Annual Report 2009 年報

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

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 Special Administrative Region ("Hong Kong"). Since its establishment in 1996, the Group has been selling Japanese ramen and Japanese-style dishes under the Ajisen brand in the PRC and Hong Kong. By incorporating Chinese people's culinary preferences and the essence of the Chinese cuisine, the Group has carefully developed over one hundred types of Japanese-style ramen and dishes that cater for 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 listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 30 March 2007, the strong capital support has injected new vitality into the Group's rapid expansion. As of the date of this report, the Group's nationwide retail network comprises 420 restaurants. As a renowned brand in the Food and Beverage ("F&B") industry, Ajisen's fast casual chain restaurants are very popular among consumers with its outlets widely scattered in prime locations of major cities in the PRC and Hong Kong. On 31 December 2009, the total number of the Group's restaurants reached 398; Ajisen restaurants have entered 23 provinces and municipalities, including 70 cities in China. Among the major cities, the international metropolis Shanghai boasts the largest number of Ajisen restaurants, being 92, followed by 36 in Shenzhen and 31 in Beijing, together with the remaining 239 restaurants spanning across other major cities from the southern to the northern region of China. In Hong Kong, Ajisen (China) operates 37 chain restaurants with its chain network covering all major business areas of the city. Moreover, the restaurant network is supported by the Group's two major production bases in Shanghai and Shenzhen, as well as 12 food manufacturing and processing centres in other major cities.

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

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

In September 2008, the Group acquired a place in "Asia's 200 Best Under A Billion" list made by Forbes. Ms. Poon Wai, Chairman and Chief Executive Officer of the Group, was enlisted into "Chinese Celebrities" by Forbes. In 2009, the Group was enlisted for the third consecutive year as one of the "Chinese Enterprises with Best Potential". The Group was also selected as the "Most Influential Fast Food Brand in China" by the China Cuisine Association, and designated as the "Gold Medal Brand of PRC Consumers' Most Favourable Hong Kong Brand", as well as being accredited as a "Credible Enterprise" in China.

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

九州の味、熊本生まれ。世界の味ラーメン

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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. Wang Jincheng

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Authorised Representatives

Ms. Poon Wai
Mr. Lau Ka Ho, Robert

Qualified Accountant

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

Company Secretary

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

Head Office and Principal Place of Business in Hong Kong

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

Registered Office

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

Principal Share Registrar and Transfer Office

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

Corporate Information

Hong Kong Branch Share Registrar and Transfer Office

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

Principal Bankers

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

Auditor

Deloitte Touche Tohmatsu

Hong Kong Legal Advisers

Fairbairn Catley Low & Kong
Winnie Mak, Chan & Yeung

Investor and Media Relations Consultant

iPR Ogilvy Ltd
www.iprogilvy.com

Investor Relations ("IR") Contact

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Stock Code

538

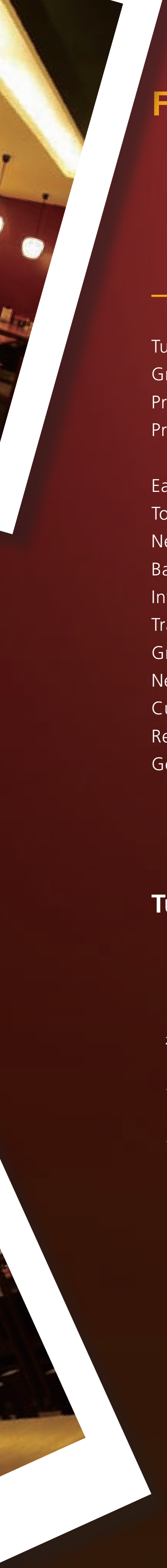

味千拉麵


餃子

Financial Highlights

	2009	2008	Change
Turnover (HK$ million)	1,985.7	1,673.1	+18.7%
Gross profit (HK$ million)	1,384.9	1,133.5	+22.2%
Profit before taxation (HK$ million)	434.1	298.9	+45.2%
Profit attributable to owners of the Company (HK$ million)	314.5	220.8	+42.4%
Earnings per share — Basic	HK29.45 cents	HK20.69 cents	+42.3%
Total assets (HK$ million)	2,786.0	2,576.1	+8.2%
Net assets (HK$ million)	2,450.3	2,212.1	+10.8%
Bank balances and cash (HK$ million)	1,701.7	1,382.8	+23.1%
Inventory turnover (days)	33.9	35.2	-1.3 days
Trade payable turnover (days)	60.3	70.3	-10 days
Gross profit margin	69.7%	67.8%	+1.9 points
Net profit margin	15.8%	13.2%	+2.6 points
Current ratio	6.0	6.1	-1.6%
Return on equity	13.5%	10.4%	+3.1 points
Gearing ratio	0%	2.6%	-2.6 points

Turnover (in HK$ million)



Chairman's Statement

Dear shareholders,

I am pleased to present to all shareholders the annual results report of Ajisen (China) Holdings Limited and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2009.

Looking back in 2009, under the impact of the international financial crises, unpredictable changes of the macro-economic environment had brought forth stringent challenges to various industries. I am pleased that the Group had forged ahead against difficulties and beaten the adverse trend, and achieved a double-digit growth in the key financial targets, namely, the turnover and profit attributable to equity holders of the Company. Profitability of the Group was enhanced remarkably. In 2009, turnover of the Group was about HK$1,986 million, which represented an increase of about 18.7% over the previous year. Gross profit increased by 22.2% year-on-year to approximately HK$1,385 million. Net profit reached about HK$330 million, which was substantially increased by 43.2% over the previous year. Profit attributable to owners of the Company was about HK$314 million, representing a remarkable year-on-year growth of 42.4%. Earnings per share reached HK29.45 cents. To reward shareholders' long-term trust and support, the Board has proposed to declare a final dividend of HK7.50 cents for the year per ordinary share and a special dividend of HK7.50 cents per ordinary share.

As a Main Board listed company in Hong Kong, our shareholders are present all over the world. Being a leading operator of fast casual restaurants ("FCR") chain in Mainland China and Hong Kong, we have more than 10,000 staff members. Facing the enthusiastic expectations from our shareholders, staff members, the industry as well as the broader society, we felt deeply obliged to meet their expectations. During this extraordinary year, the Group has successfully maintained a rapid and steady expansion of its chain restaurant network. The total number of restaurants has increased from 315 at the end of 2008 to 398 by the end of 2009. Our restaurant network now covers a total of 70 cities in 23 provinces and municipalities in the PRC. There was an increase of 11 new cities during the year.

Accurate and steady development strategies had led the Group to the stable growth. During the year, the Group focused on increasing its points of sale in the existing markets in order to strengthen the economies of scale. At the same time, the newly-opened restaurants were mainly of small-to-medium size which further enhanced the Group's operational efficiency. On the other hand, the Group had tapped new resources and monitored expenses, as well as imposed strict cost control in every operating segment. Such strategies directly improved the profitability of the Group during the year. Moreover, construction of production facilities, optimization of the operation training systems and implementation of the Enterprise Resource Planning ("ERP") system etc. provided a strong platform for the sustainable development of the Group.

In 2009, the Group was highly recognized by the industry for its outstanding market performance. Moreover, healthy and delicious products of the Group had gained consumers' steady increase of affection. These are evidenced by the special awards granted to the Group. The Group has been enlisted for the third consecutive year by Forbes as one of the "Chinese Enterprises with Best Potential", selected by the China Cuisine Association as the "Most Influential Fast Food Brand in China", designated as the "Gold Medal Brand of PRC Consumers' Most Favourable Hong Kong Brand" and also accredited as a "Credible Enterprise" in China.

During the year, the Group had turned crises into opportunities and actively heaved its operational efficiency, profitability and brand competitiveness in order to lay a solid foundation for faster and better development in the near future. As the Chairman of the Board, I am deeply gratified and proud of the outstanding performance of the Group in such an adverse market. I am sure that Ajisen (China) Holdings Limited will be able to stand the upcoming tests and empower itself with greater growth opportunities.

I am fully aware that the Group has yet to face many challenges in its course of development. At present, there still exist uncertainties in the macro-economies of both China and overseas. In particular, since the end of 2009, prices of several food ingredients increased to a high level. In order to motivate the consumption sentiment, by coincidence, most restaurant operators have strengthened their promotional efforts. Competition within the industry has become unprecedentedly keen. Facing the challenges in all respects, the Group will adjust its strategies from time to time to maintain an unassailable position in the competition.

As the Chairman of the Board, I hold full confidence in the future development of the Group. Our products emphasize on both taste and health. Together with persistent product innovation, we have gained wide recognition of more and more customers. The Group will accelerate the expansion of its chain restaurant network in 2010, while ample market opportunities in China represents huge potential of development for the FCR network. The healthy development in 2009 has demonstrated that the Group possesses the strength and qualities to stand out in a dynamic market environment and to reward its shareholders with promising growth.

In the long run, the economy of China is developing at a rapid pace. The surge in domestic demand and change of lifestyle underpin the huge growth potential of the F&B industry, especially the FCR sector. In 2010, the macro-economies in both China and overseas are recovering. Coupling with the slanting policies towards domestic demand consumption, the F&B industry in China is expected to flourish. In addition, the Shanghai World Expo 2010 will commence very soon. The Group has the honour to be selected as a catering supplier of the World Expo. We will capture this historical opportunity to fully present the charm of the Ajisen brand to both domestic and overseas customers.

Last but not least, let me take this opportunity to show my appreciation to the great support of our shareholders and customers. I would also like to extend my gratitude to our excellent Board members, management team and all staff members for their wisdom and efforts devoted to the growth of the Group. With our dedication, the Group will be able to succeed in tackling mountains of challenges and to create a prosperous future with enhanced product quality, more outstanding achievements with more balanced growth.

Poon Wai
Chairman and Chief Executive Officer
Hong Kong, 29 March 2010

Industry Review

2009 was the year critical to the recovery of the global economy from financial crises. Benefited from the massive financial recovery measures and economic stimulus package, the global economy gradually picked up. Improvement in the international financial environment also first saw its results. According to the report by the International Monetary Fund, despite the global economy recording a negative growth of -0.8% in 2009, the performances of emerging and developing economies, which have a relatively steady growth of 2.1%, were remarkable. This was an important driving force that led the world out of the recession era. China was the first to achieve a turnaround from the economic slump, and contributed over 50% to the global economy. According to the information of the National Statistics Bureau, the gross domestic product ("GDP") in China was approximately RMB33,535.3 billion in 2009, a year-on-year increase of 8.7%.

In 2009, under the policies and measures aiming to promote domestic demand and increase welfare benefits in China, the role of consumption in the economy as a whole became more apparent. As a result, the contribution of consumption to GDP reached 52.5%, and led to a growth in GDP by 4.6 percentage points. In 2009, the total retail consumption for the year reached RMB12,534.3 billion, a year-on-year increase of 15.5%. Of which, retail consumption on hotel and lodging as well as the catering sector amounted to approximately RMB1,799.8 billion, representing a year-on-year rise of 16.8%.

During the year, despite the steady growth successfully achieved by the food and beverages ("F&B") industry, market demand did not experience a strong bounceback. The crisis effect still linger over the economy. However, from a long-term perspective, the F&B industry in China is endowed with strong fundamentals and greater upside potential. With the accelerated urbanization progress in China, change in the composition of population, and enhancement in disposable income per capita, people are more accustomed to dining out. In particular, with the gradual completion and operation of the rapid railway network in China, several one-hour living circles are formed. Travelling time is significantly reduced and the development of tourism is directly promoted. The associated change in the consumption pattern brings forth the integration of F&B services, in particular fast causal restaurants ("FCR"), with the usual household practices of local residents. On the other hand, beneficial factors such as the continuous improvement of the macro-economic environment in China, and the emphasis of policies toward household consumption, are pushing ahead the development of F&B industry.

In the meantime, according to capital market research, the consumer industry is unanimously recommended in strategy reports published by various institutional investors. Expansion in consumption demand is the major focus of the economic policies. The pillar position occupied by the F&B industry in the consumer market definitely allowed the same to be benefited from the continuous growth and upgrade in the composition of domestic consumption. Moreover, F&B consumption has features of rigid demand and anti-cycle capabilities, which yield higher certainty in the growth of sales results. Despite numerous uncertain factors, the F&B industry is still expected to achieve strong growth over time.

In 2009, the Group remained optimistic towards the prospects in the industry, notwithstanding the unprecedented operating environment. Business development strategies were proactively adjusted to flexibly tackle the challenges arising from an adverse business environment in a cautious positive manner. The Group did not just mitigate the crises during the year steadily but also developed its business in the most economic ways. Key features included expanding the coverage of its restaurant network. By leveraging on economies of scale, the Group improved its operational efficiency with particular focus on the enhancement of profitability. Remarkable results were achieved during the reporting period.

To-date, the economy of China is poised to recover gradually. As the leading FCR chain operator in Mainland China and Hong Kong, the Group is confident that by capitalizing on unique products that are healthy and delicious, commercial scale of industrialization standard, a restaurant network covering China and powerful branding power, it will proactively cope with future challenges ahead, and strive for sustainable and steady growth of its business.

Business Review

In 2009, faced with a complicated and multi-faceted economic and business environment, the Group proactively tackled various challenges. Even under such stringent economic conditions, key performance indicators such as turnover, gross profit and profit attributable to the owners of the Company demonstrated double-digit growth. Profitability also improved substantially. For the year ended 31 December 2009, the Group's turnover increased from approximately HK$1,673 million in 2008, by approximately 18.7% to approximately HK$1,986 million in 2009. The gross profit of the Group reached approximately HK$1,385 million, an increase of approximately 22.2% from last year. In particular, profit attributable to the owners of the Company increased by approximately 42.4% to approximately HK$314 million from approximately HK$221 million last year, the extent of which was much greater than the increase in turnover. Net profit margin also increased from approximately 13.8% last year to approximately 16.6%. This showed that profitability of the Group improved significantly during the reporting period. Correspondingly, basic earnings per share rose from HK20.69 cents last year to HK29.45 cents per ordinary share.

In view of the steady growth in the profit attributable to the owners of the Company during the reporting period, the Board recommended a final dividend of HK7.50 cents per ordinary share for the year ended 31 December 2009 and a special dividend of HK7.50 cents per ordinary share as a return to the shareholders.

During the reporting period, with gradual stabilization and improvement of economic conditions, the Group actively adjusted development strategies, which substantially advanced the profitability while maintaining the rapid and steady expansion of the FCR network. The Group adopted proactive and effective expansion strategies, adding more restaurants in mature markets in Eastern and Southern China, while moderately exploring market opportunities in the Central and Western regions. As at 31 December 2009, the Group had a total of 398 chain restaurants, an increase of 83 chain restaurants from 315 chain restaurants in 2008. The Group's restaurant network covers about 70 cities in 23 provinces and municipalities in China, an addition of 11 cities from the end of 2008.

The powerful support from its production bases is an integral factor for the sustainable and steady expansion of the Group's chain restaurant network. During 2009, the Group actively engaged in the construction of production bases and processing centres, which further strengthened the manufacturing system. As at 31 December 2009, the Group has two major production bases in Shanghai and Shenzhen, and 12 food manufacturing and processing centres throughout China. Apart from upgrading existing production facilities, the Group also steadily pursued the construction of four new production bases in order to accommodate the pace and demand from the planned expansion of its FCR network.

Faced with the relatively sluggish business environment in 2009, the Group managed to successfully achieve steady growth by measure of various key performance indicators. Of which, the growth of net profit exceeded the growth of turnover. During the reporting period, efficiencies derived from economies of scale were achieved as the deployment in the Group's FCR network became mature. In the meantime, the Group placed emphasis on the quality of new restaurants opened. A strict standard in the selection of location also better secured the successful rate in new restaurants. The Group also focused on the expansion of medium- to small-sized restaurants. The mode of small input and high output further enhanced operational efficiency and profitability. On the other hand, the Group tightly controlled its costs and expenses in different segments of operation. This contributed to a significant fall in the proportion of various expenses to turnover.

During the reporting period, the Group's cost of inventories consumed as a proportion to turnover was approximately 30.3%, indicating a reduction of approximately 1.9 percentage points from that of the corresponding period last year. Accordingly, gross profit margin increased from approximately 67.8% last year to approximately 69.7% in 2009. By leveraging on the accurate forecast of seasonal price trends for various ingredients, the Group adopted means of strategic stocking to stabilize the cost of inventories to the maximum extent. In addition, purchasing costs were further reduced through strategies such as expanding local production and purchase, as well as integration and optimization of logistics channels. Although prices of certain raw materials are currently rising, the Group is confident that this pressure can be effectively mitigated by ingredient diversification. Together with further optimization of purchasing channels, the Group will be able to maintain a relatively high gross profit margin.

During the reporting period, the Group's labour costs accounted for approximately 17.1% of the turnover, which was approximately 0.7 percentage point lower than that of the corresponding period of last year. At both the office and the restaurant levels, proactive cost control measures were implemented, and obvious effects were witnessed during the reporting period. On one hand, at the office level, organizational structure was optimized and salary grading system was standardized. On the other hand, as nearly 90% of the employees are restaurant staff, the Group enacted new standards for staff allocation based on restaurant scale, and optimized the scheduling system. These measures enhanced the efficiency of human resource utilization, and actively reduced labour costs.

During the reporting period, rental and related costs as a proportion to turnover of the Group was approximately 14.6%, which was slightly increased from approximately 14.1% last year. The Group has implemented various strategies during the year to mitigate the increase in rental costs. Effects can be seen in both aspects of site selection and FCR network expansion. Firstly, the Group imposed a range of quality criteria in location selection for new restaurants, targeting at sites of small floor areas, with high flow of customers, yet require low investment. Secondly, the Group successfully negotiated for a series of beneficial conditions in extending lease terms and stabilizing the leasing costs. At the same time, the Group actively developed cooperation with its strategic partners, in order to pave way for the Group to obtain ongoing shop resources throughout the country and reduce the risks in leasing. The Group's newly-added strategic partners include Parkson Group and Tesco Supermarket.

As the demand in F&B market did not fully pick up during the reporting period, the Group devoted additional efforts in exploring market potentials through series of attractive marketing activities. Of which, the Japanese-style premium products significantly increased the transaction average. Discounted redemption offers for snacks and beverages increased profit. Promotion of new products increased consumption frequencies of customers as well as the transaction count. These promotional activities also effectively stabilized the flow of customers during the low seasons for F&B consumption, which directly procured the continuous and steady growth in the results of the Group and further strengthened the recognition of Ajisen brand among consumers.

In order to secure the success rate of new restaurants opened, the Group further strengthened operational management and training during the reporting period. The Group specifically established six performance indicators covering different aspects from financial results to operational systems. Appraisals of operation staff were linked with their performance, which practically uplifted management to an advanced level. With respect to staff training, the Group renewed and optimized the work flow in the management system for restaurant operations. A training manual for each level of staff was published, and it is complemented with corresponding courses. At the same time, the Group actively set up its team of lecturers for marketing and operation lessons, so as to ensure the effectiveness of training systems and the promotion of the courses.

During the reporting period, the Group also took proactive steps in the creation of new products and in the strengthening of its brand. Leveraging on the strong research and development capabilities, the Group renewed its menu twice in the year and launched various new products. Among these creations, a new series of ramen, known for the "Deep Sea Fish Essences" soup base, is specially noted for its delicious taste and nutritious value. Moreover, the Group opened its first high-end restaurant, "Wakayama", at the IFC Mall in Hong Kong at the end of 2009. Born from a rich cultural heritage, a delicate soup base and fine ingredients, Wakayama restaurant was well-received by customers. Through the Wakayama brand, the Group officially entered the high-end F&B market. It is expected that this will further expand customer base and enhance market share for the Group.

In the meantime, the Group continues to regard that food safety is the basis for the survival and development of its brand. Industrialization and standardization of its production bases ensured the high quality of its products from the fundamental in a consistent and steady manner. The Group also continued to improve its safety control measures. During the year, the Group formulated the "Food Safety Administration Measures", which consolidated the food safety control system. Administration was broken down into segments for better control. The Group's production bases in Shanghai and Shenzhen obtained the international accreditation of ISO9001 of Quality Management System and the international accreditation of ISO22000 for Food Safety Management System. The production base in Hong Kong also preliminarily obtained the ISO22000 accreditation recently. The products from the factories in Shanghai and Shenzhen obtained Quality Safety ("QS") certificates in ten categories from the General Administration of Quality Supervision, Inspection and Quarantine of the PRC. The factory in Dongguan was also endorsed with QS certificates in meat products and noodle products.

Moreover, the Group actively utilized information technology to integrate and optimize its business process flow during the year. The construction of its Enterprise Resource Planning ("ERP") platform was conducted as scheduled. For the year ended 31 December 2009, the Group implemented the ERP system in full force in Shanghai, Jiangsu and Zhejiang, and achieved stable operation in these regions. The ERP system was also launched in Shandong and Beijing for trial operation. It is expected that the ERP system in Mainland China will become fully operational in 2011. After the construction of the ERP system was completed, the unified information platform will facilitate smooth and accurate communication of messages. This will enhance the efficiencies in the preparation of reports, analysis of data and decision-making. The Group is well-positioned for more rapid development in the coming future.

Retail Chain Restaurants

In 2009, the Group's major business and primary source of income continued to be the retail chain restaurant business. During the reporting period, the Group's restaurant business contributed approximately HK$1,903 million (2008: HK$1,596 million), accounted for approximately 95.8% (2008: 95.4%) of the Group's total revenue.

As at 31 December 2009, the Group had a restaurant portfolio of 398 Ajisen chain restaurants, comprising the following:

	As at 31 December		
	2009	2008	+/–
By type:			
Owned and managed	**396**	313	83
Owned but not managed	**2**	2	0
Total	**398**	315	83
By provinces:			
Shanghai	**92**	72	20
Beijing	**31**	28	3
Tianjin	**3**	1	2
Guangdong (excluding Shenzhen)	**31**	23	8
Shenzhen	**36**	33	3
Jiangsu	**35**	27	8
Zhejiang	**15**	12	3
Sichuan	**17**	12	5
Chongqing	**10**	7	3
Fujian	**14**	11	3
Hunan	**5**	3	2
Hubei	**9**	7	2
Liaoning	**11**	7	4
Shandong	**21**	18	3
Guangxi	**3**	2	1
Guizhou	**4**	4	0
Jiangxi	**3**	2	1
Shaanxi	**8**	4	4
Yunnan	**5**	3	2
Henan	**2**	1	1
Hebei	**1**	1	0
Anhui	**2**	1	1
Hainan	**1**	1	0
Hong Kong	**37**	33	4
Taiwan*	**2**	2	0
Total	**398**	315	83

	As at 31 December		
	2009	2008	+/–
By geographical regions:			
Northern China	**67**	55	12
Eastern China	**142**	111	31
Southern China	**124**	105	19
Central China	**65**	44	21
Total	**398**	315	83
Total saleable area (sq. meters)	**102,509**	82,227	20,282

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

	As at 31 December		
	2009	2008	+/–
By scale:			
Flagship	**41**	38	3
Standard	**345**	265	80
Economic	**12**	12	0
Total	**398**	315	83

Sales of Packaged Noodle and Related Products

The manufacturing and sales of packaged noodle products under the Ajisen brand is one of the Group's two main businesses and is comfortably complementing to the major business of FCR network operation. These packaged noodle products are manufactured solely by the Group and are sold through diversified channels, including restaurants, supermarkets as well as department stores, which further enhanced the awareness of the Ajisen brand.

For the year ended 31 December 2009, revenue from the sale of packaged noodle and related products was approximately HK$83 million (2008: HK$77 million), accounted for approximately 4.2% (2008: 4.6%) of the Group's total revenue.

The Group has an extensive distribution network for the packaged noodle and related products in China. During the reporting period, total number of points-of-sales in this network reached approximately 7,500, of which approximately 1,000 were new additions compared to last year. The distribution network of the Group's packaged products covers more than 30 cities in China. These distributors include Wal-Mart, Carrefour, Metro, Lotus as well as regional retailers such as China Resources Vanguard, Sanjiang in Ningbo and Century Lianhua. During the year, reputable convenient stores such as Allday and Kedi were also appended to this distribution network.

Ten flavors of packaged noodle products of the Group are now available through the distributors. Of which, "Chili Ajisen Noodles (味千麻辣拉麵)" was launched in March 2009.

FINANCIAL REVIEW

Turnover

For the year ended 31 December 2009, the Group's turnover increased by approximately 18.7%, or approximately HK$312,654,000, to approximately HK$1,985,726,000 from approximately HK$1,673,072,000 in 2008. Such increase was mainly due to the increase in the number of FCR of the Group during the year.

Cost of inventories consumed

For the year ended 31 December 2009, the Group's cost of inventories consumed increased by approximately HK$61,287,000 or 11.4% to approximately HK$600,832,000 from approximately HK$539,545,000 in 2008. The growth rate was lower than that of the turnover. During the year, cost of inventories as a proportion to turnover was approximately 30.3%, lower than 32.2% in 2008. Such decrease was attributable to the relatively low price of agricultural products and the effective control by the Group over the purchasing costs.

Gross profit and gross profit margin

Driven by the above factors, gross profit increased by approximately HK$251,367,000 or 22.2% compared to 2008, to approximately HK$1,384,894,000 for the year ended 31 December 2009. Gross profit margin of the Group also further increased from approximately 67.8% in 2008 to approximately 69.7%.

Property rentals and related expenses

For the year ended 31 December 2009, property rentals and related expenses of the Group increased by approximately HK$54,269,000 or 23.0%, from approximately HK$236,433,000 in 2008 to HK$290,702,000. Its proportion to turnover also rose slightly from approximately 14.1% in 2008 to approximately 14.6% in 2009. Such an increase was mainly attributable to the fact that many of the FCR are still in the early stage of development.

Staff costs

For the year ended 31 December 2009, staff costs of the Group increased by approximately 14.2% from approximately HK$297,670,000 last year to HK$339,965,000, primarily due to the increase in headcount resulting from the opening of new restaurants. Staff costs as a proportion to turnover decreased from approximately 17.8% in 2008 by 0.7 percentage point to approximately 17.1%, which reflected results of the Group's control over its staff costs.

Depreciation

For the year ended 31 December 2009, depreciation of the Group increased by approximately HK$27,522,000, from approximately HK$85,507,000 in 2008 to approximately HK$113,029,000. Its proportion to turnover increased from approximately 5.1% to approximately 5.7%. Such an increase was mainly attributable to the increase in the number of restaurants.

Other operating expenses

Other operating expenses mainly included expenses for fuel and utility, consumables, advertising and promotion and franchise fee. For the year ended 31 December 2009, other operating expenses increased by approximately 6.4%, or approximately HK$16,949,000, from approximately HK$264,818,000 in 2008 to approximately HK$281,767,000. However, the growth rate of other operating expenses was significantly lower than that of the turnover. Its proportion to turnover was reduced by 1.6 percentage points, from 15.8% in 2008 to 14.2% in 2009, which reflected the effectiveness of the Group's control over its expenses.

Other income

For the year ended 31 December 2009, other income of the Group increased by approximately 19.3%, or approximately HK$10,660,000, from approximately HK$55,258,000 in 2008 to approximately HK$65,918,000. The increase was mainly originated from the compensation received from landlords for early termination of certain operating leases of restaurants.

Other gains and losses

For the year ended 31 December 2009, other gains and losses of the Group increased by approximately HK$14,697,000, from approximately a loss of HK$4,785,000 in 2008 to a gain of HK$9,912,000. The increase was primarily due to increase in fair values of investment properties.

Finance costs

For the year ended 31 December 2009, finance costs of the Group increased by approximately HK$500,000 from approximately HK$660,000 in 2008 to approximately HK$1,160,000. The increase was primarily due to new loans of approximately HK$68,000,000 which had been obtained in the second half of 2008 to finance the acquisition of new property, plant and equipment, and investment properties located in Hong Kong. The loans had been fully repaid in September of 2009.

Profit before taxation

For the year ended 31 December 2009, profit before taxation significantly increased by approximately 45.2%, or approximately HK$135,189,000, from approximately HK$298,912,000 last year to approximately HK$434,101,000, as a result of the cumulative effect of the foregoing factors.

Profit attributable to owners of the Company

For the year ended 31 December 2009, profit attributable to owners of the Company significantly increased by approximately 42.4%, or approximately HK$93,615,000, from approximately HK$220,841,000 in 2008 to approximately HK$314,456,000, as a result of the cumulative effect of the foregoing factors.

Assets and liabilities

Net current assets was approximately HK$1,607,718,000 and the current ratio was 6.0 as at 31 December 2009 (2008: 6.1). As the Group is primarily engaged in the restaurant business, most of the sales are settled by cash. As a result, the Group was able to maintain a relatively high current ratio to achieve better use of the working capital.

Cash flows

Net cash inflow from operating activities for the year ended 31 December 2009 was approximately HK$460,265,000, while profit before taxation for the same period was approximately HK$434,101,000. The difference was primarily due to the increase in trade and other payables, resulting from the increased purchase of raw materials and other goods from suppliers associated with the increase in the number of FCR operated by the Group in the year by credit.

Capital expenditure

The Group's capital expenditure was approximately HK$205,403,000 in 2009 (2008: HK$385,647,000), which was due to the increase in purchase of property, plant and equipment for new restaurants and new investment properties located in Beijing and Shanghai.

Key operating ratios for restaurant operations

	Hong Kong			PRC		
	2009	1-6/2009	2008	**2009**	1-6/2009	2008
Comparable restaurants sales growth:	**-14.3%**	-16.3%	-5.1%	**-1.3%**	-2.8%	6.9%
Turnover per GFA (per day/sq.m.):	**HK$184**	HK$186	HK$212	**RMB45**	RMB50	RMB52
Turnover per day per restaurant:	**HK$21,277**	HK$21,207	HK$25,267	**RMB12,602**	RMB13,404	RMB14,377
Per capita spending:	**HK$57.1**	HK$57	HK$58.5	**RMB36**	RMB36	RMB38
Table turnover per day (no. of times per day):	**6**	6	6.5	**5.1**	4.8	5.5

Outlook for 2010 and beyond

Construction of chain restaurant network: Following the gradual recovery of the economy, the Group will accelerate the expansion of its chain restaurant network. With the plan of adding 120 restaurants in 2010, the total number of the Group's chain restaurants will be around 520 by the end of 2010. The Group will continue to deepen the penetration in existing markets by increasing its points-of-sale in regions of rapid economic development and strong consumption power, so as to achieve economies of scale to a greater extent. Meanwhile, the Group will maintain its emphasis on the quality of newly-opened stores, in which the success rate of the new store will be ensured through stringent site selection criteria. The Group will continue to focus on the medium– to small-sized restaurants with a small-input and high-output strategy.

Diversification of brand strategy: The focus on expanding the Ajisen restaurant network remains the foremost priority of the Group's business. Based on this fundamental, the Group has successfully entered the high-end F&B market through the launching of the Wakayama brand. In 2010 and beyond, the Group plans to continuously promote a diversified brand strategy. Capitalizing on its meticulous expertise and resources, the Group will expand its market share in the increasingly segmented fast casual ramen market and cater to the demands from different business districts and consumer bases.

Strengthening of the recognition of the Ajisen brand: The Group will continue to devote additional efforts in marketing in order to further promote the brand image. By leveraging on professional companies and various multi-media resources, the Group plans to launch attractive marketing activities to increase recognition and penetration of the brand. These initiatives are expected to advance public awareness of the Group's brand image with an emphasis on both taste and health. In addition, by utilizing the opportunity and platform of Shanghai World Expo 2010, the Group will fully present the charm of the Ajisen brand to both domestic and overseas tourists.

Intensifying of research and development ("R&D") efforts: In 2010 and beyond, by capitalizing on the technical advantages in product R&D, the Group will continue to focus on developing healthy, Japanese-styled products that suit the Chinese palate. During the reporting period, the Group successfully launched a condiment known as "Deep Sea Fish Essences," which is extracted after careful simmering and processing. The Group will continue to concentrate on the R&D of similar natural and additive-free condiment products in order to lead the trends of F&B consumption with innovative and healthy delicacies.

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 2009, complied with all applicable code provisions under the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), save and except for the deviation from the Code Provision A.2.1 of the Code with details set out below. This report describes the Company's corporate governance practices and explains its applications of and deviations from the Code, together with considered reasons for such deviations.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

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

Having made specific enquiry 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 2009.

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.

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

Composition

The Board currently consists of eight Directors as follows:

Executive Directors

Ms. Poon Wai
Mr. Yin Yibing
Mr. Poon Ka Man, Jason

Non-executive Directors

Mr. Katsuaki Shigemitsu
Mr. Wong Hin Sun, Eugene

Independent non-executive Directors

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

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 an executive Director of the Company, is the sister of Mr. Poon Ka Man, Jason, who is an executive Director of the Company. Save as disclosed, there is no other relationship among members of the Board.

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

Independent Non-Executive Directors ("INEDs")

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

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

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

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

Delegation by the Board

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

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

(i) approving annual operating budget of the Group;

(ii) approving connected transactions;

(iii) approving mergers and acquisitions;

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

(v) approving corporate guarantee;

(vi) approving internal control policy;

(vii) approving financial results announcements; and

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

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

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

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

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

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

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

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

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 the CEO have not been performed by separate individuals.

Although Ms. Poon Wai performs both the roles of Chairman and CEO, the division of responsibilities between the Chairman and CEO is clearly established and set out in writing. In general, the Chairman is responsible for supervising the functions and performance of the Board, while the CEO is responsible for the management of the business of the Group. The two roles are performed by Ms. Poon Wai distinctly. The Board believes that at the current stage of development of the Group, vesting the roles of both Chairman and CEO in the same person provides the Company with strong and consistent leadership, and allows for effective and efficient planning and implementation of business decisions and strategies, the relevant deviation is therefore considered reasonable. It also considers that the current structure does not impair the balance of power and authority between the Board and the Management of the Company given the appropriate delegation of the power of the Board and the effective functions of the independent non-executive Directors, (number of which exceeds one-third of the members of the Board). However, it is the long-term objective of the Company to have these two roles performed by separate individuals when suitable candidates are identified.

Supply of and Access to Information

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

BOARD MEETINGS

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

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

During the year ended 31 December 2009, the Board convened a total of four meetings in person or by means of electronic communication. Attendance of each Director at the Board meetings is set out below:

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

INDEPENDENT BOARD COMMITTEE

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

The Board has established an ad hoc Independent Board Committee for the continuing connected transactions on 14 May 2009.

All members of the Independent Board Committee were wholly the independent non-executive Directors of the Company. These independent non-executive Directors included Mr. Lo Peter, Mr. Jen Shek Voon and Mr. Wang Jincheng.

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

In order to advise the Independent Board Committee and the independent shareholders of the Company, an independent financial adviser, Somerley Limited, was appointed. Based on the advice of Somerley Limited to the Independent Board Committee, the Independent Board Committee considered the terms of the relevant transactions to be fair, reasonable and in the interests of the Group and its shareholders as a whole, and therefore recommended the shareholders to vote in favour of the relevant transactions at the Extraordinary General Meeting ("EGM") on 29 June 2009.

BOARD COMMITTEES

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

EXECUTIVE COMMITTEE

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

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

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

There were four Executive Committee meetings held during the year ended 31 December 2009. Attendance of each Executive Committee member at the Executive Committee meeting is set out below:

Name of Members	Executive Committee Meeting Attended/Held
Ms. Poon Wai	4/4
Mr. Yin Yibing	4/4
Mr. Poon Ka Man, Jason	4/4

REMUNERATION COMMITTEE

The Remuneration Committee was set up on 8 March 2007 in compliance with Appendix 14 of the Listing Rules. Details of the authorities and duties of the Remuneration Committee are set out in its terms of reference. The main purpose for establishing the Remuneration Committee is to ensure that the Company can recruit, retain and motivate suitably qualified staff 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, and senior management of the Company, as well as on the establishment of a formal and transparent procedure for developing policy on such remuneration;

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

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

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

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

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

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

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

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

For the year ended 31 December 2009, none of the committee meeting was convened by the Remuneration Committee.

NOMINATION COMMITTEE

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

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

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

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

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

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

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

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

For the year ended 31 December 2009, the Nomination Committee convened one committee meeting. Attendance of each Nomination Committee member at the Nomination Committee meetings is set out below:

Name of Members	Nomination Committee Meeting Attended/Held
Mr. Wong Hin Sun, Eugene	1/1
Mr. Lo Peter	1/1
Mr. Wang Jincheng	1/1

AUDIT COMMITTEE

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

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

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

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

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

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

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

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

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

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

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

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

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

For the year ended 31 December 2009, the Audit Committee convened three committee meetings. Attendance of each Audit Committee member at the Audit Committee meetings is set out below:

Name of Members	Audit Committee Meeting Attended/Held
Mr. Jen Shek Voon	3/3
Mr. Lo Peter	3/3
Mr. Wong Hin Sun, Eugene	3/3
Mr. Wang Jincheng	3/3

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 2010, which is subject to the approval of shareholders at the forthcoming AGM.

The Company's interim results for the period ended 30 June 2009 and annual results for the year ended 31 December 2009 have been reviewed by the Audit Committee, which opines that applicable accounting standards and requirements have been complied with and that adequate disclosures have been made.

INTERNAL CONTROL

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

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

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

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

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

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

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

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

The Board 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 2009, provides reasonable assurance against material financial misstatements or loss, and include the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulation and best practice, and the identification and containment of business risks.

The Board, through the reviews made by the Audit Committee, had reviewed the effectiveness and the adequacy of the internal control system of the Group and considered them to have been implemented effectively. Considerations also given to the adequacy of resources, qualifications, and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

In preparing the financial statements of the Group for the year ended 31 December 2009, the Directors have adopted appropriate and consistent accounting policies and made prudent and reasonable judgments and estimations. The Directors are responsible for maintaining proper accounting records which reflect with reasonable accuracy the state of affairs, operating results, cash flows and equity movement of the Group at any time. The Directors confirm that the preparation of the financial statements of the Group is in accordance with statutory requirements and applicable accounting standards.

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

The auditor's statement about their reporting responsibilities on the financial statements is set out on page 46 and page 47 of this Annual Report.

AUDITOR'S REMUNERATION

The Group's independent external auditor is DTT. The remuneration for the audit and non-audit services provided by DTT to the Group during the year ended 31 December 2009 was approximately as follows:

Type of Services	**Amount**
	HK$'000
Audit	2,500
Non-audit services	
Other services	1,477
Total:	3,977

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Board recognizes the importance of good communications with all shareholders. The Company's 2009 AGM is a valuable forum for the Board to communicate directly with the shareholders. The Chairmen of the Board, the Audit Committee, the Nomination Committee and the Remuneration Committee and the external auditors present at the 2009 AGM of the Company held on 29 June 2009 to answer shareholders' questions.

During the year ended 31 December 2009, the Company convened one EGM on 29 June 2009 in respect of the continuing connected transactions. The Chairmen of the Audit Committee, the Nomination Committee and the Remuneration Committee present at the EGM.

All shareholders' circulars set out the procedures for demanding and conducting a poll and other relevant information of the proposed resolutions. Separate resolutions were proposed at the 2009 AGM on each substantially separate issue, including the election of individual Director. The Chairman explains the procedures for demanding and conducting a poll again at the beginning of the 2009 AGM and the EGM. The results of the poll of the 2009 AGM and the EGM were published on the website of the Stock Exchange and on the Company's website respectively.

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

LOOKING FORWARD

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

Executive Directors

Poon Wai (潘慰), aged 54, 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 critical decision-making and planning for the strategic activities of the Group. As the founder of the Company, Ms. Poon has been playing an important role in the development of the Group since its inception in 1995. 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 for Hong Kong/Macau Region in October 2007.

Yin Yibing (尹一兵), aged 54, 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 over 10 years' experience and abundant knowledge about the F&B industry, involving areas such as manufacturing and logistics. 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 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 53, is the chief marketing officer and an executive Director of the Company. He has been an executive Director of the Company since 8 March 2007. He is responsible for the marketing of the Ajisen brand name and the design of the Group's chain restaurants. Mr. Poon has over 20 years of experience in construction and design. Mr. Poon also owns his own contracting and design firm in Hong Kong, specializing in the design and renovation of offices, commercial retail spaces, factories and residential properties. Mr. Poon is the brother of Ms. Poon Wai.

Non-executive Directors

Katsuaki Shigemitsu (重光克昭), aged 41, has been a non-executive Director of the Company since 8 March 2007. Mr. Shigemitsu is also a shareholder and director of Shigemitsu, the Group's Franchisor. In addition, Mr. Shigemitsu has served as a non-executive director of a Singapore-listed company, namely Japan Food Holdings Limited since November 2008. Mr. Shigemitsu has over 15 years of experience in the F&B industry. After his graduation in 1991, Mr. Shigemitsu joined his family's business, Shigemitsu. Mr. Shigemitsu commenced his work as a restaurant manager in an Ajisen restaurant in Japan. Subsequently, Mr. Shigemitsu has assumed several senior management positions in Shigemitsu. In 1995, he was appointed as the vice-chairman of Shigemitsu. In 1997, he was appointed as the chairman of Shigemitsu. Mr. Shigemitsu holds a degree in structural engineering from the Kumamoto Institute of Technology (熊本工業大學).

Wong Hin Sun, Eugene (黃慶生), aged 42, a non-executive Director of the Company since 8 March 2007. In September 2002, Mr. Wong founded Sirius Venture Consulting Pte Ltd, which is a business advisory and a venture capital company. Since August 2000, Mr. Wong has been the director of Crimson Asia Capital Singapore Pte. Ltd. ("Crimson Asia") , a US-based private equity fund, where his duties involved overseeing the office in Singapore. He is currently the chairman of the Singapore Venture Capital and Private Equity Association. Mr. Wong also serves as a non-executive director of Japan Food Holdings Limited and Jason Marine Group Limited, both listed on the Singapore Stock Exchange, and also a non-executive director of Haike Chemical Group Ltd, a company listed on the London AIM. He graduated with a Master degree in Business Administration from Imperial College, London, Executive Programme for Growing Companies from Stanford Business School and a Bachelor degree of Business Administration with First Class Honours from the National University of Singapore. He is also a member of the UK Institute of Directors, Singapore Institute of Directors and USA NACD (National Association of Corporate Directors). He is a chartered financial analyst and a certified management consultant.

Independent non-executive Directors

Jen Shek Voon (任錫文), aged 63, an independent non-executive Director of the Company. He is a sole proprietor of Jen Shek Voon, PAS, a public accounting firm in Singapore that specializes in international and regional financial and business advisory services. Mr. Jen currently holds a certificate of registration issued by the Accounting and Corporate Regulatory Authority of Singapore, authorizing him to practise as a public accountant in Singapore. Mr. Jen also sits as an independent non-executive director on the boards of directors of a number of publicly listed companies in Singapore and the region in Malaysia. Mr. Jen is also an independent non-executive director of Zhenzhong Auto Components Limited, Centillion Environment & Recycling Limited, Junma Tyre Cord Company Limited, Japan Aaia Holdings Limited and Japan Land Limited, companies listed on Singapore. Mr. Jen is also an independent non-executive director of Suiwah Corporation Berhad, company listed in Malaysia. From 2007 to 2010, Mr. Jen was an independent non-executive director of China Great Land Holdings Ltd, company listed in Singapore. From 2009 to 2010, Mr. Jen was an independent non-executive director of Tecbiz Frisman Holdings Private Limited, company listed in Singapore. From 2003 to 2008, Mr. Jen was an independent non-executive director of King's Safetywear Ltd and Asia Environment Holdings Ltd, companies listed in Singapore. From 2007 to 2008, Mr. Jen was an independent non-executive director of Kokusai Kogyo Holdings Co Ltd, company listed in Singapore. From 2005 to 2008, Mr. Jen was an independent non-executive director of Fu Yu Corporation Limited, company listed in Singapore. From 2004 to 2007, Mr. Jen is an independent non-executive director of Asia Silk Holdings Limited, company listed in Singapore. During 2007, Mr. Jen is an independent non-executive director of Kokusai Kogyo Co Ltd. Mr. Jen is a fellow of the Singapore Institute of Directors. He holds a Bachelor of Accounting degree from the University of Singapore and a post-graduate commerce degree from the University of New South Wales. He is a fellow of the Institute of Chartered Accountants in Australia, the Association of Chartered Certified Accountants in UK and the Taxation Institute of Australia, and a practising member of the Institute of Certified Public Accountants in Singapore and the Malaysian Institute of Accountants.

Lo Peter (路嘉星), aged 54, has been an independent non-executive Director of the Company since 8 March 2007. Mr. Lo is a director of China Enterprise Capital Limited and the chairman and an executive director of Bio-Dynamic Group Limited (stock code: 0039), a company listed on the Stock Exchange. Mr. Lo has more than 15 years of experience in operating businesses in the PRC, including but not limited to trade and investment in various industries such as leather goods, power plants, auto manufacturers, medical equipment and beer brewery. From 1998 to 2004, Mr. Lo was the chief executive officer and an executive director of Harbin Brewery Group Limited. From February 2005 to May 2008, Mr. Lo was an independent non-executive director of China Infrastructure Machinery Holdings Limited (now known as Lonking Holdings Limited) (Stock Code: 3339), a company listed on the Stock Exchange. Mr. Lo is also an independent non-executive director of Uni-President China Holdings Ltd (stock code: 0220), a company listed on the Stock Exchange. Mr. Lo holds a bachelor degree in Mathematical Economics and Econometrics from the London School of Economics and Political Science. Mr. Lo is a member of the China People's Consultative Conference of Harbin City, the PRC.

Wang Jincheng (王金城), aged 55, has been an independent non-executive Director of the Company since 9 September 2008. Mr. Wang has over 35 years extensive experience in the hospitality industry in the PRC. Since 2003, Mr. Wang has served as the president of Shanghai Baolong (Group) Co. Ltd, the main business of which includes hotel and hostel services, food and beverage services and rental car services in the PRC. He has been a director of the World Cuisine Association since 2003, and is currently the chairman of the professional committee of career managers of the China Cuisine Association and the vice-chairman of both the Shanghai Cuisine Association and the Shanghai Restaurants Association. He was awarded Senior Chinese Catering Manager in February 2010, a Distinguished Entrepreneur of the Food & Beverage Industry of China in 2007 and a Distinguished Commercial Venturing Entrepreneur of China in 2006. Mr. Wang was a deputy to 5th and 6th National People's Congress of the Baoshan District of Shanghai, the PRC.

Senior Management

Lau Ka Ho, Robert (劉家豪), aged 35, is the Chief Financial Officer, the Company Secretary and the Qualified Accountant of the Company. Mr. Lau has approximately over 10 years' experience in audit, finance and business advisory, during which he worked for the Deloitte Touche Tohmatsu and various listed companies in Hong Kong. Mr. Lau graduated from the Hong Kong Polytechnic University with a bachelor degree in Accountancy. He is a certified public accountant and a member of the Hong Kong Institute of Certified Public Accountants.

Jing Zhi En (景志恩), aged 42, is the Vice President of the Group. He served as the general manager of Wei Qian Noodle (Shenzhen) Co., Ltd, general manager of Weiqian Noodle Food Service (Shenzhen) Co., Ltd and chief operating director of the Group before becoming the vice president. Mr. Jing is primarily responsible for the management of the Group's operating department, quality control department, systematic training enhancement department and marketing department in the PRC. Prior to joining the Group, he worked in the southern PRC divisional office of Pizza Hut, a subsidiary of Hong Kong Yihe International F&B Group, where he was the head of Shenzhen regional operation and development department. Mr. Jing has obtained a certificate in hotel management from Shenzhen University and also holds a Master of Business Administration from Beijing Jiaotong University. He has accumulated more than 16 years' experience in catering services management.

Jiang Guo Peng (蔣國鵬), aged 36, is the Vice President of the Group. He joined the Company in October 2007 and is currently responsible for the daily business operation and management of the Group's four functional departments, namely manufacture, logistics, quality control and large infrastructural project. Prior to joining the Group, Mr. Jiang worked in Bright Dairy where he held his office successively from a technician to a manager of sale branch, manager of Wuhan manufacture factory, manager of supply chain of central China, and then to be the general manager of a regional department integrating manufacture, supply and sale in Jiangxi province from 1998 to 2005. Mr. Jiang was also the operating vice president of Beifa Group, the biggest stationery enterprise in China, taking charge of information technology and supply chain. Mr. Jiang holds a bachelor degree in Food Science from Hangzhou Business College (currently Zhejiang Gongshang University).

Wu Xiaobin (吳曉彬), aged 36, General Manager of Shanghai Lead Food & Restaurant Management Co. Ltd., is responsible for the development and daily management and operations of the company. Mr. Wu has over 9 years' experience in the F&B industry. Mr. Wu graduated with a diploma in English and Law from the Southwest University of Political Science and Law.

Feng Hanming (馮漢明), aged 59, Director/General Manager of Beijing Weiqian Restaurant Management Co., Ltd., is responsible for overseeing the development, and day-to-day operations and management of the company and Tianjin Leading Management Company Limited. Since July 1998, Mr. Feng joined Ajisen Group and has over 12 years' experience in the F&B industry. Before becoming general manager of the Beijing company, he has worked as the quality control chef, operational manager, chief operating executive and director in the Shanghai company. Prior to joining Ajisen Group, he has accumulated 30 years' experience in food management in Guangzhou Food Group, served in various management positions such as the head of Production Planning/Technical Division in Guangzhou Meat Joint Processing Plant, director of corporate affairs office and general manager of Guangzhou Refrigeration and Air Conditioning Installation Company. Mr. Feng holds a degree in Corporate Management from Guangzhou Finance and Trade Cadre Management Institute and a certificate qualified in assistant economist.

Yu Bin (余斌), aged 40, General Manager of Hong Kong Ajisen Food Company Limited ("Hong Kong Ajisen"), is responsible for the management and operation of restaurants including Hong Kong Ajisen, Kiriyaki Japanese B.B.Q. and Wakayama Ramen under Ajisen (China). Mr. Yu has 18 years' experience in operating and managing international chain restaurants. He worked in Hong Kong Pizza Hut and southern PRC divisional office of Pizza Hut in charge of the operations and management, serving regions in Hong Kong, Mainland China and Macau. He holds a diploma in Business Administration from The Hong Kong Baptist University.

Gao Lei (高磊), aged 36, General Manager of Weiqian Noodle Food Service (Shenzhen) Co., Ltd. ("Shenzhen Weiqian"), is responsible for the brand development strategy and daily operations and management of the company in South China. Before this, he was the operating manager of Shenzhen Weiqian and deputy general manager for South China region. Prior to joining the Group, Mr. Gao worked in Pizza Hut in charge of the operations and management. He has approximately 14 years' experience in the F&B industry. He holds a graduation certificate in Chinese Language and Culture from Vocational College of Echeng Iron & Steel Co., Ltd. in Ezhou, Hubei Province.

Chen Haisong (陳海松), aged 36, General Manager of Weiqian Noodle Food Service (Shenzhen) Co., Ltd. ("Shenzhen Weiqian") for Southwest China region, is responsible for the brand development strategy and daily operations and management of the company in Southwest China. Mr. Chen was the deputy General Manager of Shenzhen Weiqian for Southwest China region before his appointment as the general manager. Prior to joining the Group in 2004, Mr. Chen worked in Pizza Hut in charge of the operations and management. He has accumulated abundant management experience in the F&B industry. He holds a graduation certificate in Business Management from Hainan University.

Xu Yang (許陽), aged 42, General Manager of Dalian Weiqian Food Co., Ltd. ("Dalian Weiqian") for Northeast China market. He joined Dalian Weiqian in 2003 as store manager, and was appointed to be the general manager later. Currently, he has worked for the Group for approximately 8 years. He holds a diploma in Material Supply Economic Management from Dalian University.

The directors of the Company (the 'Directors" or the "Board) are pleased to present their report together with the audited financial statements of the Group for the year ended 31 December 2009.

Principal activities

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

Results and appropriations

The results and appropriations of the Group are set out in page 48 and page 80 of the consolidated financial statements.

The Board recommended the payment of a final dividend of HK7.50 cents per ordinary share and a special dividend of HK7.50 cents per ordinary share (collectively the "Final Dividend") for the financial year ended 31 December 2009.

Share capital

Details of the movements in share capital and share options of the Company during the year are set out in notes 29 and 30 to the consolidated financial statements.

Reserves

Movements in the reserves of the Group are set out in page 51 to page 52 of the consolidated financial statements.

Distributable reserves

As at 31 December 2009, the Company has no reserve available for distribution.

Subsidiaries

Particulars of the Company's principal subsidiaries are set out in note 39 to the consolidated financial statements.

Property, plant and equipment

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

Borrowings

Details of the borrowings of the Group are set out in note 28 to the consolidated financial statements.

Pre-emptive rights

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

Major customers and suppliers

The aggregate sales attributable to the Group's five largest customers were less than 2.2% of the Group's total turnover. The purchase from the Group's largest supplier, Shigemitsu Industry Co., Ltd. accounted for approximately 6.2% of the Group's total purchase for the year and the purchase from the five largest suppliers of the Group accounted for approximately 12.1% of the Group's total purchase.

Save for Mr. Katsuaki Shigemitsu, the non-executive Director, who owns an approximately 44.5% interest in Shigemitsu Industry Co. Ltd (also known as Shigemitsu Kabushiki Kaisha or Shigemitsu Sangyo Co. Ltd), a company incorporated in Japan on 5 July 1972, which is the franchisor of the Company (details of which are set out on page 42 of this Annual Report), none of the Directors or their respective associates, or the shareholders who, to the knowledge of the Directors, own more than 5% of the issued share capital of the Company, has any interest in any of the five largest customers or the five largest suppliers of the Group.

Donations

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

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2009.

Financial summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 116 of this Annual Report.

Directors

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

Executive Directors:

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

Non-executive Directors:

Mr. Wong Hin Sun, Eugene
Mr. Katsuaki Shigemitsu

Independent Non-executive Directors:

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

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

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

In accordance with Article 108 of the Articles of Association of the Company, Mr. Yin Yibing, Mr. Wong Hin Sun, Eugene and Mr. Jen Shek Voon shall retire by rotation, and being eligible, have offered themselves for re-election at the forthcoming Annual General Meeting (the "AGM").

Confirmation of independence of independent non-executive Directors

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

Directors' service contracts

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

Each of the non-executive Directors of the Company and Mr. Lo Peter and Mr. Jen Shek Voon have entered into a letter of appointment with the Company for a period of two years subject to retirement by rotation in accordance with Article 108 of the Articles of Association of the Company, which may be terminated according to the Articles of Association of the Company.

Mr. Wang Jincheng, being an independent non-executive Director, has entered into a letter of appointment with the Company for a term of two years commencing from 9 September 2008, subject to retirement by rotation in accordance with Article 108 of the Articles of Association of the Company, which may be terminated according to the Articles of Association of the Company.

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

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

As at 31 December 2009, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance of Hong Kong, Chapter 571 of the laws of Hong Kong ("the SFO")) which were required to be entered in the register kept by the Company pursuant to section 352 of the SFO, or which were required, to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules, are set out below:

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

Name of Director	Capacity and Nature of Interest	Number of Shares *(Note 1)*	Approximate% of Shareholding
Ms. Poon Wai	founder of a discretionary trust *(Note 2)*	535,976,941 shares (L)	50.19%
Ms. Poon Wai	beneficial owner	19,277,347 shares (L)	1.81%
Mr. Yin Yibing	founder of a discretionary trust *(Note 3)*	28,352,679 shares (L)	2.65%
Mr. Katsuaki Shigemitsu	interest in controlled corporation *(Note 4)*	40,425,380 shares (L)	3.79%
Mr. Katsuaki Shigemitsu	beneficial owner	950,000 shares (L)	0.09%
Mr. Wong Hin Sun, Eugene	interest in controlled corporation *(Note 5)*	340 shares (L)	0.00%

Notes:

1. The letter L denotes the Director's long position in such shares.
2. The 535,976,941 shares were held by Favor Choice Group Limited ("Favor Choice") , which is an investment holding company wholly owned by Anmi Holding Company Limited ("Anmi Holding") . Anmi Holding is incorporated in the British Virgin Islands and its issued share capital is wholly owned by Anmi Trust, which is founded by Ms. Poon Wai. Ms. Poon Wai is an executive Director and the Chief Executive Officer of the Company.
3. The 28,352,679 shares were held by Brilinda Hilltop Inc., which is an investment holding company wholly owned by Royal Century Investment Ltd ("Royal Century") and its issued share capital is wholly owned by Dalian Trust, which is founded by Mr. Yin Yibing. Mr. Yin Yibing, is an executive Director of the Company.
4. The 13,604,251 shares were held by Shigemitsu Industry Co. Ltd., and the 26,821,129 shares were held by Wealth Corner Limited are respectively owned as to approximately 44.5% and 100% by Mr. Katsuaki Shigemitsu, a non-executive Director of the Company.
5. The 340 shares were held by Sirius Investment Inc., which is wholly owned by Mr. Wong Hing Sun, Eugene, a non– executive Director of the Company.

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

Name of director	Capacity and nature of interest	Description of equity derivatives	Number of underlying shares *(Note 1)*
Ms. Poon Wai	interest in controlled corporation *(Note 3)*	share option *(Note 2)*	13,485,000 (L) *(Note 3)*
Mr. Yin Yibing	interest in controlled corporation *(Note 3)*	share option *(Note 2)*	13,485,000 (L) *(Note 3)*
Mr. Poon Ka Man, Jason	interest in controlled corporation *(Note 3)*	share option *(Note 2)*	13,485,000 (L) *(Note 3)*
Mr. Jen Shek Voon	beneficial owner	share option *(Note 4)*	100,000 (L)
Mr. Lo, Peter	beneficial owner	share option *(Note 4)*	100,000 (L)
Mr. Wang Jin Cheng	beneficial owner	share option *(Note 4)*	50,000 (L)
Mr. Wong Hin Sun, Eugene	beneficial owner	share option *(Note 4)*	100,000 (L)

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

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

(1) Long position in the shares of Anmi Holding

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

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

(2) Long position in the shares of Favor Choice

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

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

Save as disclosed herein, as at 31 December 2009, none of the Directors and chief executive of the Company, or any of their spouse, or children under eighteen years of age, has any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations, recorded in the register required to be kept under section 352 of the SFO or required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Interests and short positions of substantial shareholders discloseable under the SFO

So far as is known to the Company, as at 31 December 2009, as recorded in the register required to be kept by the Company under section 336 of the SFO, the following persons, other than a Director or chief executive of the Company, were the substantial shareholders (within the meaning of the Listing Rules) of the Company and had the following interests or short positions in the shares or underlying shares of the Company:

Name of Shareholder	Capacity and Nature of Interest	Number of Shares	Approximate% of Shareholding
Favor Choice *(Note 1)*	beneficial owner	535,976,941	50.19%
Anmi Holding *(Notes 1 and 2)*	interest of controlled corporation	535,976,941	50.19%
HSBC International Trustee Limited *(Note 2)*	trustee	564,329,620	52.84%
Mr. Cheng Wai Tao	beneficial owner	63,955,580	5.99%

Notes:

1. The 535,976,941 shares were held by Favor Choice, which is an investment holding company wholly owned by Anmi Holding. Anmi Holding is incorporated in the British Virgin Islands and its issued share capital is wholly owned by Anmi Trust, which is founded by Ms. Poon Wai. Ms. Poon Wai is an executive Director and the Chief Executive Officer of the Company.

2. HSBC International Trustee Limited (in its capacity as the trustee) is the legal owner of the entire issued share capital of Anmi Holding and Royal Century. Anmi Holding wholly owned Favor Choice which held 535,976,941 Shares and Royal Century wholly owned Brilinda Hilltop Inc. which held 28,352,679 Shares.

Save as disclosed herein, as at 31 December 2009, the Company had not been notified of any substantial shareholder (other than a Director or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company that were recorded in the register required to be kept under section 336 of the SFO.

Directors' interests in contract of significance

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

Directors' interests in competing business

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

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

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

Management contracts

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

Compliance with code on corporate governance practices

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

Share option scheme

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

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

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

At 31 December 2009, the number of shares in respect of which options under the Share Option Scheme had been granted and remained outstanding was 2,288,750 Shares (2008: 2,500,000 Shares), representing approximately 0.2% of the shares of the Company in issue as at 31 December 2009.

Details of the share options granted under the Share Option Scheme and remained outstanding as at 31 December 2009 are as follows:

Grantee	Date of Grant	Outstanding as at 1 January 2009	Number of share options Granted *(Notes 1, 2, 3 & 4)*	Exercised	Cancelled *(Note 5)*	Lapsed *(Note 5)*	Outstanding as at 31 December 2009
Employees (in aggregate)	25 June 2008 *(Note 6, 8, 9)*	1,450,000	–	(61,250)	–	(650,000)	738,750
	31 December 2008 *(Note 7, 8, 9)*	1,050,000	–	–	–	–	1,050,000
	3 July 2009	–	250,000	–	–	(100,000)	150,000
Director (in aggregate)	22 January 2009	–	350,000	–	–	–	350,000
		2,500,000	600,000	(61,250)	–	(750,000)	2,288,750

Notes:

(1) During the year ended 31 December 2009, 350,000 share options were granted on 22 January 2009. The estimated fair values of the options at the grant date were approximately HK$503,000. These share options granted under the Share Option Scheme, vesting in 4 tranches, i.e. the first 25% on 21 January 2010, the second 25% on 21 January 2011, the third 25% on 21 January 2012 and the balance on 21 January 2013.

(2) The share options granted under the Share Option Scheme on 22 January 2009 were at the exercise price of HK$3.308 per share. The closing price per share immediately preceding the date of grant was HK$3.25.

(3) During the year ended 31 December 2009, 250,000 share options were granted on 3 July 2009. The estimated fair values of the options at the grant date were approximately HK$400,000. These share options granted under the Share Option Scheme, vesting in 4 tranches, i.e. the first 25% on 2 July 2010, the second 25% on 2 July 2011, the third 25% on 2 July 2012 and the balance on 2 July 2013.

(4) The share options granted under the Share Option Scheme on 3 July 2009 were at the exercise price of HK$4.938 per share. The closing price per share immediately preceding the date of grant was HK$4.9.

(5) During the year ended 31 December 2009, 750,000 share options previously granted by the Company on 25 June 2008 and 3 July 2009 were lapsed due to the departure of the employees. Except for the share options granted on 22 January 2009 and 3 July 2009 and lapsed as disclosed above, there were no share options cancelled during the year.

(6) Particulars of share options granted on 25 June 2008:

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

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

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

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

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

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

(7) Particulars of share options granted on 31 December 2008:

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

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

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

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

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

Pre-IPO share option scheme

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

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

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

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

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

Grantees	Number of Options Granted on 8 March 2007 *(Notes 1 & 3)*	Number of Options: Outstanding up to 1 January 2009	Number of Options: Exercise During the Year	Number of Options: Forfeited During the Year	Number of Options: Lapsed During the Year *(Note 4)*	Outstanding up to 31 December 2009
(1) Directors						
Ms. Poon Wai *(Note 2)*	8,485,000	8,485,000				8,485,000
Mr. Poon Ka Man, Jason *(Note 2)*	2,500,000	2,500,000				2,500,000
Mr. Yin Yibing *(Note 2)*	2,500,000	2,500,000	—	—	—	2,500,000
(2) Employees and others	6,515,000	5,400,000	(160,000)	—	(45,000)	5,195,000
	20,000,000	18,885,000	(160,000)	—	(45,000)	18,680,000

Notes:

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

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

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

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

(4) In respect of the share options exercised during the year, the weighted average share price at the dates of exercise is HK$6.71 (2008: HK$7.46). During the year ended 31 December 2009, 45,000 (2008: 642,500) share options granted to employees of the Group lapsed due to departure of the employees.

As at 31 December 2009, the number of shares in respect of which options under the Pre-IPO Share Option Scheme had been granted and remained outstanding was 18,680,000 (2008: 18,885,000) share options, representing approximately 1.75% (2008 as restated: approximately 1.77%) of the shares of the Company in issue as at 31 December 2009.

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

Directors' rights to acquire shares or debentures

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

Retirement scheme

Particulars of the retirement scheme of the Company are set out in note 37 to the consolidated financial statements.

Continuing connected transactions

Details of the continuing connected transactions during the year ended 31 December 2009 are as follows:

Shigemitsu transactions

Shigemitsu Industry Co., Ltd. ("Shigemitsu") is a company incorporated in Japan and owned by the Shigemitsu family. Mr. Katsuaki Shigemitsu, a non-executive Director of the Company, personally owns approximately 44.5% interest in Shigemitsu, which is thus a connected person of the Company pursuant to the Listing Rules.

1. *The franchise agreements*

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

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

   The annual cap set for the aggregate franchise fees and technical fees payable under the Franchise Agreements for the year ending 31 December 2009 is HK$23,915,480. The aggregate amount of the franchise fees and the technical fees for the year ended 31 December 2009 is approximately HK$17,844,288.

2. *Supply agreements between the Group and Shigemitsu*

   Fortune Choice Limited ("Fortune Choice"), an indirect wholly-owned subsidiary of the Company entered into a supply agreement with Shigemitsu on 23 March 2006, as supplemented by a supplemental supply agreement entered into by the same parties on 16 September 2006 and renewed for a term of three years from 14 May 2009 by a renewal supply agreement dated 14 May 2009 (the "Supply Agreement"). Pursuant to the Supply Agreement, Shigemitsu agrees to supply materials and supplies which are required by the Group for the operation of the Franchise Business.

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

The annual cap set for the Group's total amount payable to Shigemitsu under the Supply Agreement and the Supply Agreement (PRC) for the year ended 31 December 2009 is HK$38,640,000. The actual amount payable for the year is approximately HK$38,499,989.

3. *Sales agreement between Fortune Choice and Shigemitsu*

Fortune Choice and Shigemitsu entered into a sales agreement on 23 March 2006 which was renewed for a term of three years from 14 May 2009 by a renewal sales agreement dated 14 May 2009 (the "Sales Agreement (Japan)"), pursuant to which Fortune Choice agrees to sell and export various goods to Shigemitsu, including fried union crispy packs, fried garlic crispy packs and other sundry items.

The annual cap set for Shigemitsu's total amount payable to the Group under the Sales Agreement (Japan) for the year ended 31 December 2009 is HK$704,433. The actual amount received for the year is approximately HK$414,576.

Design Union transactions

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

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

A framework agreement was entered into between Design Union and the Group on 8 March 2007 which was renewed for a term of three years from 14 May 2009 by a renewal agreement dated 14 May 2009 (the "Design Union Agreement"), pursuant to which Design Union agrees to provide services and materials for design, decoration and renovation for restaurants operated or to be operated by the Group in Hong Kong.

The annual cap set for the amount payable by the Group to Design Union under the Design Union Agreement for the year ended 31 December 2009 is HK$19,435,000. The actual amount payable for the year is HK$9,526,447.

Leasing agreement

The Group has a continuing connected transaction with Ms. Poon Wai, an executive Director, whereby Ms. Poon Wai leases to Weiqian Noodle Food Services (Shenzhen) Co. Ltd ("Shenzhen Weiqian") certain premises for use by Shenzhen Weiqian as offices for a term of three years commencing from 1 July 2008 pursuant to a leasing agreement dated 20 June 2008 (the "Leasing Agreement").

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

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

The annual rent payable under the Leasing Agreement for the year ended 31 December 2009 is HK$1,901,567. The actual amount paid for the year is HK$1,901,567.

The independent non-executive Directors of the Company have reviewed the above continuing connected transactions during the year and confirmed that the transactions have been entered into:

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

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

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

The auditors of the Company have performed certain pre-determined procedures and reported their findings regarding the continuing connected transactions entered into by the Group set out above for the year ended 31 December 2009 and state that:

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

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

(3) the aggregate amounts of the transactions have not exceeded the relevant cap amounts as disclosed in the announcements of the Company dated 9 July 2008 and 22 May 2009; and

(4) the transactions 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 the above continuing connected transaction, they have abstained from physically attending meetings or have abstained from voting on any such board resolution of the Group in relation to the relevant continuing connected transactions.

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

Employee's remuneration and policy

As at 31 December 2009, the Group employed 10,447 persons (31 December 2008: 10,857 persons), most of the Group's employees work in the chain restaurants of the Group in the PRC. The number of employees will be changed from time to time as may be necessary and the remuneration will be determined by reference to the practice of the industry.

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

The total remuneration payment of the Group for the year ended 31 December 2009 was approximately HK$339,965,000 (31 December 2008: HK$297,670,000).

Sufficiency of public float

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

Auditor

The consolidated 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 AGM.

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

Hong Kong, 29 March 2010

Deloitte.
德勤

TO THE SHAREHOLDERS 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 48 to 114, which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows 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, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. 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 2009 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
29 March 2010

Consolidated Statement of Comprehensive Income

For The Year Ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Turnover	6	**1,985,726**	1,673,072
Other income	7	**65,918**	55,258
Other gains and losses	8	**9,912**	(4,785)
Cost of inventories consumed		**(600,832)**	(539,545)
Staff costs		**(339,965)**	(297,670)
Depreciation		**(113,029)**	(85,507)
Property rentals and related expenses		**(290,702)**	(236,433)
Other operating expenses		**(281,767)**	(264,818)
Finance costs	9	**(1,160)**	(660)
Profit before taxation	10	**434,101**	298,912
Taxation	12	**(104,175)**	(68,554)
Profit for the year		**329,926**	230,358
Other comprehensive income			
Exchange differences arising on translation		**591**	39,756
Fair value gain (loss) on available-for-sale investments		**50**	(46)
Reclassification adjustment of fair value gain to profit or loss on disposal of available-for-sale investments		**(86)**	–
Surplus on revaluation of properties		**1,862**	5,305
Income tax relating to components of other comprehensive income		**(465)**	(1,326)
Other comprehensive income for the year (net of tax)		**1,952**	43,689
Total comprehensive income for the year		**331,878**	274,047
Profit for the year attributable to:			
Owners of the Company		**314,456**	220,841
Minority interests		**15,470**	9,517
		329,926	230,358
Total comprehensive income attributable to:			
Owners of the Company		**316,195**	262,935
Minority interests		**15,683**	11,112
		331,878	274,047
		HK$ cents	HK$ cents
Earnings per share	14		
– Basic		**29.45**	20.69
– Diluted		**29.41**	20.57

Consolidated Statement of Financial Position

At 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Non-current assets			
Investment properties	15	**122,987**	96,868
Property, plant and equipment	16	**546,757**	528,356
Prepaid lease payments	17	**51,762**	39,293
Deposits paid for acquisition of investment properties		**22,795**	–
Deposits paid for acquisition of property, plant and equipment		**1,522**	4,324
Deposits paid for acquisition of land leases	17	**36,321**	24,809
Rental deposits		**34,832**	49,286
Goodwill	18	**37,135**	37,135
Deferred tax assets	19	**3,247**	3,685
Available-for-sale investments	20	**537**	2,109
		857,895	785,865
Current assets			
Inventories	21	**55,737**	51,973
Trade and other receivables	22	**100,450**	89,281
Amounts due from related parties	23	**27**	9,117
Taxation recoverable		**2,042**	3,130
Other financial assets	24	**68,182**	253,940
Bank balances and cash	25	**1,701,690**	1,382,752
		1,928,128	1,790,193
Current liabilities			
Trade and other payables	26	**241,365**	225,534
Amounts due to related companies	27	**8,924**	13,595
Amounts due to directors	27	**544**	1,166
Amount due to a shareholder	27	**18,679**	12,728
Dividend payable		**5**	1
Taxation payable		**50,893**	36,514
Secured bank loans – current	28	**–**	3,768
		320,410	293,306
Net current assets		**1,607,718**	1,496,887
Total assets less current liabilities		**2,465,613**	2,282,752

	Notes	2009 HK$'000	2008 HK$'000
Non-current liabilities			
Deferred tax liabilities	19	**15,289**	7,294
Secured bank loans – non-current	28	**–**	63,324
		15,289	70,618
Net assets		**2,450,324**	2,212,134
Capital and reserves			
Share capital	29	**106,791**	106,769
Reserves		**2,297,588**	2,074,546
Equity attributable to owners of the Company		**2,404,379**	2,181,315
Minority interests		**45,945**	30,819
Total equity		**2,450,324**	2,212,134

The consolidated financial statements on pages 48 to 114 were approved and authorised for issue by the Board of Directors on 29 March 2010 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 2009

	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000	Share options reserve HK$'000	Capital reserve HK$'000	Investment revaluation reserve HK$'000	Properties revaluation reserve HK$'000	Translation reserve HK$'000	Statutory surplus reserve fund HK$'000	Retained profits HK$'000	Attributable to owners of the Company HK$'000	Minority interests HK$'000	Total HK$'000
At 1 January 2008	104,510	1,639,179	85,788	2,537	1,159	82	–	24,434	12,249	310,637	2,180,575	22,918	2,203,493
Profit for the year	–	–	–	–	–	–	–	–	–	220,841	220,841	9,517	230,358
Exchange differences arising on translation	–	–	–	–	–	–	–	38,161	–	–	38,161	1,595	39,756
Surplus on revaluation of properties	–	–	–	–	–	–	5,305	–	–	–	5,305	–	5,305
Income tax relating to components of other comprehensive income	–	–	–	–	–	–	(1,326)	–	–	–	(1,326)	–	(1,326)
Fair value loss on available-for-sales investments	–	–	–	–	–	(46)	–	–	–	–	(46)	–	(46)
Total comprehensive income for the year	–	–	–	–	–	(46)	3,979	38,161	–	220,841	262,935	11,112	274,047
Dividends paid to minority interests	–	–	–	–	–	–	–	–	–	–	–	(3,211)	(3,211)
Dividends declared *(note 13)*	–	–	–	–	–	–	–	–	–	(61,131)	(61,131)	–	(61,131)
Capital contributions from a shareholder	78	–	–	–	–	–	–	–	–	–	78	–	78
Arising on the Common Control Combination (defined in *note 2*)	(88)	–	88	–	–	–	–	–	–	–	–	–	–
Issue of new shares of the Company pursuant to the Common Control Combination (defined in *note 2*)	2,248	153,570	(155,818)	–	–	–	–	–	–	–	–	–	–
Distribution to shareholder as a result of Common Control Combination (defined in *note 2*)	–	–	(207,713)	–	–	–	–	–	–	–	(207,713)	–	(207,713)
Shares issued upon exercise of share options	21	978	–	(57)	–	–	–	–	–	–	942	–	942
Transfer	–	–	–	–	–	–	–	–	1,006	(1,006)	–	–	–
Recognition of equity-settled share-based payments	–	–	–	5,629	–	–	–	–	–	–	5,629	–	5,629
At 31 December 2008 and 1 January 2009	106,769	1,793,727	(277,655)	8,109	1,159	36	3,979	62,595	13,255	469,341	2,181,315	30,819	2,212,134
Profit for the year	–	–	–	–	–	–	–	–	–	314,456	314,456	15,470	329,926
Exchange differences arising on translation	–	–	–	–	–	–	–	378	–	–	378	213	591
Surplus on revaluation of properties	–	–	–	–	–	–	1,862	–	–	–	1,862	–	1,862
Income tax relating to components of other comprehensive income	–	–	–	–	–	–	(465)	–	–	–	(465)	–	(465)
Fair value gain on available-for-sales investments	–	–	–	–	–	50	–	–	–	–	50	–	50
Reclassify to profit or loss on disposal of available-for-sale investments	–	–	–	–	–	(86)	–	–	–	–	(86)	–	(86)
Total comprehensive income for the year	–	–	–	–	–	(36)	1,397	378	–	314,456	316,195	15,683	331,878
Dividends paid to minority interests	–	–	–	–	–	–	–	–	–	–	–	(557)	(557)
Dividends declared *(note 13)*	–	–	–	–	–	–	–	–	–	(100,896)	(100,896)	–	(100,896)
Shares issued upon exercise of share options	22	1,103	–	(152)	–	–	–	–	–	–	973	–	973
Transfer	–	–	–	–	–	–	–	–	15,026	(15,026)	–	–	–
Recognition of equity-settled share-based payments	–	–	–	6,792	–	–	–	–	–	–	6,792	–	6,792
At 31 December 2009	106,791	1,794,830	(277,655)	14,749	1,159	–	5,376	62,973	28,281	667,875	2,404,379	45,945	2,450,324

The special reserve mainly represents the aggregate of:

(a) An amount of approximately HK$41 million, being the difference between the paid-in capital of Ajisen (China) International Limited ("Ajisen International") and the subsidiaries involved in the group reorganisation which was effected on 8 March 2007.

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

(c) A net debit amount of approximately HK$363 million, being the difference between (i) the consideration which comprised cash consideration of HK$207 million and share consideration of HK$155 million of the acquisition of Luck Right Limited ("Luck Right") and its subsidiaries from Ms. Poon Wai in 2008, details of which refer to note 2, and (ii) the share capital of Luck Right.

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

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

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

Properties revaluation reserve represents the difference between (i) the carrying amounts and (ii) the fair values of property interests previously classified as property, plant and equipment by the Group at the dates the Group changed their intention and transferred these property interests to investment properties.

As stipulated by the relevant laws and regulations for foreign investment enterprises in People's Republic of 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 Statement of Cash Flows

For The Year Ended 31 December 2009

	2009 HK$'000	2008 HK$'000
Operating activities		
Profit before taxation	**434,101**	298,912
Adjustments for:		
Allowance for doubtful debts	**58**	147
Change in fair values recognised in respect of investment properties	**(11,060)**	5,064
Fair value changes in respect of other financial assets	**(1,920)**	(7,381)
Depreciation	**113,029**	85,507
Interest expenses	**1,160**	660
Bank interest income	**(20,224)**	(24,667)
Loss on disposal/written off of property, plant and equipment	**2,295**	4,425
Operating lease rentals in respect of prepaid lease payments	**1,534**	1,140
Gain on disposal of available-for-sale investments	**(86)**	–
Share-based payment expenses	**6,792**	5,629
Operating cash flows before movements in working capital	**525,679**	369,436
Decrease (increase) in rental deposits	**14,454**	(20,172)
Increase in inventories	**(3,764)**	(19,384)
Increase in trade and other receivables	**(11,690)**	(4,579)
Increase in trade and other payables	**16,326**	50,919
Cash from operations	**541,005**	376,220
Tax paid	**(82,902)**	(89,466)
Tax refunded	**2,162**	2,562
Net cash from operating activities	**460,265**	289,316

Consolidated Statement of Cash Flows

For The Year Ended 31 December 2009

	2009 HK$'000	2008 HK$'000
Investing activities		
Proceeds on redemption of other financial assets	**255,860**	244,641
Proceeds from disposal of property, plant and equipment	**14,918**	3,749
Interest received	**20,224**	24,667
Repayment from related parties	**9,090**	2,779
Proceeds from disposal of available-for-sale investments	**1,622**	–
Repayment to directors	**(622)**	(14,445)
Deposits paid for acquisition of property, plant and equipment	**(1,522)**	(4,324)
Purchase of investment properties	**(7,353)**	(93,464)
Deposits paid for acquisition of investment properties	**(22,795)**	–
Deposit paid and addition of prepaid lease payments	**(25,052)**	(48,312)
Purchase of other financial assets	**(68,182)**	(450,000)
Purchase of property, plant and equipment	**(150,203)**	(231,623)
Payment to shareholders pursuant to the Common Control Combination	**–**	(207,713)
Repayment from a director	**–**	24,013
Net cash from (used in) investing activities	**25,985**	(750,032)
Financing activities		
Advance from shareholders	**5,951**	4,966
Proceeds from issue of shares	**973**	942
Dividends paid to minority interests	**(557)**	(3,211)
Interest paid	**(1,160)**	(660)
(Repayment to) advance from related companies	**(4,671)**	1,919
Repayment of bank loans	**(67,092)**	(908)
Dividends paid	**(100,892)**	(61,130)
Bank loans raised	**–**	68,000
Capital contribution from a shareholder	**–**	78
Net cash (used in) from financing activities	**(167,448)**	9,996
Increase (decrease) in cash and cash equivalents	**318,802**	(450,720)
Cash and cash equivalents at 1 January	**1,382,752**	1,813,777
Effect of foreign exchange rate changes	**136**	19,695
Cash and cash equivalents at 31 December	**1,701,690**	1,382,752
Analysis of the balances of cash and cash equivalents, representing bank balances and cash	**1,701,690**	1,382,752

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 immediate holding company is Favour Choice Limited, a company which is incorporated in the British Virgin Islands and wholly-owned by Anmi Holdings Limited, a company which is incorporated in the British Virgin Islands and wholly-owned by Anmi Trust, which is founded by Ms. Poon Wai who is a director of the Company. The addresses of the registered office and the principal place of business of the Company are disclosed in the "Corporation Information" section of the annual report.

The functional currency of the Company was changed from Hong Kong dollars ("HK$") to Renminbi ("RMB") on 1 January 2009 as the Group focused the chain restaurant network expansion in the PRC. The functional currency of the PRC operating subsidiaries of the Company is RMB. The functional currency of Hong Kong operating subsidiaries is Hong Kong dollars.

The consolidated financial statements are presented in HK$. The directors of the Company consider that the presentation of the consolidated financial statements in HK$ is more appropriate for a company listed in Hong Kong and for the convenience of the shareholders of the Company.

2. Basis of preparation of the consolidated financial statements

During the year ended 31 December 2008, Festive Profits Limited, a wholly-owned subsidiary of the Company acquired the entire interests in 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 circular of the Company dated 28 May 2008. The Common Control Combination was completed on 20 June 2008 when all conditions precedent were fulfilled.

The directors of the Company consider that meaningful information as regards to the historical performance of the Company and its subsidiaries (hereinafter collectively defined as the "Group"), which includes entities under common control, is provided by treating the Group resulting from the Common Control Combination as a continuing entity as if the Group structure existed after the Common Control Combination had been in existence from the beginning of the year ended 31 December 2008. 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 combination" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as if the group structure resulted from the Common Control Combination had been in existence from 1 January 2008 onwards or since the respective incorporation or establishment dates of the companies comprising the Group, whichever is the shorter period.

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

In the current year, the Group has applied the following new and revised Hong Kong Accounting Standards ("HKASs"), amendments and the related Interpretations ("HK(IFRIC)s") ("new and revised HKFRSs") issued by the HKICPA.

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in Foreign Operation
HK(IFRIC) – Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009
HKFRSs (Amendments)	Improvements of HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

Except as described below, the adoption of the new and revised HKFRSs had no material effect on the consolidated statements of the Group for the current or prior accounting periods.

HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced a number of terminology changes, including revised titles for the consolidated financial statements and changes in the format and content of the consolidated financial statements.

HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard that has resulted in a redesignation of the Group's reportable segments (see note 6) and changes in the basis of measurement of segment profit or loss, segment assets and segment liabilities.

Improving Disclosures about Financial Instruments (Amendments to HKFRS 7 Financial Instruments: Disclosures)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

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

HKAS 23 (Revised 2007) Borrowing Costs

In previous years, the Group expensed all borrowing costs that were directly attributable to the acquisition, construction or production of a qualifying asset when they were incurred. HKAS 23 (Revised 2007) removes the option previously available to expense all borrowing costs when incurred. The adoption of HKAS 23 (Revised 2007) has resulted in the Group changing its accounting policy to capitalise all such borrowing costs as part of the cost of the qualifying asset. The Group will apply the revised accounting policy to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009 in accordance with the transitional provisions in HKAS 23 (Revised 2007). As the revised accounting policy will be applied prospectively from 1 January 2009, this change in accounting policy has not resulted in restatement of amounts reported in respect of prior accounting periods.

HK(IFRIC) – Int 13 Customer Loyalty Programmes

The adoption of HK(IFRIC) – Int 13 has resulted in a change to the Group's accounting policy for its customer loyalty programme. The Group's VIP Scheme, operated for the benefit of its customers, falls within the scope of HK(IFRIC) – Int 13. Under the VIP Scheme, customers purchasing the Group's products are entitled to receive loyalty points that can be used to obtain discounts on subsequent purchases. In the past, the Group had accounted for the VIP Scheme by recognising the full consideration from the sales as revenue, with a separate liability for the estimated cost of the subsequent discounts. However, HK(IFRIC) – Int 13 requires such transactions to be accounted for as 'multiple element revenue transactions' and that the consideration received in the initial sale transaction should be allocated between the sale of equipment and the discount entitlements earned by the customer in that sale transaction. This change in accounting policy has been applied retrospectively. The adoption of this accounting interpretation had no material impact on the consolidated financial statements, and this change in accounting policy has not resulted in restatement of amounts reported in respect of prior accounting periods.

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

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008[2]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related Party Disclosures[5]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[4]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[6]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[7]
HK(IFRIC) – Int 14 (Amendment)	Prepayments of Minimum Funding Requirements[5]
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners[1]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[6]

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

1 Effective for annual periods beginning on or after 1 July 2009
2 Amendments that are effective for annual periods beginning on or after 1 January 2009 and 1 January 2010, as appropriate
3 Effective for annual periods beginning on or after 1 January 2010
4 Effective for annual periods beginning on or after 1 February 2010
5 Effective for annual periods beginning on or after 1 January 2011
6 Effective for annual periods beginning on or after 1 July 2010
7 Effective for annual periods beginning on or after 1 January 2013

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

In addition, as part of Improvements to HKFRSs issued in 2009, HKAS 17 Leases has been amended in relation to the classification of leasehold land. The amendments will be effective from 1 January 2010, with earlier application permitted. Before the amendments to HKAS 17, leasees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might affect the classification and measurement of the Group's leasehold land.

The directors of the Company anticipate that the application of other new and revised Standards, Amendments or Interpretation will have no material impact on the consolidated financial statements.

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 (other than those acquired under business combinations involving entities under common control) or disposed of during the year are included in the consolidated statement of comprehensive income 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.

4. Significant accounting policies (continued)

Business combination

Common control combinations

The business combinations under common control are accounted for in accordance with Accounting Guideline 5 "Merger Accounting for common control combinations". In applying merger accounting, the consolidated financial statements incorporate the financial statement items of the combining entities or businesses 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 statement of comprehensive income 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.

Business combinations other than common control combinations

The acquisitions of businesses 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.

4. Significant accounting policies (continued)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost loss any accumulated impairment losses and is presented separately in the consolidated statement of financial position.

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 profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

On 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.

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

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

Acquisition of additional interest in subsidiaries

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

4. Significant accounting policies (continued)

Revenue recognition

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

Revenue from sale of goods are recognised when goods are delivered and title has passed while revenue from rendering of services is recognised when the services are provided.

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

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

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

Property, plant and equipment

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

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

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic 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 profit or loss in the period in which the item is derecognised.

4. Significant accounting policies (continued)

Investment properties

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

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

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

Leasing

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

The Group as lessor

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

The Group as leasee

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

Leasehold land and building

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

Inventories

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

4. Significant accounting policies (continued)

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

At the end of the reporting period, 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 any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the tangible asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

Financial instruments

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

Financial assets

The Group's financial assets are classified into one of the three categories, including loans and receivables, available-for-sale investments and financial assets at fair value through profit or loss ("FVTPL"). All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

4. Significant accounting policies (continued)

Financial instruments (continued)

Effective interest method

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

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

Financial assets at fair value through profit or loss

Financial assets at FVTPL of the Group comprise those designated as at FVTPL upon initial recognition.

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

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

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

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

Other financial assets

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. 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 the end of each reporting period subsequent to initial recognition, available-for-sale investments are measured at fair value. Changes in fair value are recognised in other comprehensive income and accumulated in investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to 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 settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at the end of reporting period (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 the end of the reporting period. 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 affected.

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

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

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

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

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

4. Significant accounting policies (continued)

Financial instruments (continued)

Impairment of financial assets (continued)

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

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

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 other comprehensive income and accumulated in investment revaluation reserve.

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/directors/a shareholder and secured bank loans) are subsequently measured at amortised cost, using the effective interest method.

4. Significant accounting policies (continued)

Financial instruments (continued)

Equity instruments

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

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in other comprehensive income 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.

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 statement of comprehensive income 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 end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences 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 other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

4. Significant accounting policies (continued)

Taxation (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale for which the commencement date for capitalisation is on or after 1 January 2009, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Government subsidies

Government subsidies are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the subsidies are intended to compensate. Government subsidies that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

4. Significant accounting policies (continued)

Foreign currencies (continued)

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case the exchange rates prevailing at the dates of transactions are used. Exchange differences, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve).

When there is a change in an entity's functional currency, the Group applies the translation procedures applicable to the new functional currency prospectively from the date of the change. All items of assets and liabilities are translated into the new functional currency using the exchange rate at the date of the change. The resulting translated amounts for non-monetary items are treated as their historical cost. Exchange differences arising from the translation of a foreign operation previously recognised in translation reserve are not reclassified to profit or loss until the disposal of the operation.

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 the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, 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.

At the time when the terms of share options were modified during the vesting period, the incremental fair value granted, which represents the excess of fair value of the share options immediately after modification over that of immediately before modification, is expensed over the remaining vesting period of share options, in addition to the amount based on the grant date fair value of the original share options.

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 end of the report period, which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

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

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

Fair values of share options granted by the Company

As described in note 30, the directors of the Company use their judgement in selecting appropriate valuation techniques for share options granted by the Company. Valuation technique, namely Black Scholes pricing model, which is commonly used by market practitioners, has been applied for estimating the fair values of share options. The estimation of fair values of the share options are derived after taking into account the input parameters, such as the Company's share prices, exercise prices, expected volatility of the Company's share prices, expected life of the share options, risk-free interest rates and expected dividend yield of the shares, etc, supported by market rates. Details of the inputs and parameters for estimating the fair values of options are disclosed in note 30.

6. Segment information

The Group has adopted HKFRS 8 Operating Segments with effect from 1 January 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Group's board of directors, the chief operating decision makers, in order to allocate resources to segments and to assess their performance. In contrast, the predecessor Standard (HKAS 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. As a result, following the adoption of HKFRS 8, the identification of the Group's reportable segments has changed. In the past, the Group's primary reporting format was geographical segments by location of customers. However, information reported to the Group's chief operating decision makers, mainly revenue analysis by different operating divisions and the Group's profit for the year, for the purposes of resource allocation and assessment of performance is more specifically focused on the Group's three operating divisions, namely operation of restaurants, manufacture and sales of noodles and related products and investment holding. The Group's operating and reportable segments under HKFRS 8 are as follows:

Operation of restaurants	– operation of restaurants in the PRC
	– operation of restaurants in Hong Kong

6. Segment information (continued)

Manufacture and sales of noodles and related products	–	manufacture and sales of packaged noodles and related products in the PRC
Investment holding	–	leasing of property interests

Information regarding these segments is presented below. Amounts reported for the prior year have been restated to conform with the requirements of HKFRS 8.

Segment revenue and results

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

For the year ended 31 December 2009

	Operation of restaurants			Manufacture and sales of noodles and related products	Investment holding	Elimination	Total
	PRC	Hong Kong	Total				
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment revenue							
– external sales	1,646,901	256,280	1,903,181	82,545	–	–	1,985,726
– inter-segment sales *(note)*	–	–	–	358,209	–	(358,209)	–
	1,646,901	256,280	1,903,181	440,754	–	(358,209)	1,985,726
Segment profits	403,449	36,026	439,475	12,806	15,845	–	468,126
Unallocated income							22,230
Unallocated expenses							(55,095)
Finance costs							(1,160)
Profit before taxation							434,101
Taxation							(104,175)
Profit for the year							329,926

6. Segment information (continued)

Segment revenue and results (continued)

For the year ended 31 December 2008

	Operation of restaurants			Manufacture and sales of noodles and related products	Investment holding	Elimination	Total
	PRC	Hong Kong	Total				
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment revenue							
– external sales	1,354,470	241,636	1,596,106	76,966	–	–	1,673,072
– inter-segment sales *(note)*	–	–	–	237,835	–	(237,835)	–
	1,354,470	241,636	1,596,106	314,801	–	(237,835)	1,673,072
Segment profits (losses)	268,668	55,136	323,804	11,238	(1,621)	–	333,421
Unallocated income							32,048
Unallocated expenses							(65,897)
Finance costs							(660)
Profit before taxation							298,912
Taxation							(68,554)
Profit for the year							230,358

Note: Inter-segment sales are charged at prevailing market rates.

Segment profits (losses) represent the profits earned/losses incurred by each segment without allocation of central administration costs, directors' salaries, investment income and finance costs. This is the measure reported to the chief operating decision makers for the purposes of resources allocation and assessment of segment performance.

6. Segment information (continued)

Other information

All of the Group's non-current assets, including investment properties, property, plant and equipment, prepaid lease payments, deposits paid for acquisition of investment properties, deposits paid for acquisition of property, plant and equipment and deposits paid for acquisition of land leases, are located in the Group entities' countries of domicile, the PRC and Hong Kong, at the end of each reporting period.

The following is an analysis of the Group's non-current assets by geographical location of assets:

	2009	2008
	HK$'000	HK$'000
The PRC	**609,467**	562,048
Hong Kong	**248,428**	223,817
	857,895	785,865

All of the Group's revenue from external customers are attributed to the location of the relevant group entities, which is the PRC and Hong Kong, during the year ended 31 December 2009 and 31 December 2008.

None of the customers accounted for 10% or more of the total turnover of the Group during the year ended 31 December 2009 and 31 December 2008.

7. Other income

	2009 HK$'000	2008 HK$'000
Royalty income from sub-franchisee	**13,991**	10,652
Government subsidies	**10,785**	11,263
Bank interest income	**20,224**	24,667
Property rental income	**4,785**	3,443
Compensation received from landlord for early termination of operating leases of restaurants	**12,794**	–
Others	**3,339**	5,233
	65,918	55,258

8. Other gains and losses

	2009 HK$'000	2008 HK$'000
Allowance for doubtful debts	**(58)**	(147)
Change in fair values of investment properties	**11,060**	(5,064)
Net gain on other financial assets *(Note)*	**1,920**	7,381
Cumulative gain reclassified from equity on disposal of available-for-sale investments	**86**	–
Loss on disposal of property, plant and equipment	**(2,295)**	(4,425)
Net foreign exchange loss	**(801)**	(2,530)
	9,912	(4,785)

Note: Included in net gain on other financial assets for the year ended 31 December 2009 was interest income earned on other financial assets of approximately HK$1,920,000 (2008: HK$3,441,000).

9. Finance costs

	2009 HK$'000	2008 HK$'000
Interest on bank borrowings:		
– wholly repayable within five years	**67**	21
– not wholly repayable within five years	**1,093**	639
	1,160	660

10. Profit before taxation

	2009 HK$'000	2008 HK$'000
Profit before taxation has been arrived at after charging:		
Cost of inventories consumed *(note a)*	**600,832**	539,545
Directors' remuneration *(note 11)*	**5,143**	5,938
Other staff's salaries, wages and other benefits	**295,830**	258,410
Other staff's retirement benefits scheme contributions	**33,262**	29,846
Other staff's share-based payment expenses	**5,730**	3,476
Total staff costs	**339,965**	297,670
Advertising and promotion expenses	**26,640**	20,018
Auditor's remuneration	**2,500**	4,442
Non-audit services	**1,477**	3,153
	3,977	7,595
Fuel and utility expenses	**113,617**	103,591
Operating lease rentals in respect of		
– land lease	**1,534**	1,140
– rented premises *(note b)*	**257,545**	211,835

Notes:

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

b. Included in the operating lease rentals in respect of rented premises are minimum lease payments of approximately HK$175,546,000 (2008: HK$127,586,000) and contingent rent of approximately HK$81,999,000 (2008: HK$84,249,000).

11. Directors' and employees' remuneration

The emoluments paid or payable to each of the eight (2008: nine) directors were as follows:

	2009 Fees HK$'000	2009 Salaries and other benefits HK$'000	2009 Performance related incentive bonuses HK$'000 *(Note a)*	2009 Share-based payment expenses HK$'000	2009 Retirement benefits scheme contributions HK$'000	2009 Total HK$'000	2008 Fees HK$'000	2008 Salaries and other benefits HK$'000	2008 Performance related incentive bonuses HK$'000 *(Note a)*	2008 Share-based payment expenses HK$'000	2008 Retirement benefits scheme contributions HK$'000	2008 Total HK$'000
Executive directors												
Ms. Poon Wai	–	1,752	71	668	12	2,503	–	1,732	71	1,355	12	3,170
Mr. Yin Yibing	–	340	272	197	22	831	–	358	–	399	–	757
Mr. Poon Ka Man, Jason	–	840	35	197	12	1,084	–	840	35	399	12	1,286
Non-executive directors												
Mr. Wong Hin Sin, Eugene	162	–	–	–	–	162	162	–	–	–	–	162
Mr. Katsuaki Shigenitsu	100	–	–	–	–	100	100	–	–	–	–	100
Independent non-executive Directors												
Mr. Peter Lo	163	–	–	–	–	163	163	–	–	–	–	163
Mr. Jen Shek Voon	163	–	–	–	–	163	163	–	–	–	–	163
Mr. Wang Jincheng *(Note c)*	137	–	–	–	–	137	42	–	–	–	–	42
Mr. Yan Yu *(Note b)*	–	–	–	–	–	–	95	–	–	–	–	95
	725	2,932	378	1,062	46	5,143	725	2,930	106	2,153	24	5,938

Notes:

a. The performance related incentive bonuses for the years ended 31 December 2009 and 31 December 2008 were determined based on performance of the Group.

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

c. Mr. Wang Jincheng was appointed as an independent non-executive director of the Company with effect from 9 September 2008.

11. Directors' and employees' remuneration (continued)

The five highest paid individuals included two (2008: two) directors of the Company, details of whose emoluments are set out above. The emoluments of the remaining three (2008: three) highest paid individuals during the year are as follows:

	2009	2008
	HK$'000	HK$'000
Employees		
– Basic salaries and allowances	**2,246**	2,224
– Performance related incentive bonuses	**183**	768
– Share-based payment expenses	**543**	588
– Retirement benefits scheme contributions	**55**	46
	3,027	3,626

Their emoluments were within the following bands:

	2009	2008
	HK$'000	HK$'000
HK$nil to HK$1,000,000	**2**	1
HK$1,000,001 to HK$1,500,000	**1**	2

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

12. Taxation

	2009 **HK$'000**	2008 HK$'000
Hong Kong Profits Tax		
– current year	**7,150**	4,457
– under provision in prior years	**–**	1,754
	7,150	6,211
PRC income tax		
– current year	**89,057**	64,274
– overprovision in prior years	**–**	(3,077)
	89,057	61,197
	96,207	67,408
Deferred taxation *(note 19)*		
– current year	**7,968**	993
– attributable to a change in tax rate	**–**	153
	7,968	1,146
	104,175	68,554

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate by 1% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

Certain of the Group's subsidiaries operating in the PRC and eligible for certain tax holidays and concessions for both years.

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

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

12. Taxation (continued)

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

	Hong Kong				PRC				Total			
	2009		2008		**2009**		2008		**2009**		2008	
	HK$'000	**%**	HK$'000	%	**HK$'000**	**%**	HK$'000	%	**HK$'000**	**%**	HK$'000	%
Profit before taxation	**29,516**		33,012		**404,585**		265,900		**434,101**		298,912	
Tax at the applicable income tax rate	**4,870**	**16.5**	5,447	16.5	**101,147**	**25.0**	66,475	25.0	**106,017**	**24.4**	71,922	24.1
Tax effect of expenses not deductible for tax purposes	**1,871**	**6.3**	1,168	3.5	**618**	**0.2**	508	0.2	**2,489**	**0.6**	1,676	0.6
Tax effect of income not taxable for tax purposes	**(774)**	**(2.6)**	(3,847)	(11.7)	**(23)**	**–**	–	–	**(797)**	**(0.2)**	(3,847)	(1.3)
Effect of tax exemptions granted to PRC subsidiaries	**–**	**–**	–	–	**(7,346)**	**(1.8)**	(3,261)	(1.2)	**(7,346)**	**(1.7)**	(3,261)	(1.1)
Tax effect of tax losses not recognised	**1,935**	**6.6**	2,170	6.6	**288**	**0.1**	1,712	0.6	**2,223**	**0.5**	3,882	1.3
Decrease in opening deferred tax asset resulting from a decrease in applicable tax rate	**–**	**–**	153	0.5	**–**	**–**	–	–	**–**	**–**	153	–
Withholding tax provision on dividends from PRC subsidiaries	**–**	**–**	–	–	**5,000**	**1.2**	2,000	0.8	**5,000**	**1.2**	2,000	0.7
Income tax at concessionary rate	**–**	**–**	–	–	**(2,647)**	**(0.6)**	(3,562)	(1.3)	**(2,647)**	**(0.6)**	(3,562)	(1.2)
Under(over) provision in prior years	**–**	**–**	1,754	5.3	**–**	**–**	(3,077)	(1.2)	**–**	**–**	(1,325)	(0.4)
Others	**243**	**0.8**	(1,047)	(3.2)	**(1,007)**	**(0.2)**	1,961	0.7	**(764)**	**(0.2)**	916	0.3
Tax charge and effective rate for the year	**8,145**	**27.6**	5,798	17.5	**96,030**	**23.9**	62,756	23.6	**104,175**	**24.0**	68,554	23.0

13. Dividends

	2009	2008
	HK$'000	HK$'000
Dividends recognised as distribution during the year:		
Final, paid – HK5.25 cents per share for 2008 (2008: paid – HK5.85 cents per share for 2007)	**56,054**	61,131
Special, paid – HK4.20 cents per share for 2008 (2008: nil for 2007)	**44,842**	–
	100,896	61,131

A final dividend of HK7.50 cents per ordinary share (2008: HK5.25 cents per share) and special dividend of HK7.50 cents per share (2008: HK4.20 cents per share) has been proposed by the directors and is subject to approval by the shareholders in the annual general meeting.

14. Earnings per share

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

	2009 **HK$'000**	2008 HK$'000
Earnings for the purposes of basic and diluted earnings per share, being profit for the year attributable to owners of the Company	**314,456**	220,841

	Number of shares	
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,067,719,635**	1,067,582,714
Effect of dilutive potential ordinary shares relating to: – outstanding share options	**1,596,252**	6,276,067
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,069,315,887**	1,073,858,781

In calculating the weighted average number of ordinary shares for the purpose of calculating basic earnings per share, the shares that were issued for purchases of subsidiaries pursuant to the Common Control Combination in which the details are set out in the circular of the Company dated 28 May 2008, are treated as if they had been in issue from 1 January 2008.

15. Investment properties

	HK$'000
FAIR VALUE	
At 1 January 2008	–
Additions	93,464
Transfers from property, plant and equipment	8,468
Change in fair values recognised in consolidated profit or loss	(5,064)
At 31 December 2008	96,868
Additions	7,353
Transfers from property, plant and equipment	7,706
Change in fair values recognised in consolidated profit or loss	11,060
At 31 December 2009	122,987

15. Investment properties (continued)

During the year ended 31 December 2009, the Group transferred certain of its property interests with carrying values of approximately HK$5,844,000 (2008: HK$3,163,000) from property, plant and equipment to investment properties. The resulting revaluation surplus of approximately HK$1,862,000 (2008: HK$5,305,000) relating to such property interests as at the date of transfer had been credited to the properties revaluation reserve.

The fair value of the Group's investment properties were valued by CB Richard Ellis Limited, independent qualified professional valuer not connected with the Group, at 31 December 2009 and 10 September 2009 (the date of change of intention of the use of the property interests mentioned above). CB Richard Ellis Limited is a member of the Hong Kong Institute of Surveyors, and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation was arrived at by reference to market evidence of transaction prices for similar properties in the same locations and condition at respective dates.

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

At 31 December 2008, included in the Group's investment properties were investment properties with carrying amounts of approximately HK$59,600,000 that had been pledged to secure bank loans granted to the Group. The pledge was released when the loans were fully repaid by the Group during the year ended 31 December 2009.

The carrying value of investment properties shown above comprises:

	2009	2008
	HK$'000	HK$'000
Land in Hong Kong:		
Medium-term lease	**98,500**	88,590
Land outside Hong Kong:		
Medium-term lease	**24,487**	8,278
	122,987	96,868

16. Property, plant and equipment

	Buildings	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Plant and machinery	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST						
At 1 January 2008	115,053	236,808	29,649	9,830	76,975	468,315
Currency realignment	7,277	15,831	1,883	422	5,200	30,613
Additions	20,522	155,453	19,654	366	60,531	256,526
Disposals	–	(7,778)	(153)	(924)	(888)	(9,743)
Transfer to investment properties	(3,880)	–	–	–	–	(3,880)
At 31 December 2008	138,972	400,314	51,033	9,694	141,818	741,831
Currency realignment	190	618	76	12	233	1,129
Additions	2,124	84,482	8,694	686	57,652	153,638
Disposals/write-off	–	(9,034)	(2,126)	(1,132)	(9,416)	(21,708)
Transfer to investment properties	(6,104)	–	–	–	–	(6,104)
At 31 December 2009	135,182	476,380	57,677	9,260	190,287	868,786
DEPRECIATION						
At 1 January 2008	12,574	69,584	10,890	2,964	26,765	122,777
Currency realignment	919	4,657	536	143	1,222	7,477
Provided for the year	5,752	54,581	6,746	1,402	17,026	85,507
Eliminated on disposals	–	(683)	(53)	(46)	(787)	(1,569)
Eliminated upon transfer to investment properties	(717)	–	–	–	–	(717)
At 31 December 2008	18,528	128,139	18,119	4,463	44,226	213,475
Currency realignment	29	174	20	5	52	280
Provided for the year	16,415	49,509	5,649	1,078	40,378	113,029
Eliminated on disposals/write-off	–	(2,062)	(630)	(403)	(1,400)	(4,495)
Eliminated upon transfer to investment properties	(260)	–	–	–	–	(260)
At 31 December 2009	34,712	175,760	23,158	5,143	83,256	322,029
CARRYING VALUES						
At 31 December 2009	100,470	300,620	34,519	4,117	107,031	546,757
At 31 December 2008	120,444	272,175	32,914	5,231	97,592	528,356

16. Property, plant and equipment (continued)

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

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

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

At 31 December 2008, the Group pledged certain of its buildings with carrying values of approximately HK$13,275,000 to a bank to secure the bank loans granted to the Group. During the year ended 31 December 2009, the pledge was released when the loans were fully repaid by the Group.

17. Prepaid lease payments/deposits paid for acquisition of land leases

Prepaid lease payments

	2009 HK$'000	2008 HK$'000
CARRYING VALUES		
At 1 January	**40,986**	6,469
Additions during the year	**13,540**	35,657
Charged to consolidated profit or loss	**(1,534)**	(1,140)
At 31 December	**52,992**	40,986
Less: Amount to be amortised within one year included in trade and other receivables	**(1,230)**	(1,693)
Non-current portion	**51,762**	39,293
Prepaid lease payments comprises:		
Land use rights situated in the PRC under medium-term lease	**26,842**	13,614
Leasehold land situated in Hong Kong under medium-term lease	**22,608**	23,202
Property rentals paid in advance for restaurants	**3,542**	4,170
	52,992	40,986

17. Prepaid lease payments/deposits paid for acquisition of land leases (continued)

At 31 December 2008, the Group pledged certain of its leasehold land with carrying values of approximately HK$23,202,000 to a bank to secure the bank loans granted to the Group. During the year ended 31 December 2009, the pledge was released when the loans were fully repaid by the Group.

At 31 December 2008, the Group had not yet obtained certificates of legal ownership on certain land use rights with carrying amount of HK$8,505,000. The Group obtained the related legal ownership in the year ended 31 December 2009.

Deposits paid for acquisition of land leases

At 31 December 2009, the Group has not yet obtained certificates of legal ownership on certain land leases with aggregate carrying amounts of HK$36,321,000 (2008: HK$24,809,000), which were included in deposits paid for acquisition of land leases at the end of the reporting period. The Group is in the process to obtain the related certificates and the directors of the Company do not anticipate that the Group will have any obstacles in the process to obtain these related legal titles.

18. Goodwill

	2009 **HK$'000**	2008 HK$'000
COST	**37,135**	37,135

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

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

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

During the year, the Group performed impairment review for goodwill based on cash flow forecasts derived from the most recent financial budgets for the next five years approved by management using a discount rate of 12.0% (2008: 12.5%) which reflects current market assessments of the time value of money and the risks specific to the Cash Generating Units. The cash flows for the remaining years up to 2015 are explorated using a growth rate of 3.0% (2008: 3.0%) per annum. The growth rates are based on industry growth forecasts. No impairment loss was considered necessary.

19. Deferred taxation

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

	Difference in depreciation	Revaluation of properties	Accrued rentals	Withholding tax on undistributed dividends	Tax losses	Government subsidies	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2008	2,006	–	56	–	1,354	(4,553)	(1,137)
Charge to other comprehensive income in equity	–	(1,326)	–	–	–	–	(1,326)
Credit (charge) to consolidated profit or loss	637	836	2	(2,000)	(1,277)	809	(993)
Effect of change in tax rate	(76)	–	–	–	(77)	–	(153)
At 31 December 2008	2,567	(490)	58	(2,000)	–	(3,744)	(3,609)
Charge to other comprehensive income in equity	–	(465)	–	–	–	–	(465)
Credit (charge) to consolidated profit or loss	44	(1,899)	–	(5,000)	–	(1,113)	(7,968)
At 31 December 2009	2,611	(2,854)	58	(7,000)	–	(4,857)	(12,042)

19. Deferred taxation (continued)

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

	2009 **HK$'000**	2008 HK$'000
Deferred tax assets	**3,247**	3,685
Deferred tax liabilities	**(15,289)**	(7,294)
	(12,042)	(3,609)

The Group has unutilised tax losses of approximately HK$43,743,000 (2008: HK$30,861,000) 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:

	2009 **HK$'000**	2008 HK$'000
Year of expiry 2011 and afterwards	**12,391**	17,596

Under the New Tax Law, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Except for the deferred tax liabilities provided for the undistributed profits of certain PRC operating subsidiaries of approximately HK$140,000,000 (2008: HK$40,000,000), deferred tax liabilities of approximately HK$21,000,000 (2008: HK$6,000,000) has not yet been provided for in the consolidated financial statements in respect of temporary differences attributable to undistributed profits of the PRC subsidiaries derived in the year ended 31 December 2009 amounting to approximately HK$420,000,000 (2008: HK$120,000,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

20. Available-for-sale investments

	2009 HK$'000	2008 HK$'000
Unlisted investments	–	1,572
Unlisted equity investments in Taiwan, at cost	537	537
	537	2,109

As at 31 December 2009 and 31 December 2008, the unlisted equity investments are equity securities issued by a private entity established in Taiwan. They are measured at cost less impairment at the end of each reporting period 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.

As at 31 December 2008, the unlisted investments were index funds and stated at fair value provided by the counterparty investment fund managers. During the year ended 31 December 2009, the index funds were disposed of by the Group.

21. Inventories

	2009 HK$'000	2008 HK$'000
Raw materials and consumables	50,296	45,915
Work in progress	393	5
Finished goods	5,048	6,053
	55,737	51,973

22. Trade and other receivables

	2009 HK$'000	2008 HK$'000
Trade receivables		
– related companies	**382**	404
– others	**30,788**	26,137
	31,170	26,541
Rental and utility deposits	**33,421**	30,604
Property rentals paid in advance for restaurants	**15,852**	5,194
Advance to suppliers	**3,220**	3,171
Other receivables and prepayments	**16,787**	23,771
	100,450	89,281

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.

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

	2009 HK$'000	2008 HK$'000
Age		
0 to 30 days	**17,632**	14,121
31 to 60 days	**4,657**	4,040
61 to 90 days	**2,161**	2,674
91 to 180 days	**2,976**	2,279
Over 180 days	**3,744**	3,427
	31,170	26,541

22. Trade and other receivables (continued)

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 91 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 2009 and 31 December 2008 have no default history and of good credit quality.

Included in the Group's trade receivable balances are debtors with a carrying amount of approximately HK$3,744,000 (2008: HK$3,427,000) which are past due as at 31 December 2009 for which the Group has not provided as the Group has recovered such amount subsequent to the end of the reporting period. The Group does not hold any collateral over the balances. The age of these balances was 210 days as at 31 December 2009 (2008: 210 days).

Movement in the allowance for doubtful debts:

	HK$'000
Balance at 1 January 2008	137
Increase in allowance recognised in consolidated statement of comprehensive income	147
Balance at 31 December 2008	284
Increase in allowance recognised in consolidated statement of comprehensive income	58
Balance at 31 December 2009	342

Included in the allowance for doubtful debts is impairment of approximately HK$342,000 (2008: HK$284,000) recognised in respect of individually fully impaired trade receivables relating to entities under severe financial difficulties. The Group does not hold any collateral over these balances.

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

23. Amounts due from related parties

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

Name of related party	**2009**	2008	**Maximum amount outstanding during the year**
	HK$'000	HK$'000	HK$'000
Well Keen International Ltd., a company in which Ms. Poon Wai has a beneficial interest	**13**	25	25
Step Profit Ltd., a company in which Ms. Poon Wai, Mr. Poon Ka Man, Jason and Mr. Katsuaki Shigemitsu have beneficial interests	**14**	12	14
Shanghai Jiacai Ramen Restaurant, a sole proprietor entity held by a cousin of Ms. Poon Wai	**–**	9,080	9,080
	27	9,117	

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

As at 31 December 2009 and 31 December 2008, the amounts due from 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.

24. Other financial assets

	2009	2008
	HK$'000	HK$'000
Financial assets designated as at fair value through profit or loss ("FVTPL")	**68,182**	253,940

At 31 December 2009, the Group had one (31 December 2008: three) contract(s) of principal-protected deposit(s) with one (31 December 2008: two) bank(s) for a period of six months (31 December 2008: one year). The significant terms and conditions relating to the financial assets as FVTPL are as follows:

31 December 2009

Deposit linked to USDEUR Booster

Notional amount	**Start date**	**Deposit end date**	**Interest rate**	**Fair value**
RMB'000				HK$'000
60,000	21 October 2009	21 April 2010	variable	68,182

24. Other financial assets (continued)

The deposit is a principal-protected deposit. Yield rate is related to the change of United States dollars ("USD") spot exchange rate in comparison to that of European dollars ("Euro") on specific date pre-determined by the bank and the Group each business date ("Daily Appreciation"). In accordance with the relevant terms of the agreement, the yield rate would be 6.00% per annum if any of Daily Appreciations during the period from start date to deposit end date (the "Period") were within a range of 1.490 to 1.500. The yield rate would be 3.25% per annum if any of Daily Appreciations during the Period were within a range of 1.0950 to 1.8950. Otherwise, the yield rate would be 1.70% per annum.

31 December 2008

(i) Deposit linked to USDCNY Booster

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

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

(ii) USDCNY Inverse Floater Quanto Deposit

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

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

24. Other financial assets (continued)

31 December 2008 (continued)

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

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

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

The principal-protected deposits at 31 December 2009 and 31 December 2008 were designated at fair value through profit or loss upon initial recognition as the deposits formed part of contracts containing embedded derivatives. They were stated at fair values derived from discounted cash flow analysis based on the terms of the deposits and relevant market inputs, such as forward and spot exchange rates of USD and Euro and interest rates on 31 December 2009 and 31 December 2008, which were provided by the counterparty financial institutions.

The other financial assets at 31 December 2008 were fully settled during the year ended 31 December 2009.

25. 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 0.25% to 4.50% (2008: 0.72% to 5.72%) per annum.

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

	2009	2008
	HK$'000	HK$'000
USD	**271,711**	306,225

Certain bank balances and cash of approximately HK$995,858,000 (2008: HK$781,683,000) 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.

26. Trade and other payables

	2009 HK$'000	2008 HK$'000
Trade payables		
– related companies	**4,883**	7,263
– others	**94,416**	96,659
	99,299	103,922
Payroll and welfare payables	**32,287**	22,944
Customers' deposits received	**5,831**	3,824
Payable for acquisition of property, plant and equipment	**32,086**	32,975
Payable for property rentals	**37,093**	30,944
Other taxes payable	**16,866**	15,007
Others	**17,903**	15,918
	241,365	225,534

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 presented based on invoice dates at the end of each reporting period:

	2009 HK$'000	2008 HK$'000
0 to 30 days	**74,421**	58,791
31 to 60 days	**11,244**	18,840
61 to 90 days	**3,215**	7,696
91 to 180 days	**3,787**	8,298
Over 180 days	**6,632**	10,297
	99,299	103,922

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

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

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

28. Secured bank loans

	2009 **HK$'000**	2008 HK$'000
Carrying amount repayable:		
Within one year	–	3,768
More than one year, but not exceeding two years	–	3,869
More than two years but not more than five years	–	12,241
More than five years	–	47,214
	–	67,092
Less: Amounts due within one year shown under current liabilities	–	(3,768)
	–	63,324

During the year ended 31 December 2008, the Group obtained bank loans as mentioned above in the amount of HK$68,000,000. The Group's bank loans carried interest at 2.60% below Hong Kong Prime Rate. The average effective interest rate (which is also equal to contracted interest rate) on the Group's variable rate bank loans is 2.90%. The proceeds were used to finance the acquisition of certain property, plant and equipment, leasehold land and investment properties of the Group. The bank loans were fully paid during the year ended 31 December 2009.

29. Share Capital

	Notes	Number of shares	Share capital HK$'000
Authorised:			
Ordinary shares of HK$0.10 each			
At 1 January 2008, 31 December 2008 and 31 December 2009		10,000,000,000	1,000,000
Issued and fully paid:			
At 1 January 2008		1,045,000,000	104,500
Exercise of share options	(a)	202,500	21
Arising from the Common Control Combination	(b)	22,484,570	2,248
At 31 December 2008		1,067,687,070	106,769
Exercise of share options	(c)	221,250	22
At 31 December 2009		1,067,908,320	106,791

Notes:

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

(b) On 9 July 2008, 22,484,570 ordinary shares were issued for the purpose of the Common Control Combination. Details of the Common Control Combination are set out in the circular of the Company dated 28 May 2008.

(c) During the year ended 31 December 2009, the Company issued 221,250 new shares upon exercise of share options at the average issue price of HK$4.3938 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 adopted its share option scheme (the "Share Option Scheme") and pre-IPO share option scheme (the 'Pre-IPO Share Option Scheme').

(a) Share Option Scheme

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

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

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

The following table disclosed movements of the Company's share options under the Share Option Scheme during the year ended 31 December 2009 and 31 December 2008:

Grant date	Outstanding at 1 January 2009	Granted during the year	Exercised during the year	Forfeitured during the year	Outstanding at 31 December 2009
25 June 2008	1,450,000	–	(61,250)	(650,000)	738,750
31 December 2008	1,050,000	–	–	–	1,050,000
22 January 2009	–	350,000	–	–	350,000
3 July 2009	–	250,000	–	(100,000)	150,000
	2,500,000	600,000	(61,250)	(750,000)	2,288,750

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

30. Share option schemes (continued)

(a) Share Option Scheme (continued)

In respect of the share options exercised during the year, the weighted average exercise price at the dates of exercise is HK$3.726 per share (2008: N/A).

During the year ended 31 December 2009, 350,000 share options and 250,000 share options were granted on 22 January 2009 and 3 July 2009, respectively. The estimated fair values of the options on those dates are approximately HK$503,000 and HK$400,000, respectively. During the year ended 31 December 2009, 750,000 share options previously granted by the Company were forfeited due to the departure of employees. No share options granted on 31 December 2008, 22 January 2009 and 3 July 2009 by the Company were exercised during the year ended 31 December 2009.

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

The details of the share options granted during the year ended 31 December 2009 are set out below:

(1) The share options granted under the Share Option Scheme during the year on 22 January 2009 and 3 July 2009 were at exercise prices of HK$3.308 per share and HK$4.938 per share, respectively.

(2) For the share options granted on 22 January 2009, the options will be vested in 4 tranches, i.e. the first 25% on 21 January 2010, the second 25% on 21 January 2011, the third 25% on 21 January 2012 and the balance on 21 January 2013.

For the share options granted on 3 July 2009, the options will be vested in 4 tranches, i.e. the first 25% on 2 July 2010, the second 25% on 2 July 2011, the third 25% on 2 July 2012 and the balance on 2 July 2013.

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

	Granted on 22 January 2009	**Granted on 3 July 2009**
Share price	HK$2.940	HK$4.900
Exercise price	HK$3.308	HK$4.938
Expected volatility	64.63%	62.45%
Expected life	5.50 to 7.00 years	5.50 to 7.00 years
Risk-free interest rates	1.227% to 1.315%	2.081% to 2.237%
Expected dividend yield	1.809%	1.000%

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

30. Share option schemes (continued)

(a) Share Option Scheme (continued)

The details of the share options granted during the year ended 31 December 2008 are set out below:

(4) The share options granted under the Share Option Scheme during the year ended 31 December 2007 were at exercise prices of HK$3.726 per share and HK$8.394 per share respectively.

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

Share options granted on 25 June 2008

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

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

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

(iii) The share options vested on 2 July 2009.

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

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

Share options granted on 31 December 2008

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

30. Share option schemes (continued)

(a) Share Option Scheme (continued)

(5) (continued)

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

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

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

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

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

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

30. Share option schemes (continued)

(a) Share Option Scheme (continued)

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

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

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

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

At 31 December 2009, the number of shares in respect of which options under the Share Option Scheme had been granted and remained outstanding was 2,288,750 (2008: 2,500,000), representing 0.21% (2008: 0.23%) of the shares of the Company in issue at that date.

The Group recognised the total expense of approximately HK$3,642,000 for the year ended 31 December 2009 (2008: HK$2,479,000) in relation to share options granted by the Company under the Share Option Scheme.

(b) Pre-IPO Share Option Scheme

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

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

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

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

30. Share option schemes (continued)

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

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

	Number of Options								
Grantees	Outstanding 1 January 2008	Exercise during the year	Forfeited during the year	Lapsed during the year	Outstanding up to 31 December 2008	Exercise during the year	Forfeited during the year	Lapsed during the year	Outstanding up to 31 December 2009
(1) Directors									
Ms.Poon Wai *(Note 2)*	8,485,000	–	–	–	8,485,000	–	–	–	8,485,000
Mr. Poon Ka Man, Jason *(Note 2)*	2,500,000	–	–	–	2,500,000	–	–	–	2,500,000
Mr. Yin Yibing *(Note 2)*	2,500,000	–	–	–	2,500,000	–	–	–	2,500,000
(2) Employees and others	6,245,000	(202,500)	–	(642,500)	5,400,000	(160,000)	–	(45,000)	5,195,000
	19,730,000	(202,500)	–	(642,500)	18,885,000	(160,000)	–	(45,000)	18,680,000

In respect of the share options exercised during the year, the weighted average exercise price at the dates of exercise was HK$4.6495 (2008: HK$4.6495) per share.

(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.

30. Share option schemes (continued)

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

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

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

(4) In respect of the share options exercised during the year, the weighted average share price at the dates of exercise is HK$6.71 per share (2008: HK$7.46 per share). During the year ended 31 December 2009, 45,000 (2008: 642,500) share options granted to employees of the Group were lapsed due to departure of the employees. At 31 December 2009, the number of shares in respect of which options under the Pre-IPO Share Option Scheme had been granted and remained outstanding was 18,680,000 (2008: 18,885,000), representing 1.75% (2008: 1.76%) 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.

30. Share option schemes (continued)

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

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

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

The risk-free interest rate 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 HK$3,150,000 for the year ended 31 December 2009 (2008: HK$3,150,000) in relation to share options granted by the Company under the Pre-IPO Share Option Scheme.

31. Financial instruments

(a) Categories of financial instruments

Financial assets

	2009 **HK$'000**	2008 HK$'000
Loans and receivables	**1,741,383**	1,433,811
Available-for-sale investments	**537**	2,109
FVTPL	**68,182**	253,940
	1,810,102	1,689,860
Financial liabilities		
Liabilities measured at amortised costs	**205,345**	281,191

31. Financial instruments (continued)

(b) Financial risk management objectives and policies

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

Currency risk

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

The carrying amounts of the Group's bank balances that are denominated in foreign currency of group entities, representing USD, as at 31 December 2009 and 31 December 2008 are approximately HK$271,711,000 and HK$306,225,000, respectively.

Although the fair values of the other financial assets at 31 December 2008 would be affected by the fluctuations of the exchange rates of USD and Euro, the downside foreign currency risk arising from such deposit would be minimal due to its principal-protected nature.

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

Sensitivity analysis

This sensitivity analysis only details the Group's sensitivity to a 5% (2008: 5%) appreciation and depreciation in the foreign currency, USD, against RMB. The directors of the Company consider that exposure of the Group's HK operating subsidiaries to USD is insignificant as that HK$ is pegged to USD. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis includes only outstanding USD denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rate. If functional currency had strengthened/weakened 5% against the relevant currency, the Group's post-tax profit for the year ended 31 December 2009 would have increased/decreased approximately by HK$10,189,000 (2008: decrease/increase approximately by HK$11,483,000).

Interest rate risk

As at 31 December 2009, the Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances (see note 25 for details of the balance). As at 31 December 2008, the Group is exposed to cash flow interest risk in relation to variable-rate bank balances and secured bank loans (see notes 25 and 28 for details of these balances).

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

31. Financial instruments (continued)

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

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for interest-bearing financial instruments at the end of each reporting period assuming the financial instruments existed at the end of each reporting period were outstanding for the whole year.

A 10 basis point increase or decrease on variable-rate bank balances for the year ended 31 December 2009 and 2008 and 50 basis point increase or decrease on variable short-term and long-term secured bank loans for the year ended 31 December 2008 are used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. If the interest rate on bank balances had been 10 basis points higher or lower and all other variables were held constant, the Group's post-tax profit would increase or decrease approximately HK$1,453,000 (2008: HK$1,187,000).

For the year ended 31 December 2008 if interest rates of short-term and long-term unsecured bank loans had been 50 basis points higher or lower and all other variables were held constant, the Group's post-tax profit would decrease or increase by approximately HK$2,801,000.

Credit risk

As at 31 December 2009, the Group's principal financial assets are trade and other receivables, other financial assets and bank balances and cash. The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group's credit risk is primarily attributable to its trade and other receivables. As at 31 December 2009, the five largest trade receivables, including four (2008: four) based in the PRC and one (2008: one) based in Hong Kong who are engaged in sales of consumer products accounted for approximately 27% (2008: 32%) of total trade receivables (net of allowance). The amounts presented in the consolidated statement of financial position are net of allowances for doubtful receivables, if any, estimated by the Group's management based on prior experience and their assessment of the current economic environment. The Group reviews the recoverable amount of each individual trade debtor and related party at the end of each reporting period 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 other financial assets is limited because majority of counterparties are banks with high credit-ratings assigned by international credit-rating agencies and state owned banks with good reputation.

31. Financial instruments (continued)

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

Liquidity risk management

The directors of the Company has adopted 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 based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows on financial liabilities based on the earliest date in which the Group can be required to pay. The table include both interest and principal cash flows.

	Weighted effective interest rate	Within one year	One year to two years	Two years to three years	Three years to four years	Four years to five years	After five years	Total undiscounted cash flows	Carrying amounts
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2009									
Financial liabilities									
Non-interest bearing	N/A	205,345	–	–	–	–	–	205,345	205,345
Interest bearing Instruments		–	–	–	–	–	–	–	–
		205,345	–	–	–	–	–	205,345	205,345
At 31 December 2008									
Financial liabilities									
Non-interest bearing		214,099	–	–	–	–	–	214,099	214,099
Interest bearing Instruments	2.90 *(note)*	3,877	3,981	4,088	4,197	4,310	48,583	69,036	67,092
		217,976	3,981	4,088	4,197	4,310	48,583	283,135	281,191

Note: The interest was based on the rates outstanding at the end of the year ended 31 December 2008.

The amount for variable interest rate instruments for non-derivative financial liabilities is subject to changes if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

31. Financial instruments (continued)

(c) Fair value

Save as mentioned elsewhere in the consolidated financial statements, the fair value of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices respectively; and

- the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

Fair value measurements recognised in the consolidated statement of financial position

The Group's financial instruments that are measured subsequent to initial recognition at fair value are grouped into levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) ("Level 2 measurements"); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The other financial assets with carrying values of approximately HK$ 68,182,000 at 31 December 2009 (2008: HK$ 253,940,000) are Level 2 measurements.

32. 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 cash and cash equivalents and equity attributable to owners of the Company comprising share capital, reserves and retained profits as disclosed in the consolidated financial statements. As at 31 December 2009, the Group did not have any external debts. As at 31 December 2008, the Group had bank loans with carrying amount of approximately HK$67,092,000.

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

33. Major non-cash transaction

During the year ended 31 December 2009, the Group transferred its property interests held under operating leases with carrying values of approximately HK$5,844,000 (2008: HK$3,163,000) to investment properties. Details are set out in note 15 to the consolidated financial statements.

34. Capital commitments

	2009 **HK$'000**	2008 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of the acquisition of		
– property, plant and equipment	**21,712**	15,149
– land leases	**21,368**	35,065
– investment properties	**129,177**	–
	172,257	50,214

35. Operating lease commitments

The Group as lessee

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

	2009 **HK$'000**	2008 HK$'000
Within one year	**179,041**	180,371
In the second to fifth year inclusive	**440,272**	468,674
After five years	**151,596**	202,422
	770,909	851,467

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

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

36. Operating lease arrangements

The Group as lessor

The Group's properties with carrying amounts of approximately HK$122,987,000 (2008: 96,868,000) were held for rental purposes. These properties are expected to generate an annualised rental yields of approximately 4.0% (2008: 3.55%) on ongoing basis.

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

	2009 **HK$'000**	2008 HK$'000
Within one year	**2,184**	4,798
In the second to fifth year inclusive	**1,681**	2,146
	3,865	6,944

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 statement of comprehensive income for the year is approximately HK$33,362,000 (2008: HK$29,846,000) and amounts due to the MPF and state-managed retirement plans included in trade and other payables is approximately HK$2,757,000 (2008: HK$626,000).

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**	**2009 HK$'000**	2008 HK$'000
Shigemitsu Industry Co., Ltd., a company Mr. Kasuaki Shigemitsu has significant beneficial interest	Sales of noodles and related products	**415**	510
	Purchase of raw materials	**38,500**	24,757
	Franchise commissions paid	**17,844**	13,274
Companies in which Ms. Poon Wai has significant beneficial interest	Sales of noodles and related products	**110**	3,223
	Purchase of raw materials	**–**	882
Companies in which a director, Mr. Yin Yibing, has significant beneficial interest	Sales of noodles and related products	**–**	583
Ms. Poon Wai	Property rentals paid	**1,902**	923
Companies in which Mr. Poon Ka Man, Jason, a director of the Company, has significant beneficial interest	Decoration expenses paid	**9,526**	11,207

38. Related party transactions (continued)

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

	2009 HK$'000	2008 HK$'000
Short-term employee benefits	**6,464**	6,753
Other long-term benefits	**101**	70
Share-based payment	**1,605**	2,741
	8,170	9,564

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. Principal subsidiaries

Details of the Company's principal subsidiaries at 31 December 2009 and 31 December 2008 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 2009**	**2008**	**Principal activities**
Ajisen International*	British Virgin Islands	US$1,000	100%	100%	Investment holding
Ajisen (Hong Kong) Limited	British Virgin Islands	US$990	100%	100%	Investment holding
Ajisen Group Management Limited	Hong Kong	HK$10,000	100%	100%	Provision of management services
Brilliant China Holdings Limited	Hong Kong	HK$10,000	100%	100%	Operating the Group's Hong Kong office and food processing Ajisen factory
Colour Wave Development Limited	Hong Kong	HK$10,000	100%	100%	Operating an Ajisen chain restaurant
Festive Profits Limited	British Virgin Islands	US$100	100%	100%	Investment holding

39. 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 2009	2008	Principal activities
Fortune Choice Limited	Hong Kong	HK$10,000	100%	100%	Holding company of Shenzhen factory and trading of noodles
Gold Regent Limited	Hong Kong	HK$10,000	100%	100%	Operating an Ajisen chain restaurant
Hong Kong Ajisen Co., Ltd.	Hong Kong	HK$10,000	100%	100%	Operating an Ajisen chain restaurant
Hong Kong Ajisen Food Company Limited	Hong Kong	HK$10,000	100%	100%	Operating an Ajisen chain restaurant
Nice Concept Limited	Hong Kong	HK$10,000	100%	100%	Operating an Ajisen chain restaurant
Long Wave Limited	Hong Kong	HK$10,000	100%	100%	Operating an Ajisen chain restaurant
Ocean Talent Limited	Hong Kong	HK$10,000	100%	100%	Operating an Ajisen chain restaurant
Pacific Smart Limited	Hong Kong	HK$10,000	100%	100%	Operating an Ajisen chain restaurant
Seamax Limited	Hong Kong	HK$10,000	100%	100%	Operating an Ajisen chain restaurant
Sunny Pearl Investment Limited	Hong Kong	HK$10,000	100%	100%	Operating an Ajisen chain restaurant
Top Overseas Limited	Hong Kong	HK$10,000	100%	100%	Operating an Ajisen chain restaurant
Wintle Limited	Hong Kong	HK$10,000	100%	100%	Operating an Ajisen chain restaurant
Well Good Limited	Hong Kong	HK$10,000	100%	100%	Operating an Ajisen chain restaurant
領先食品(上海)發展有限公司 Lead Food (Shanghai) Development Co., Ltd.	PRC wholly foreign owned enterprise	US$1,200,000	100%	100%	Operating a noodle factory in Shanghai, the PRC

39. 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 2009	2008	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	US$9,412,700	100%	100%	Investment holding and operating Ajisen chain restaurants in Shanghai, the PRC
南京味千餐飲管理有限公司 Nanjing Weiqian Food & Restaurant Management Co., Ltd.	PRC sino-foreign equity joint venture	RMB1,000,000	100%	100%	Operating Ajisen chain restaurants in Nanjing, the PRC
山東味千餐飲管理有限公司 Shandong Weiqian Food & Restaurant Management Co., Ltd.	PRC limited liability enterprise	RMB10,000,000	55%	55%	Operating Ajisen chain restaurants in Shandong, the PRC
杭州味千餐飲管理有限公司 Hangzhou Weiqian Food & Restaurant Management Co., Ltd.	PRC limited liability enterprise	RMB500,000	100%	100%	Operating Ajisen chain restaurants in Hangzhou, the PRC
北京味千餐飲管理有限公司 Beijing Weiqian Food & Restaurant Management Co., Ltd.	PRC sino-foreign equity joint venture	US$2,200,000	55%	55%	Operating Ajisen chain restaurants and food processing centre in Beijing, the PRC
重慶味千餐飲文化有限公司 Chongqing Weiqian Food & Restaurant Management Co., Ltd.	PRC limited liability enterprise	RMB1,500,000	100%	100%	Operating Ajisen chain restaurants in Chongqing, the PRC
大連味千餐飲有限公司 Dalian Weiqian Food . Co., Ltd	PRC limited liability enterprise	RMB500,000	51%	51%	Operating Ajisen chain restaurants in Dalian, the PRC
味千拉面飲食服務(深圳)有限公司 Weiqian Noodle Food Service (Shenzhen) Co., Ltd.	PRC limited liability enterprise	RMB210,000	100%	100%(**)	Operating Ajisen chain restaurants in Guangdong province, Wuhan and Chengdu, the PRC

* Directly held by the Company

** Acquired upon the Common Control Combination

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

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

Properties Held for Investment

Name/Location	Type	Carrying values in existing state at 31 December 2009 HK$'000	Lease term
1. Units 903 to 908, Block A Xinian Centre, Tairanjiu Road Futian District, Shenzhen City, Guangdong Province, the PRC	C	9,200	Medium-term lease
2. Workshops 1 to 24 on 10th Floor and a car packing space 1 on Level 3 Wah Yin Industrial Centre, Nos., 30-32 Au Pui Wan Street, Shatin, New Territories, Hong Kong	C	38,700	Medium-term lease
3. Storage B on Base Floor, Storages/ Workshops B on Ground Floor and 1st Floor and Workshops B on 2nd Floor, Nos. 24 & 26 Sze Shan Street, Yan Tong, Kowloon, Hong Kong	C	59,800	Medium-term lease
4. Limit 2602, Floor 22, Full Town No. 9 Dongsanmian Zhong Road, Chaoyang District, Beijing City, the PRC	C	7,223	Medium-term lease
5. Limit 2110 to 2116, 2118, 2121, 2214 and 2 underground car packing spaces, No. 1399, Haining Road, Zhabei District, Shanghai City, the PRC	C	8,064	Medium-term lease

Type of properties: C-commercial

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

Financial Summary

	Year ended 31 December				
	2005 HK$'000	2006 HK$'000	2007 HK$'000	2008 HK$'000	**2009** **HK$'000**
RESULTS					
Turnover from continuing operations	470,001	676,321	1,081,970	1,673,072	**1,985,726**
Profit before taxation	80,805	144,605	307,205	298,912	**434,101**
Taxation	(17,595)	(31,643)	(68,167)	(68,554)	**(104,175)**
Profit for the year from continuing operations	63,210	112,962	239,038	230,358	**329,926**
Profit for the year from discontinued operations	249	–	–	–	**–**
Profit for the year	63,459	112,962	239,038	230,358	**329,926**
Attributable to:					
– owners of the Company	56,967	111,365	231,572	220,841	**314,456**
– minority interests	6,492	1,597	7,466	9,517	**15,470**
	63,459	112,962	239,038	230,358	**329,926**

	As at 31 December				
	2005 HK$'000	2006 HK$'000	2007 HK$'000	2008 HK$'000	**2009** **HK$'000**
ASSETS AND LIABILITIES					
Total assets	370,124	496,050	2,434,037	2,576,058	**2,786,023**
Total liabilities	(247,290)	(312,219)	(230,544)	(363,924)	**(335,699)**
Net assets	122,834	183,831	2,203,493	2,212,134	**2,450,324**

AJISEN RAMEN

味千拉麵