon Wai	—	3,684	3,684
Mr. Wu Xiaobin, a senior management of the Company	—	1,287	1,287
Weiqian Noodle Food Service (Shenzhen) Co., Ltd., a company in which Ms. Poon Wai has a beneficial interest	10,607	35,996	49,403
Shanghai Jiacai Ramen Restaurant, a sole proprietor entity held by a cousin of Ms. Poon Wai	10,152	11,114	14,555
Well Keen International Ltd., a company in which Ms. Poon Wai has a beneficial interest	23	776	785
Shanghai Hai Xian Trading Co., Ltd., a company in which Ms. Poon Wai, has a beneficial interest	—	316	316
Step Profit Ltd., a company in which Ms. Poon Wai, Mr. Poon Ka Man, Jason and Mr. Katsuaki Shigemitsu have beneficial interests	8	—	8
	20,790	53,173	

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

As at 31 December 2007 and 31 December 2006, the related parties 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.

22. Index-linked deposit

During the year, the Group entered into a contract of index-linked deposit with a bank for a period of one year. The significant terms and conditions relating to the deposit are as follows:

Notional amount	Contract date	Maturity date	Yield rate
HK$40,000,000	1 August 2007	1 August 2008	variable

The deposit is a principal-protected deposit with guaranteed yield of 2% on its notional amount. Yield rate is 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, then 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 will be settled at principal amount plus yield at maturity.

The index-linked deposit is designated at fair value through profit or loss upon initial recognition as the deposit forms part of a contract containing an embedded derivative. It is stated at fair value, which mainly depends on the forward exchange and interest rates of the bracket of currencies, on each balance sheet date provided by the counterparty financial institution.

During the year ended 31 December 2007, the change in fair value of the index-linked deposit is RMB1,160,000 and has been credited to the consolidated income statement.

23. 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 5.72% (2006: 2.50% to 3.00%) per annum.

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

	2007 **RMB'000**	2006 RMB'000
USD	**19,786**	10

Certain bank balances and cash of approximately RMB325,528,000 (2006: RMB52,347,000) were denominated in RMB which is not a freely convertible currency in the international market. The exchange rate of RMB is determined by the Government of the PRC and the remittance of these funds out of the PRC is subject to exchange restrictions imposed by the Government of the PRC.

24. Trade and other payables

	2007 RMB'000	2006 RMB'000
Trade payables		
— related companies	**4,386**	480
— others	**49,615**	30,374
	54,001	30,854
Payroll and welfare payables	**10,228**	5,398
Customers' deposits received	**1,677**	3,856
Payable for acquisition of property, plant and equipment	**20,039**	6,674
Payable for property rentals	**15,913**	7,764
Other tax payable	**14,751**	13,058
Others	**12,994**	14,796
	129,603	82,400

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:

	2007 RMB'000	2006 RMB'000
Age		
0 to 30 days	**41,268**	25,483
31 to 60 days	**8,770**	4,496
61 to 90 days	**1,687**	437
91 to 180 days	**1,479**	37
Over 180 days	**797**	401
	54,001	30,854

25. Amounts due to related companies/amounts due to directors/ amount due to a shareholder

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

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

26. Long-term bank loans

	2007 RMB'000	2006 RMB'000
Carrying amount repayable:		
On demand or within one year	—	1,229
More than one year, but not exceeding two years	—	1,298
More than two years, but not more than five years	—	64,351
After five years	—	7,278
	—	74,156
Less: Amounts due within one year shown under current liabilities	—	(1,229)
Amounts due after one year	—	72,927
Analysed as		
— secured	—	14,156
— unsecured	—	60,000
	—	74,156

The long-term bank loans as at 31 December 2006 were fully repaid during the year ended 31 December 2007.

In addition, the Group had variable rate bank loans which carried interest at Hong Kong Interbank Offer Rate ("HIBOR") plus 1.00% per annum. Interest was repriced at each three months.

The ranges of effective interest rates, which where also equal to the Group's bank loans as at 31 December 2006 were as follows:

	%
Fixed — rate bank loans	7.50
Variable — rate bank loans	5.20

The bank loans were secured by a property owned by Ms. Poon Wai and Mr. Gang Ng. In addition, Ms. Poon Wai and Mr. Gang Ng had also given a personal guarantee to the extent of HK$15,000,000 for the bank loans as at 31 December 2006.

27. Short-term bank loans

	2007 RMB'000	2006 RMB'000
Short-term bank loans		
— secured	—	6,000
— unsecured	—	40,000
	—	46,000

27. Short-term bank loans (continued)

The short-term bank loans as at 31 December 2006 were fully repaid during the year ended 31 December 2007.

As at 31 December 2006, the carrying amounts of the Group's short-term bank loans carried interests at HIBOR plus a range of 1.00% to 2.50% per annum and effective interest rates ranging from 4.81% to 5.13% per annum.

The short-term bank loans at 31 December 2006 were secured by bank deposits owned by and guarantees given by Ms. Poon Wai.

28. Bank overdrafts

As at 31 December 2007, the bank overdrafts were unsecured and carry interest at market rates at 14.75% (2006: 8.00%) per annum.

29. Share capital

		Number of of shares	Share capital HK$'000
Authorised:			
Ordinary shares of HK$0.10 each			
On incorporation and balance at 1 January 2007	(a)	3,800,000	380
Increase during the year	(b)(i)	9,996,200,000	999,620
At 31 December 2007		10,000,000,000	1,000,000

			RMB'000
Issued and fully paid:			
On incorporation and balance at 1 January 2007	(a)	1	—
Issued of shares as consideration for the acquisition of a subsidiary pursuant to the Group Reorganisation	(c)	3,799,999	380
Issue of new shares upon listing of the Company's shares on the Stock Exchange	(b)(ii)	290,722,000	29,072
Capitalisation issue of shares	(b)(iii)	705,478,000	70,548
Issue of new shares upon exercise of the over-allotment option	(d)	45,000,000	4,500
At 31 December 2007		1,045,000,000	104,500

The share capital at 31 December 2006 represents the paid-in capital of Ajisen International and the Company.

Notes:

(a) The Company was incorporated on 6 April 2006 with an authorised share capital of HK$380,000 divided into 3,800,000 ordinary shares of HK$0.10 each. At the time of incorporation, one nil-paid share was issued.

29. Share capital (continued)

(b) 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.

(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.

(c) On 8 March 2007, the Company took up the entire share capital of Ajisen International 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.

(d) 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.

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

30. Share option schemes

The Company has adopted its share option scheme (the ''Share Option Scheme'') on 8 March 2007. 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 subscription price of a share in respect of option granted under the Share Option Scheme will be determined by the Board provided that is 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.

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

31. Pre-IPO share option scheme

The Company has 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, 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:

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

Notes:

(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 any grantee	From the expiry of the first anniversary of the to 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

31. Pre-IPO share option scheme (continued)

Notes: (continued)

(4) During the year ended 31 December 2007, 270,000 (2006: nil) share options granted to employees of the Group were cancelled. At 31 December 2007, the number of shares in respect of which options had been granted and remained outstanding was 19,730,000 (2006: nil), representing 1.89% (2006: nil) 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 RMB12,500,000. 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 the total expense of RMB2,537,000 for the year ended 31 December 2007 (2006: nil) in relation to share options granted by the Company.

32. 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, index-linked deposit, bank balances and cash, trade and other payables, amounts due to related companies, amounts due to directors, amount due to a shareholder, dividend payable, long-term and short-term bank loans and bank overdrafts. 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 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 from 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 dates.

Although the fair value of the index-linked deposit will be affected by the fluctuations of the forward exchange rates of the bracket of currencies, the foreign currency risk arose from such deposit will be minimal due to its principal-protected nature.

The carrying amounts of the Group's foreign currency denominated bank balances as at 31 December 2007 and 31 December 2006 are approximately RMB19,786,000 and RMB10,000.

32. Financial instruments (continued)

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

Currency risk (continued)

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

Sensitivity analysis

This sensitivity analysis details the Group's sensitivity to a 5% appreciation and depreciation in functional currency against the relevant foreign currency, 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 rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. If functional currency had strengthened/ weakened 5% against the relevant currency, the Group's profit for the year ended 31 December 2007 would have decreased/increased approximately by RMB70,000 (2006: decrease/increase approximately by RMB1,000).

Interest rate risk

As at 31 December 2007, the Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances. As at 31 December 2006, the Group had unsettled variable-rate bank loans together with variable-rate bank balances and they contributed to the cash flow interest rate risk of the Group (see notes 23, 26 and 27 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 and the stipulated changes taking place at the beginning of the financial year and held constant throughout the reporting period in the case of these financial instruments.

A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

	Year ended 31 December	
	2007 **RMB'000**	2006 RMB'000
Increase (decrease) in profit for the year	**16,822**	141

The Group's sensitivity to interest rates on bank balances and bank loans varies according to the bank balances and bank loans during the year. The increase is mainly due to the increase in bank balances.

32. Financial instruments (continued)

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

Credit risk

As at 31 December 2007, the Group's principal financial assets are trade and other receivables, amounts due from related companies, index-linked deposit 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 as 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. The credit risk on trade receivables is concentrated on the trade receivables from related companies which is attributable to a significant portion of the trade receivables of the Group. 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. As at 31 December 2007, the five largest trade receivables accounted for approximately 43% (2006: 53%) of total trade receivables (net of allowance). The Group reviews the recoverable amount of each individual trade debtor 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.

The credit risk on liquid funds and index-linked deposit 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 Average 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)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2007									
Financial liabilities									
Non-interest bearing		**122,647**	—	—	—	—	—	**122,647**	**122,647**
Interest bearing instruments	**14.75**	**572**	—	—	—	—	—	**572**	**572**
		123,219	—	—	—	—	—	**123,219**	**123,219**
At 31 December 2006									
Financial liabilities									
Non-interest bearing		132,436	—	—	—	—	—	132,436	132,436
Interest bearing instruments	6.21	51,644	1,379	65,163	1,592	1,592	7,730	129,100	121,551
		184,080	1,379	65,163	1,592	1,592	7,730	261,536	253,987

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

32. 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:

(i) generally accepted pricing models based on discounted cash flow analysis or using prices from observables current market transactions; and

(ii) reference to bid prices quoted in active markets.

	2007 RMB'000	2006 RMB'000
Financial assets		
Loans and receivables	**1,746,619**	185,740
Available-for-sale investments	**2,010**	1,536
FVTPL	**38,423**	—
	1,787,052	187,276
Financial liabilities		
Liabilities measured at amortised costs	**123,219**	253,987

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 and retained profits as disclosed in the consolidated financial statements. As at 31 December 2007, no (2006: RMB120,156,000) external debts were arised 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 raised of bank loans.

33. Purchase of a Subsidiary

On 1 December 2006, the Group completed the acquisition of 51% equity interest in 大連味千餐飲有限公司 (Dalian Weiqian Food Co. Ltd.) (''Dalian Weiqian'') from Mr. Yin Yibing, a director of the Company for consideration of RMB106,000, resulting in a discount on acquisition of RMB387,000.

The net assets acquired in the transaction and the discount on acquisition arising during the year 31 December 2006 were as follows:

	Acquiree's carrying amount and fair value RMB'000
Net assets acquired:	
Property, plant and equipment	915
Inventories	516
Trade and other receivables	932
Bank balances and cash	5,686
Trade and other payables	(7,082)
	967
Minority interests	(474)
Discount on acquisition	(387)
	106
Total consideration satisfied by:	
Cash	106

	Acquiree's carrying amount and fair value RMB'000
Net cash inflow arising on acquisition:	
Cash consideration paid	(106)
Bank balances and cash acquired	5,686
Net inflow of cash and cash equivalents in respect of the acquisition of a subsidiary	5,580

Dalian Weiqian contributed less than RMB1,000 to the Group's profit for the year ended 31 December 2006.

34. Major Non-cash Transaction

In January 2006, as part of the Group Reorganisation, the consideration for the acquisition of minority equity interests in certain subsidiaries operating in Hong Kong, comprised the issue of 180 shares of Ajisen International. The fair value of the shares issued was approximately RMB220,685,000 which was determined with reference to the valuation of the Group's business carried out on the date of acquisition by CB Richards Ellis Limited, an independent valuer. The valuation, which conformed to Hong Kong Institute of Surveyors Valuation Standards on Trade-related Business Assets and Business Enterprises and The Hong Kong Business Valuation Forum Business Valuation Standards, was determined by reference to the Income Approach using the discounted cash flow method.

35. Capital Commitments

	2007 **RMB'000**	2006 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of the acquisition of		
— property, plant and equipment	**7,938**	1,350
— prepaid lease payments	**19,753**	—
	27,691	1,350

36. Operating Lease Arrangements

The Group as lessee

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

	2007 **RMB'000**	2006 RMB'000
Within one year	**125,580**	72,316
In the second to fifth year inclusive	**360,887**	179,256
After five years	**214,700**	110,440
	701,167	362,012

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

In respect of certain leases, the Group is committed to pay a fixed rental payment plus additional rent whenever the Group's sales achieved prescribed percentage.

36. Operating Lease Arrangements (continued)

The Group as lessor

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

	2007 RMB'000	2006 RMB'000
Within one year	3,997	865
In the second to fifth year inclusive	9,358	865
After five years	3,734	—
	17,089	1,730

37. 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 RMB9,571,000 (2006: RMB1,342,000) and amounts due to the MPF and state-managed retirement plans included in trade and other payables is RMB1,501,000 (2006: RMB1,145,000).

38. RELATED PARTY TRANSACTIONS

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

Relationship with related party	Nature of transaction	2007 RMB'000	2006 RMB'000
Shigemitsu Industry Co., Ltd., a shareholder	Sales of noodles and related products	**356**	243
	Purchase of raw materials	**9,006**	28,467
	Franchise commissions paid	**7,354**	4,390
Companies in which Ms. Poon Wai has significant beneficial interest	Sales of noodles and related products	**11,414**	6,515
	Purchase of raw materials	**13,826**	2,610
	Commissions received	**769**	2,635
	Management fee received	**38,982**	31,974
	Property rentals received	**553**	865
Companies in which Mr. Yin Yibing has significant beneficial interest	Sales of noodles and related products	**215**	—
Ms. Poon Wai	Proceeds from disposal of investment properties	**—**	2,950
Mr. Yin Yibing	Consideration for acquisition of 51% equity interest in Dalian Weiqian	**—**	106
Companies in which Mr. Poon Ka Man, Jason, a director of the Company, has significant beneficial interest	Decoration expenses paid	**11,081**	4,642

Details of the securities for the Group's bank loans given by Ms. Poon Wai and her spouse are set out in notes 26 and 27 to the consolidated financial statements.

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

	2007 RMB'000	2006 RMB'000
Short-term employee benefits	**5,304**	2,323
Other long-term benefits	**57**	67
Share-based payment	**1,850**	—
	7,211	2,390

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.

39. Post-balance Sheet Event

Subsequent to 31 December 2007, the directors of the Company have been resolved to acquire the entire interest in Luck Right Limited (''Luck Right''), which holds the entire interest in a wholly foreign owned enterprise established in the PRC namely Weiqian Noodle Food Service (Shenzhen) Co., Ltd. (the ''Acquisition'') from Ms. Poon Wai, the director of the Company. The Acquisition was expected to the completed on 6 June 2008 when the Acquisition would be subject to the approval of Special General Meeting of the Company. The terms of the Acquisition are set out in the Prospectus of the Company dated 19 March 2007.

The Group and Luck Right are under common control of Ms. Poon Wai prior to and after the Acquisition. The Acquisition under common control will be accounted for the accordance with merger accounting.

40. Principal Subsidiaries

Details of the Company's principal subsidiaries at 31 December 2007 and 31 December 2006 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	Principal activities
Ajisen (Hong Kong) Limited	British Virgin Islands	US$990	100%	Investment holding
Ajisen Group Management Limited**	Hong Kong	HK$10,000	100%	Provision of management services
Ajisen International*	British Virgin Islands	US$1,000	100%	Investment holding
Brilliant China Holdings Limited	Hong Kong	HK$10,000	100%	Operating the Group's Hong Kong office and food processing Ajisen factory
Colour Wave Development Limited	Hong Kong	HK$10,000	100%	Operating an Ajisen chain restaurant
Festive Profits Limited	British Virgin Islands	US$100	100%	Investment holding
Fortune Choice Limited	Hong Kong	HK$10,000	100%	Holding company of Shenzhen factory and trading of noodles
Gold Regent Limited	Hong Kong	HK$10,000	100%	Operating an Ajisen chain restaurant
Hong Kong Ajisen Co., Ltd.**	Hong Kong	HK$10,000	100%	Operating an Ajisen chain restaurant
Hong Kong Ajisen Food Company Limited	Hong Kong	HK$10,000	100%	Operating an Ajisen chain restaurant
Long Wave Limited	Hong Kong	HK$10,000	100%	Operating an Ajisen chain restaurant
Ocean Talent Limited	Hong Kong	HK$10,000	100%	Operating an Ajisen chain restaurant
Seamax Limited	Hong Kong	HK$10,000	100%	Operating an Ajisen chain restaurant
Sunny Pearl Investment Limited	Hong Kong	HK$10,000	100%	Operating an Ajisen chain restaurant
Wintle Limited	Hong Kong	HK$10,000	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 for a term of 10 years commencing 22 March 2001	US$1,200,000	100%	Operating a noodle factory in Shanghai, the PRC

40. Principal Subsidiaries (continued)

Name of subsidiary	Place of incorporation/ establishment/ operations	Nominal value of issued and fully paid share capital/ registered capital	Attributable proportion of nominal value of issued share capital/registered capital held by the Company	Principal activities
上海領先餐飲管理有限公司 (Shanghai Lead Food & Restaurant Management Co. Ltd.)	PRC wholly foreign owned enterprise for a term of 20 years commencing 24 June 2003	US$9,412,700	100%	Investment holding and operating Ajisen chain restaurants in Shanghai, the PRC
味千拉麵深圳有限公司 Weiqian Noodle (Shenzhen) Co. Ltd.	PRC wholly foreign owned enterprise for a term of 15 years commencing 25 December 1995	HK$18,800,000	100%	Operating a noodle factory in Shenzhen, the PRC
杭州味千餐飲有限公司 Hangzhou Weiqian Food & Restaurant Management Co. Ltd.	PRC sino-foreign equity joint venture for a term of 20 years commencing 24 November 2003	RMB500,000	100%	Operating Ajisen chain restaurants in Hangzhou, 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 for a term of 20 years commencing 11 February 2004	RMB1,000,000	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 for a term of 20 years commencing 2nd August 2004	RMB10,000,000	55%	Operating Ajisen chain restaurants in Shandong, the PRC
北京味千餐飲有限公司 Beijing Weiqian Food & Restaurant Management Co. Ltd.	PRC sino-foreign equity joint venture for a term of 20 years commencing 27 December 2004	US$2,200,000	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 for a term from 5 July 2006 to 3 November 2024	RMB1,500,000	100%	Operating Ajisen chain restaurants in Chongqing, the PRC
Dalian Weiqian	PRC limited liability enterprise for a term from 27 November 2002 to 26 November 2012	RMB500,000	51%	Operating Ajisen chain restaurants in Dalian, the PRC

* Directly held by the Company

** Incorporated/established during the year ended 31 December 2007

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.

Financial Summary

	Year ended 31 December			
	2004 RMB'000	2005 RMB'000	2006 RMB'000	**2007** **RMB'000**
RESULTS				
Turnover from continuing operations	298,187	436,478	598,391	**904,353**
Profit before taxation	57,946	71,938	142,971	**284,195**
Taxation	(11,534)	(16,433)	(27,929)	**(63.407)**
Profit for the year from continuing operations	46,412	55,505	115,042	**220,788**
Profit for the year from discontinued operations	289	261	—	**—**
Profit for the year	46,701	55,766	115,042	**220,788**
Attributable to:				
— equity holders of the Company	37,189	48,950	113,365	**213,574**
— minority interests	9,512	6,816	1,677	**7,214**
	46,701	55,766	115,042	**220,788**

	As at 31 December			
	2004 RMB'000	2005 RMB'000	2006 RMB'000	**2007** **RMB'000**
ASSETS AND LIABILITIES				
Total assets	238,452	346,765	460,662	**2,232,042**
Total liabilities	(166,759)	(231,617)	(292,662)	**(199,453)**
Net assets	71,693	115,148	168,000	**2,032,589**

The results and summary of assets and liabilities for each of the three years ended 31 December 2006 which were extracted from the Company's prospectus dated 19 March 2007 have been prepared on a combination basis to indicate the results of the Group as if the group structure, at the time when the Company's shares were listed on The Stock Exchange of Hong Kong Limited, had been in existence throughout those years.

AJISEN RAMEN
味千拉麵