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

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 538)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

2008 ANNUAL RESULTS HIGHLIGHTS

- Turnover rose by 54.6% to HK$1,673 million (2007: HK$1,082 million)
- Sales from restaurant operation grew by 55.6% to HK$1,596 million, accounted for about 95.4% (2007: 94.8%) of turnover
- Gross profit margin remained stable at 68%
- Earnings from core business (exclude other income and other gains and losses) increased by 31.1% to HK$170 million (2007: HK$129 million)
- Profit attributable to equity holders dropped by 4.6% to HK$221 million (2007: HK$232 million)
- Total number of restaurants reached 315 by the end of 2008 and 338 as at the date of this announcement

ANNUAL RESULTS

The board of directors (the "Board") of Ajisen (China) Holdings Limited (the "Company" or "Ajisen (China)") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2008, together with the restated comparative figures for the year 2007, as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000 (As restated)
Turnover	3	**1,673,072**	1,081,970
Other income		**55,258**	105,557
Other gains and losses		**(4,785)**	(3,906)
Cost of inventories consumed		**(539,545)**	(344,093)
Staff costs		**(297,670)**	(158,297)
Depreciation		**(85,507)**	(49,531)
Property rentals and related expenses		**(236,433)**	(152,565)
Other operating expenses		**(264,818)**	(170,043)
Finance costs		**(660)**	(1,887)
Profit before taxation	4	**298,912**	307,205
Taxation	5	**(68,554)**	(68,167)
Profit for the year		**230,358**	239,038
Attributable to:			
Equity holders of the Company		**220,841**	231,572
Minority interests		**9,517**	7,466
		230,358	239,038
Dividends paid	6	**61,131**	—
		HK cents	*HK cents*
Earnings per share			
— Basic	7	**20.69**	23.51
— Diluted	7	**20.57**	23.33

CONSOLIDATED BALANCE SHEET

As at 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000 (As restated)
Non-current assets			
Investment properties		**96,868**	—
Property, plant and equipment		**528,356**	345,538
Prepaid lease payments		**39,293**	5,869
Deposits paid for acquisition of property, plant and equipment		**4,324**	13,415
Deposits paid for acquisition of land lease		**24,809**	10,723
Rental deposits		**49,286**	29,114
Goodwill		**37,135**	37,135
Deferred tax assets		**3,685**	3,555
Available-for-sale investments		**2,109**	2,155
		785,865	447,504
Current assets			
Inventories		**51,973**	31,062
Trade and other receivables	*8*	**89,281**	79,255
Amount due from a director		**—**	8,460
Amounts due from related parties		**9,117**	10,920
Taxation recoverable		**3,130**	1,245
Other financial assets	*9*	**253,940**	41,200
Bank balances and cash		**1,382,752**	1,814,391
		1,790,193	1,986,533

	Note	2008 HK$'000	2007 HK$'000 (As restated)
Current liabilities			
Trade and other payables	10	**225,534**	155,481
Amounts due to related companies		**13,595**	10,913
Amounts due to directors		**1,166**	544
Amount due to a shareholder		**12,728**	7,388
Dividend payable		**1**	—
Taxation payable		**36,514**	50,912
Secured bank loans — current		**3,768**	—
Bank overdrafts		**—**	614
		293,306	225,852
Net current assets		**1,496,887**	1,760,681
Total assets less current liabilities		**2,282,752**	2,208,185
Non-current liabilities			
Deferred tax liabilities		**7,294**	4,692
Secured bank loans — non-current		**63,324**	—
		70,618	4,692
Net assets		**2,212,134**	2,203,493
Capital and reserves			
Share capital		**106,769**	104,510
Reserves		**2,074,546**	2,076,065
Equity attributable to equity holders of the Company		**2,181,315**	2,180,575
Minority interests		**30,819**	22,918
Total equity		**2,212,134**	2,203,493

Notes:
(All amounts in HK$ thousands unless otherwise stated)

1. GENERAL

The Company is incorporated and registered as an exempted company with limited liability on 6 April 2006 under the Companies Law of the Cayman Islands and acts as an investment holding company. The principal activities of its principal subsidiaries are operating chain restaurants in Mainland China (the "PRC") and Hong Kong. Its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 30 March 2007.

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

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

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

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

Notes:

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

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

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

3. GEOGRAPHICAL AND BUSINESS SEGMENTS

Geographical segments

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

Income Statement

	2008	2007
	HK$'000	*HK$'000*
		(As restated)
TURNOVER		
Hong Kong		
— external sales	**271,808**	216,175
— inter-segment sales	**4,816**	7,021
	276,624	223,196
PRC		
— external sales	**1,401,264**	865,795
— inter-segment sales	**8,741**	6,961
	1,410,004	872,756
Elimination of inter-segment sales	**(13,557)**	(13,982)
	1,673,072	1,081,970
RESULTS		
Segment profit from operations		
— Hong Kong	**58,403**	45,553
— PRC	**280,082**	201,341
	338,485	246,894
Unallocated income	**32,059**	93,836
Unallocated expenses	**(70,972)**	(31,638)
Finance costs	**(660)**	(1,887)
Profit before taxation	**298,912**	307,205
Taxation	**(68,554)**	(68,167)
Profit for the year	**230,358**	239,038

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, by business segments:

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

4. PROFIT BEFORE TAXATION

	2008	2007
	HK$'000	*HK$'000*
		(As restated)
Profit before taxation has been arrived at after charging:		
Directors' remuneration	**5,938**	4,646
Other staff costs	**258,410**	139,583
Other staff's retirement benefits scheme contributions	**29,846**	13,301
Other staffs' share-based payment expenses	**3,476**	767
	297,670	158,297
Allowance for doubtful debts	**147**	137
Auditor's remuneration	**4,442**	3,065
Non-audit services	**3,153**	800
	7,595	3,865
Loss on disposal of property, plant and equipment	**4,425**	2,076
Operating lease rentals in respect of		
— prepaid lease payments	**1,140**	1,696
— rented premises *(Note)*	**211,835**	146,298

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

5. TAXATION

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

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

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

On 16 March 2007, the People's Republic of China promulgated the Law of the People's Republic of China on Enterprise Income Tax ("New Tax Law") by Order No. 63 of the President of the People's Republic of China. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Tax Law. The New Tax Law and Implementation Regulations 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. The relevant tax rates for the Group's subsidiaries in the PRC range from 18% to 25% (2007: 15% to 33%). Upon the promulgation and implementation of the New Tax Law, dividends paid out of the net profits derived by the PRC operating subsidiaries in financial years since 1 January 2008 are subject to PRC withholding tax in a rate of 10% or a lower treaty rate in accordance with relevant tax laws in the PRC. Under tax treaty, withholding tax rate on distributions to Hong Kong resident companies is 5%. Therefore, withholding tax has been provided for based on the anticipated dividends to be distributed by the PRC entities. The deferred tax balance has already reflected the tax rates that are expected to apply to the respective periods when the asset is realised or the liability is settled.

6. DIVIDENDS

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

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

7. EARNINGS PER SHARE

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

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

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

8. TRADE AND OTHER RECEIVABLES

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

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

9. OTHER FINANCIAL ASSETS

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

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

For the year ended 31 December 2008:

		Notional amount	Start date	Deposit end date	Interest rate	Fair value
						HK$'000
(i)	Deposit linked to USDCNY Booster	HK$100,000,000	24 January 2008	23 January 2009	variable	99,958
(ii)	USDCNY Inverse Floater Quanto Deposit	HK$100,000,000	4 February 2008	4 February 2009	variable	102,511
(iii)	Deposit linked to DB EUR Forward Rate Bias Index	HK$50,000,000	28 March 2008	28 March 2009	variable	51,471
						253,940

For the year ended 31 December 2007:

		Notional amount	Start date	Deposit end date	Interest rate	Fair value
						HK$'000
(iv)	Deposit linked to DB Balanced Currency Harvest Index	HK$40,000,000	30 July 2007	1 August 2008	variable	41,200

As at 31 December 2008 and 31 December 2007, the deposits are principal-protected which are designated at fair values through profit or loss upon initial recognition as the deposits form part of contracts containing embedded derivatives. They are stated at fair values derived from discounted cash flow analysis based on terms of the deposits and relevant market outputs, such as on the forward and exchange rates of United States dollars, European dollars and Renminbi (2007: forward exchange and interest rates of a bracket of currencies), on each balance sheet date, which are provided by the counterparty financial institutions.

During the year ended 31 December 2008, the change in fair value of the deposits is approximately HK$7,381,000 (2007: HK$1,200,000) and has been credited to the consolidated income statement. The deposits as at 31 December 2008 were settled at principal amount plus yield, if any, subsequent to the year end.

10. TRADE AND OTHER PAYABLES

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

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

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

DIVIDENDS

A final dividend of HK5.25 cents per ordinary share (2007: HK5.85 cents) and a special dividend of HK4.20 cents per ordinary share (2007: Nil) for the year ended 31 December 2008 have been proposed by the Board and is subject to the approval by the shareholders at the annual general meeting ("AGM") to be held on 29 June 2009.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Review

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

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

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

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

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

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

Business Review

During the reporting period, the Group achieved remarkable growth through its active efforts despite facing many challenges. For the year ended 31 December 2008, turnover increased by 54.6% to HK$1,673,072,000 compared with the same period last year. Turnover less cost of inventories consumed ("Gross Profit") grew by 53.6% to HK$1,133,527,000 in 2008 from HK$737,877,000 in 2007. Profit attributable to shareholders of the Company amounted to HK$220,841,000. Basic earnings per share was HK$20.69 cents (2007: HK$23.51 cents). In particular, by excluding other incomes as well as other gains and losses (as discussed in "Financial Review" section), the profit attributable to equity share-holders of the Group's main business recorded significant growth of 31.1% to HK$170,368,000 in 2008 from HK$129,921,000 in 2007.

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

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

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

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

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

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

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

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

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

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

During the reporting period, the Group's rental and related expenses as a percentage of turnover was approximately 14.13% from approximately 14.10% in 2007. Scaling down the size and reducing the investment cost with focus on the restaurants ranging from 200 to 250 square meters was still the strategy to maximize the efficiency per square meter. Moreover, the Group has strengthened its cooperation with various large department stores and supermarkets in order to speed up the Group's business expansion, and to enter into reasonable rental contracts through negotiation.

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

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

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

Retail Chain Restaurants

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

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

	As at 31 December		
	2008	2007	+/–
By type:			
Owned and managed	**313**	183	130
Managed but not owned	**—**	24	–24
Owned but not managed	**2**	3	–1
Total	**315**	210	105
By provinces:			
Shanghai	**72**	53	19
Beijing	**28**	14	14
Tianjin	**1**	—	1
Guangdong (excluding Shenzhen)	**23**	15	8
Shenzhen	**33**	27	6
Jiangsu	**27**	16	11
Zhejiang	**12**	7	5
Sichuan	**12**	10	2
Chongqing	**7**	4	3
Fujian	**11**	6	5
Hunan	**3**	3	0
Hubei	**7**	4	3
Liaoning	**7**	5	2
Shandong	**18**	14	4
Guangxi	**2**	1	1
Guizhou	**4**	2	2
Jiangxi	**2**	1	1
Shan'xi	**4**	1	3
Yunnan	**3**	1	2
Henan	**1**	—	1
Hebei	**1**	—	1
Anhui	**1**	—	1
Hainan	**1**	—	1
Hong Kong	**33**	24	9
Taiwan*	**2**	2	0
Total	**315**	210	105

	As at 31 December		
	2008	2007	+/–
By geographical regions:			
Northern China	**55**	34	21
Eastern China	**111**	76	35
Southern China	**105**	79	26
Central China	**44**	21	23
Total	**315**	210	105
Total saleable area (sq. meters)	**82,227**	56,042	26,185

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

The following table illustrates the restaurant breakdown by format:

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

Sales of packaged noodle and related products

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

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

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

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

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

Financial Review

Turnover

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

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

Cost of inventories consumed

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

Gross Profit margin

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

Other incomes

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

Other gain and losses

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

Staff costs

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

Depreciation

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

Property rental and related expenses

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

Other operating expenses

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

Finance costs

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

Profit before taxation

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

Profit attributable to equity holders of the Company

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

Assets and liabilities

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

Capital expenditure

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

Change of functional currency of holding company

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

Key operating ratios for restaurant operations

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

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2008.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company had throughout the year ended 31 December 2008, complied with all applicable Code Provisions under the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange, save and except for the deviation from the Code Provision A.2.1. Under the Code Provision A.2.1, the roles of Chairman and Chief Executive Officer ("CEO") should be separate and should not be performed by the same individual. Currently, the Company does not comply with 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 is clearly established and set out in writing. In general, the Chairman is responsible for supervising the functions and performance of the Board, while the CEO is responsible for the management of the business of the Group. The two roles are performed by Ms. Poon Wai distinctly. The Board believes that at the current stage of development of the Group, vesting the roles of both Chairman and CEO in the same person provides the Company with strong and consistent leadership, and allows for effective and efficient planning and implementation of business decisions and strategies, the relevant deviation is therefore considered reasonable. It also considers that the current structure does not impair the balance of power and authority between the Board and the management of the Company given the appropriate delegation of the power of the Board and the effective functions of the independent non-executive Directors, (number of which exceeds one-third of the members of the Board). However, it is the long-term objective of the Company to have these two roles performed by separate individuals when suitable candidates are identified.

Details of the Company's corporate governance practices will be set out in the Company's 2008 Annual Report.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard (the "Required Standard") of the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. The Company has made specific enquiry to all Directors, and all Directors have confirmed that, throughout the year under review, they were in compliance with the Required Standard.

In addition, the Board has adopted written guidelines (the "Employees' Guidelines for Securities Transactions") for securities transactions by employees (the "Relevant Employees") who are likely to be in possession of unpublished price sensitive information of the Company on no less exacting terms than the Model Code. Having made specific enquiry to all the Relevant Employees, the Company confirmed that all the Relevant Employees have complied with the Required Standard as set out in the Employees' Guidelines for Securities Transactions throughout the year ended 31 December 2008.

AUDIT COMMITTEE

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

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

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

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

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

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from 23 June 2009 to 29 June 2009, (both days inclusive), during which period no share transfers will be registered.

In order to qualify for the final dividend and the special dividend and to attend and vote at the forthcoming AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 22 June 2009.

AGM AND DESPATCH OF 2008 ANNUAL REPORT

The AGM of the Company will be held on 29 June 2009. A notice convening the AGM will be published on the Company's websites at www.ajisen.com.hk and www.ajisen.com.cn and the Stock Exchange's website at www.hkexnews.hk and will be dispatched to all shareholders together with the Annual Report in due course.

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

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

Shanghai, the PRC, 17 April 2009

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