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

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

Stock Code 股份代號：538

九州风味、源自熊本。
世界の味千拉面

熊本豚骨

HEALTH FIRST
KUMAMOTO JAPAN
WWW.AJISEN.COM.CN

Annual Report 年報
2011

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, we have carefully developed over one hundred types of Japanese-style ramen and dishes that cater for the Chinese people's palate. Combining the elements of fast food shops and traditional restaurant elements, the Group has become a fast-growing FCR chain operator.

After our listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 30 March 2007, the strong capital support has injected new vitality into the Group's rapid expansion. As of the date of this report, the Group's nationwide retail network comprises 674 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. As at 31 December 2011 Ajisen restaurants have entered 118 cities and 29 provinces of the PRC. Among the major cities, the international metropolis Shanghai boasts the largest number of Ajisen restaurants, being 134, followed by 70 in Jiangsu and 64 in Guangdong, together with the remaining 356 restaurants spanning across other major cities from the southern to the northern region of the PRC. In Hong Kong, Ajisen (China) operates 38 chain restaurants with its chain network covering all major business areas of the city. Moreover, the restaurant network is supported by the Group's Shanghai and Shenzhen manufacturing centers, as well as 7 food manufacturing and processing centers in other major cities.

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

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

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

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

Contents

Corporate Information

Board of Directors

Executive Directors

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

Non-executive Directors

Mr. Katsuaki Shigemitsu
Mr. Wong Hin Sun, Eugene

Independent Non-executive Directors

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

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

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
Block B
24–26 Sze Shan Street
Yau Tong, Kowloon
Hong Kong

Registered Office

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

Principal Share Registrar and Transfer Office

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

Hong Kong Branch Share Registrar and Transfer Office

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

Principal Bankers

Hang Seng Bank Limited
Industrial and Commercial Bank of China (Asia) Limited
Chong Hing Bank 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

Investors Relations ("IR") Contact

Mr. Richard Liu *(Investors Relation Officer)*
Ajisen (China) Holdings Limited
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Company Website

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

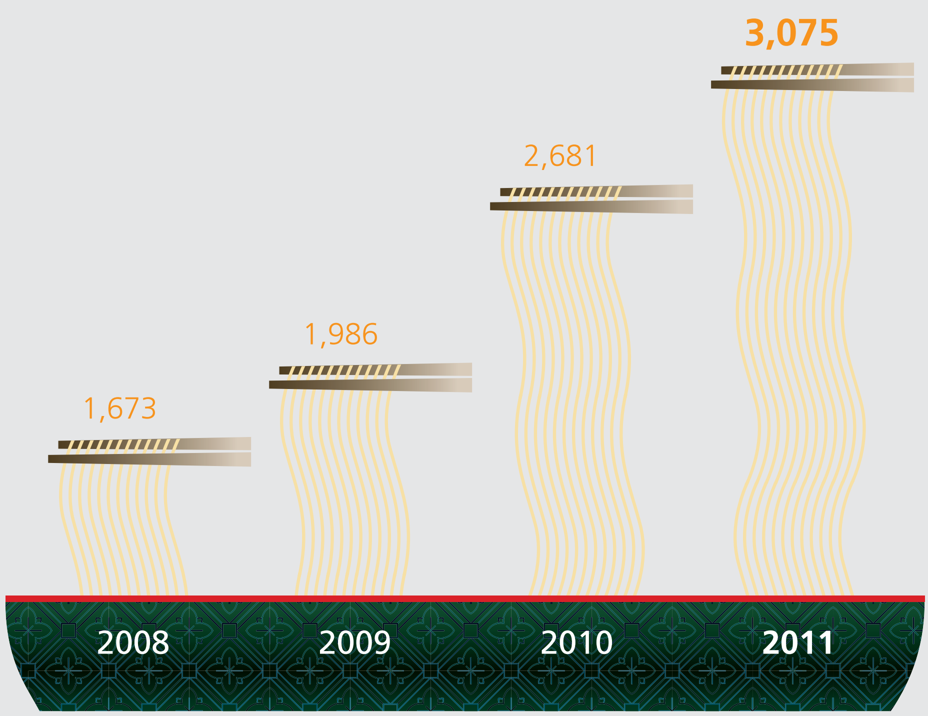
Stock Code

538

Financial Highlights

	2011	2010	Change
Turnover (HK$'000)	**3,074,978**	2,680,538	+14.7%
Sales from restaurant operation (HK$'000)	**2,959,743**	2,576,837	+14.9%
Gross profit (HK$'000)	**2,083,706**	1,854,239	+12.4%
Profit before taxation (HK$'000)	**516,064**	622,194	-17.1%
Profit attributable to owners of the Company (HK$'000)	**349,906**	447,334	-21.8%
Basic earnings per share (HK cents)	**32.64**	41.83	-22.0%
Total dividend per share (HK cents)	**18.03**	23.00	-21.6%
Total number of restaurants (at 31 December)	**662**	508	+30.3%
Total assets (HK$ million)	**3,832.2**	3,474.8	+10.3%
Net assets (HK$ million)	**2,997.1**	2,847.4	+5.3%
Bank balances and cash (HK$ million)	**1,887.1**	1,828.7	+3.2%
Inventory turnover (days)	**36.2**	36.4	-0.2days
Trade payable turnover (days)	**59.9**	66.7	-6.8days
Gross profit margin	**67.8%**	69.2%	-1.4points
Net profit margin	**11.4%**	16.7%	-5.3points
Current ratio	**2.6**	3.7	-28.0%
Return on equity	**12.2%**	16.5%	-4.3points
Gearing ratio	**7.7%**	4.1%	+3.6points

Turnover (in HK$ million)



Chairman's Statement

Dear shareholders,

I hereby sincerely apologize and 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 2011.

Ajisen (China) faced the most hard time during the year of 2011 since the establishment of the Company. The "Ajisen soup base incident" suddenly reported by the press in July 2011 had a great impact on the Company's continuously growing performance, leading to a substantial decline in turnover and the share price falling to the level of more than a year ago. The relevant authority had finished their investigation into the incident and the outcome had been announced in last November. Though the incident has been settled, its consequences still exist. The incident had prompted us to reflect on such questions: why a miscalculation of calcium content could lead to a credibility crisis? Why the issue remained a hot topic for the media while it did not involve food safety at all? In my opinion, one of the important reasons is that the Company was lack of necessary PR management and coordination & review system. To be objective about this incident, I, as the chairman of the Board, shall be held accountable for it. What we learn from this incident is that this is an internet age with information spreading like exploding powder, therefore we must reevaluate the role of media, and learn to better manage the relationship between the Company and the press in the future.

From this incident we have learnt profound lessons, and have taken a number of reform measures thereafter. Firstly, we regard food safety as our top priority, making our operation more transparent and open, and subject to inspection and supervision by the government as well as the public. We have set up a separate food quality control committee led by myself to further clarify post responsibilities, implementing quality control in every section from the source of supply chain of food to the stores and dining tables so as to guarantee the quality of food. We are trying to make it as a long-term system instead of just taking these measures temporarily. Secondly, we have improved PR management, set up media supervision and PR mail account to improve our ability in handling emergency events. We also have registered company microblogs with major web portals to receive complaints and suggestions from our customers at any time. Based on the feedback, we can improve our services and offer better training and incentives for our staff members so as to improve our service quality. During the year, we increased our expenditures for promotion and advertising, took a series of measures to restore our customer flow since the middle of last September, and timely evaluated the results and made proper improvement. Now the new commercials have been elaborately planned and will be broadcasted soon. After the Ajisen soup base incident, the decline in turnover has narrowed down thanks to all our staff members' hard efforts. However, being affected by the incident, turnover of the Group was about HK$3,075 million in 2011, which represented a year-on-year increase of about 14.7%. Gross profit increased by 12.4% year-on-year to approximately HK$2,084 million. Net profit reached about HK$366 million, which declined by 21.9% over the previous year. Profit attributable to shareholders of the Company was about HK$350 million, representing a year-on-year decline of 21.8%. Earnings per share reached HK32.64 cents. To reward shareholders' long-term trust and support, the Board has proposed to declare a final dividend of HK2.28 cents per ordinary share (2010: HK10.5 cents) and a special dividend of HK9.80 cents per ordinary share (2010: HK12.5 cents). Including the interim dividend of HK5.95 cents per ordinary share (2010: Nil) already paid, the total dividend for the year ended 31 December 2011 will amount to HK18.03 cents per ordinary share (2010: HK23.00 cents).

Chairman's Statement

The development of restaurant network proceeded as scheduled during the period. The total number of restaurants increased to 662 by the end of 2011, an increase of 154 restaurants. Our restaurant network now covers a total of 118 cities in 29 provinces and municipalities in the PRC. The medium goal to open restaurants reaching 1,000 restaurants during the Year 2013 or Year 2014 remained unchanged, while some adjustments had been made to the plan for 2012, the number of new restaurants shall depend on the recovery of turnover, which is expected to be around 100.

Sticking to our multiple brand strategy, the Company launched another three mid-end brands of different business modes during the period. Meanwhile the Company also speed up research and development of new products, continuously introducing many new delicious and delicate dishes to meet the demand of different customer groups.

The plan for the construction of the four major production bases of the Group are proceeding steadily as scheduled. Of which, the new factory at Shanghai that is the largest among the four has been put into operation since last December. The factory at Chengdu will commence operation in July this year. Phase II of the factory at Dongguan will commence construction this July, which is expected to be finished in a year. The factory at Tianjin has completed the planning and design phase, and the construction is expected to commence this year. When the four factories are all put into operation, our production capacity may be able to support the operation of 1,800 restaurants. The Group has adequate working capital currently, which is sufficient to satisfy the expenses for the usual course of operation. For the year 2012, the Group will continue to closely monitor the trend of development in the market, and promptly pursue projects suitable for development by us.

In the coming year, restoring turnover is still our top priority. Though the Ajisen soup base incident had great impact on our business, the fundamentals of the Company remained intact. We still have the competitive edge which makes us incomparable to our rivals in production scale, management mode, products R&D as well as strategic partnership. With all feasible measures to be taken, we are determined and confident to restore the Company's various economic indicators to the level before the incident within this year.

Last but not least, let me take this opportunity to show my appreciation to the great support of all shareholders and customers. I would also like to extend my gratitude to our Board members, management team and all staff members for their dedication and contribution to the development of the Group. It is my firm belief that, with our dedication, the Group will overcome the difficulties and challenges and advance into a better future.

Management Discussion and Analysis

Industry Review

2011 was a mixed and volatile year for the global economy, witnessing huge fluctuations in the international financial market. The European sovereign debt crisis continued to rage and spread to many other European countries. It might still take some time to figure out the fundamental solutions to the crisis. Meanwhile the path to global economic recovery would still be fragile and unbalanced due to the debt crisis in the Europe and US. Though China could not totally stay out of this, it managed to maintain a steady growth in this global situation. In 2011, China's GDP saw an increase of 9.2% on a year-on-year basis, reaching RMB47,200 billion. The revenue from the food & beverage ("F&B") market amounted to RMB2,054.3 billion, representing a year-on-year increase of 16.9%, and achieved double-digit growth for 21 consecutive years, with ongoing increase and expansion of social investment and industry scale.

As a result of the government's policies to boost domestic consumption, rapid increase of income of urban and rural residents and changes in consumption concept, the F&B industry would still be the hot spot for consumption in China in the future. Last year the Company saw the rapid development of branding in the F&B industry. With fiercer competition between domestic and foreign catering businesses, a competitive landscape of traditional style as well as modern tastes of different classes and features was developed. Due to the rapid development of Internet, online group purchase experienced an explosive growth, which expedited the process of information and scientific marketing in the F&B industry. Now it focuses more on the dining environment, personalization and featuring services in marketing of the F&B industry.

In 2011, a series of food safety issues triggered strong reactions from the public, making food safety a major concern in the whole society. The government has stepped up its efforts in combating unlawful actions on food safety and promulgated several relevant laws and regulations to regulate the operation of the F&B industry. Therefore, it is expected that the F&B industry will be subject to the stricter law enforcement and social supervision.

The Consumer Price Index (CPI) rose by 5.4% on a year-on-year basis in 2011, especially the food price recording an increase of 11.8%. The turning point of CPI did not come out until the third quarter, adding to greater inflation pressure. Furthermore, there was a general labour shortage in the F&B industry, and labour costs increased rapidly, pushing the operating costs of the F&B industry on a continuous upward track.

Since the Ajisen soup base incident in July 2011, we have carried out a series of public relations and promotion activities to restore our customer flow, which resulted in a certain increase in costs and expenditures, meanwhile we were still under the pressure of rising food prices and labor costs as mentioned above. Despite facing all these challenges, we are confident that, through fully leveraging on our competitive edge and our accumulated industry experience over all these years, we are able to tackle this incident in a flexible manner and stick to the quality and operation efficiency of our restaurant network, so as to restore the Company's various economic indicators to the level before the incident as soon as possible.

Business Review

For the year ended 31 December 2011, the Group's turnover increased from approximately HK$2,681 million in 2010, by approximately 14.7% to approximately HK$3,075 million in 2011. The gross profit of the Group reached approximately HK$2,084 million, an increase of approximately 12.4% from last year. In particular, profit attributable to the owners of the Company decreased by approximately 21.8% to approximately HK$350 million from approximately HK$447 million last year. Net profit margin also decreased from approximately 17.5% last year to approximately 11.9%. This showed that profitability of the Group affected by the Ajisen soup base incident during the year. Correspondingly, basic earnings per share dropped from HK41.83 cents last year to HK32.64 cents per ordinary share.

Management Discussion and Analysis

Given the growth of the current operation of the Company during the year, the Board recommended a final dividend of HK2.28 cents and a special dividend of HK9.80 cents per ordinary share for the year ended 31 December 2011 as a return to the shareholders.

The powerful support from its production bases is an integral factor for the sustainable and steady expansion of the Group's chain restaurant network. As at 31 December 2011, the Group has two major production bases in Shanghai and Shenzhen, and 7 food manufacturing and processing centres throughout China, the Group also steadily pursued the construction of three new production bases in order to accommodate the pace and demand from the planned expansion of its fast causal restaurant ("FCR") network.

During the year, the Group continues to focus on the expansion of medium-to-small size restaurants and also establish more shop in second and third tier cities. 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 year, the Group's cost of inventories consumed as a proportion to turnover was approximately 32.2%, indicating a slight increase of approximately 1.4 percentage points from that of the corresponding period last year. Accordingly, gross profit margin decreased from approximately 69.2% last year to approximately 67.8% in 2011. The Company leveraged on the adjustment of manual prices and adoption of means of strategic stocking to stabilize the cost of inventories to the maximum extent. In addition, 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 and stable gross profit margin.

During the year, the Group's labour costs accounted for approximately 21.2% of the turnover, which was approximately 3.6 percentage point higher than that of the corresponding period of last year. During the year, due to the standard of minimum wage in a number of provinces and municipalities in China successively was increased; the Group adjusted the wages of staff according to relevant law and regulations. In addition to this, the Group also implemented a new incentive bonus scheme to the operational level staff. As such, although the wages of staff continuously increased during the year but our turnover recorded relatively faster growth, so the effect of increase in labour costs was mitigated to a certain extent.

During the year, rental and related costs as a proportion to turnover of the Group was approximately 14.5%, which was approximately 1.3 percentage points higher than that of corresponding period last year. During the year, the Group maintained stringent criteria in location selection for new restaurants to ensure the rate of success of the new establishment. Also, a large number of medium-and small-size restaurants were developed so as to enhance the output per unit area. On the other hand, with our branding effect becoming stronger, the Group has secured fixed leases on a long-term basis. Such an increase was mainly attributable to the fact that the slower turnover growth for the period.

By leveraging on the business opportunities arising from the gradual recovery of the F&B market, the Group has timely introduced a number of enriched and attractive marketing activities, the results of which within expectation. During the year, the Group featured the promotional sales of various attractive premiums. The feedback was excellent and the promotions facilitated an increase in transaction amount. The traditional redemption activities further improved the sales profit margin. These activities did not only encourage new and existing customers to visit the restaurants, but also helped the Group to fully benefit from the market recovery.

The highly effective operation of over 600 restaurants under the Group would not be achieved without our efficient management and intensive staff training. During the year, the Group placed emphasis on the guidance and training of restaurant managers and regional supervisors. The operation efficiency of each restaurant was enhanced through constant upgrading of its basic management level. The Group also launched inter-restaurant competitions and new incentive bonus scheme so as to fully mobilize its staff. This kind of scheme created significant contribution to the Group's turnover especially to the same store sales growth.

During the year, the Group has made further progress in the construction of the Enterprise Resource Planning ("ERP") platform. At present, the ERP system of the Group has been fully online in Jiangsu, Zhejiang, Shanghai, Shandong, Beijing and Southern and Central China. It is expected that the system will be implemented in Dalian and Shenyang during 2012. On this basis, more detailed data analysis and intelligent tapping tools can assist all the operation departments and our head office run our business in a faster and efficient way. Upon completion of the construction, this ERP covering the whole Group will further optimize the resource allocation in different operational aspects such as purchasing, inventory management, scheduling and finance. Speed in decision-making will be enhanced significantly through centralized and integrated management model. The Group will be set to expand in a more hasty and steady manner with more effective management.

Retail Chain Restaurants

In 2011, the Group's major business and primary source of income continued to stem from the retail chain restaurant business. During the year, the Group's restaurant business income recorded approximately HK$2,959,743,000 (2010: HK$2,576,837,000), accounted for approximately 96.3% (2010: 96.1%) of the Group's total revenue.

Management Discussion and Analysis

As at 31 December 2011, the Group's restaurant portfolio consisted of 662 Ajisen chain restaurants, comprising the following:

	31 December 2011	31 December 2010	+/–
By type:			
Owned and managed	**660**	506	154
Owned but not managed	**2**	2	0
Total	**662**	508	154
By provinces:			
Shanghai	**134**	111	23
Beijing	**36**	30	6
Tianjin	**8**	4	4
Guangdong (excluding Shenzhen)	**64**	51	13
Shenzhen	**35**	36	-1
Jiangsu	**70**	49	21
Zhejiang	**48**	33	15
Sichuan	**23**	19	4
Chongqing	**13**	11	2
Fujian	**25**	17	8
Hunan	**13**	7	6
Hubei	**18**	14	4
Liaoning	**13**	10	3
Shandong	**37**	28	9
Guangxi	**9**	3	6
Guizhou	**9**	5	4
Jiangxi	**7**	4	3
Shaanxi	**13**	11	2
Yunnan	**7**	6	1
Henan	**4**	3	1
Hebei	**5**	2	3
Anhui	**13**	7	6
Gansu	**2**	2	0
Xinjiang	**3**	3	0
Hainan	**3**	2	1
Shanxi	**1**	1	0
Neimenggu	**4**	2	2
Heilongjiang	**3**	0	3
Ningxia, Qinghai	**2**	0	2
Hong Kong	**38**	35	3
Taiwan*	**2**	2	0
Total	**662**	508	154
Total saleable area	**151,989 sq. meters**	123,558 sq. meters	28,431

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

	31 December 2011	31 December 2010	+/–
By geographical region:			
Northern China	**108**	76	32
Eastern China	**252**	193	59
Southern China	**175**	145	30
Central China	**125**	92	33
Taiwan	**2**	2	0
Total	**662**	508	154

	31 December 2011	31 December 2010	+/–
By scale:			
Flagship	**44**	44	0
Standard	**608**	454	154
Economic	**10**	10	0
Total	**662**	508	154

Sales of Packaged Noodle and Related Products

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

Management Discussion and Analysis

For the year ended 31 December 2011, revenue from the sales of packaged noodle and related products was approximately HK$115,235,000 (2010: HK$103,701,000), accounted for approximately 3.7% (2010: 3.9%) of the Group's total revenue. The Group has an extensive distribution network for the packaged noodle and related products in China. As of 31 December 2011, the total number of points-of-sale in this network reached approximately 8,000, which was the same compared to the corresponding period in last year. The distribution network covers over 30 cities in China. These distributors include nationwide retailers such as Wal-Mart, Carrefour and Metro, and regional retailers such as China Resources Vanguard, Sanjiang in Ningbo and Century Lianhua, as well as reputable convenient chain stores such as Allday, Kedi and C-Store.

Financial Review

Turnover

For the year ended 31 December 2011, the Group's turnover increased by approximately 14.7%, or approximately HK$394,440,000, to approximately HK$3,074,978,000 from approximately HK$2,680,538,000 for the corresponding period in 2010. 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 2011, the Group's cost of inventories increased by approximately 20.0%, or approximately HK$164,973,000, to approximately HK$991,272,000 from approximately HK$826,299,000 for the corresponding period in 2010. The increase of inventories cost was slightly more than the increase in turnover. During the year, the ratio of inventories cost to turnover was approximately 32.2%, slightly higher than 30.8% for the corresponding period in 2010. Such increase was mainly attributable to the raw material prices increase not perfectly hedged by the increase in the control measures by the Group over the purchasing cost, such as integrated centralized purchasing and agreed inventory management with suppliers together with increase in manual prices.

Gross profit and gross profit margin

Driven by the above factors, gross profit for the year ended 31 December 2011 increased by approximately 12.4%, or approximately HK$229,467,000, to approximately HK$2,083,706,000 from approximately HK$1,854,239,000 for the corresponding period in 2010. Gross profit margin of the Group also slightly dropped from approximately 69.2% for the corresponding period in 2010 to approximately 67.8%.

Property rentals and related expenses

For the year ended 31 December 2011, property rentals and related expenses of the Group increased by approximately 25.9% from approximately HK$353,059,000 for the corresponding period in 2010 to approximately HK$444,515,000. Its proportion to turnover increased from approximately 13.2% for the corresponding period in 2010 to approximately 14.5%. Such an increase was mainly attributable to the fact that the slower sales growth for the period.

Staff costs

For the year ended 31 December 2011, staff costs of the Group increased by approximately 38.4% from approximately HK$471,393,000 for the corresponding period in 2010 to approximately HK$652,477,000, primarily due to the increase in headcount resulting from the opening of new restaurants. Staff costs as a proportion to turnover increased from approximately 17.6% for the corresponding period in 2010 by 3.6 percentage points to approximately 21.2%, which reflected the increase in minimum wage in a number of provinces and municipalities in China and Ajisen soup base incident.

Depreciation

For the year ended 31 December 2011, depreciation of the Group increased by approximately 12.4% or approximately HK$16,102,000 from approximately HK$129,420,000 for the corresponding period in 2010 to approximately HK$145,522,000. 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 2011, other operating expenses increased by approximately 38.2%, or approximately HK$126,418,000, to approximately HK$457,079,000 from approximately HK$330,661,000 for the corresponding period in 2010. Its proportion to turnover was increased by 2.6 percentage points from 12.3% to approximately 14.9%, which reflected the effect of Ajisen soup base incident.

Other income

For the year ended 31 December 2011, other income of the Group increased by approximately 54.0%, or approximately HK$36,275,000, to approximately HK$103,432,000 from approximately HK$67,157,000 for the corresponding period in 2010. The increase mainly originated from the rise in interest income resulting from an upward trend in fixed deposit rates offered by Banks during the year and increase in government subsidies during the year.

Other gains and losses

For the year ended 31 December 2011, other gains and losses of the Group increased by approximately 330.1% or HK$46,428,000 to a gain of approximately HK$32,363,000 from approximately a loss of HK$14,065,000 for the corresponding period in 2010. The increase was primarily due to an increase in change of fair value of investment properties during the year.

The exchange differences arising on translation amounted to approximately HK$76,352,000 for the year ended 31 December 2011 (2010: HK$73,567,000) is due to translation of (i) assets and liabilities and (ii) income and expenses of the Group's PRC operating entities from their functional currency, which is RMB, to the presentation currency of the Group, which is HK$, at the rate of exchange prevailing at the end of the reporting period and the average exchange rate for the year, respectively. Such significant amount recognised in other comprehensive income and accumulated in the translation reserve in the equity for the year ended 31 December 2011 is mainly due to appreciation of RMB as compared to HK$ throughout the year and more RMB demoninated assets, including but not limited to bank balances and cash, property, plant and equipment, etc, were resulted at the end of the reporting period as compared to that in the previous year.

Finance costs

For the year ended 31 December 2011, finance costs increased by approximately 536.4%, or approximately HK$3,240,000, to approximately HK$3,844,000 from approximately HK$604,000 for the corresponding period in 2010. Loans which were obtained in the second half of 2010 were fully repaid in October 2011 and a short term loan were obtained in the second half of 2011 to finance the payment of final dividend for 2010.

Profit before taxation

Being affected by the factors referred to above in aggregate, the Group's profit before taxation for the year ended 31 December 2011 decreased by approximately 17.1%, or approximately HK$106,130,000 to approximately HK$516,064,000 from approximately HK$622,194,000 for the corresponding period in 2010.

Profit attributable to owners of the Company

Being affected by the factors referred to above in aggregate, profit attributable to owners of the Company for the year ended 31 December 2011 decreased by approximately 21.8%, or approximately HK$97,428,000, to approximately HK$349,906,000 from approximately HK$447,334,000 for the corresponding period in 2010.

Assets and liabilities

The Group's net current assets were approximately HK$1,326,789,000 and the current ratio was 2.6 as at 31 December 2011 (31 December 2010: 3.7). As the Group is primarily engaged in the restaurant business, most of the sales are settled in cash. As a result, the Group was able to maintain a relatively high current ratio. The decrease in current ratio was mainly attributable to the payment of dividend for 2010.

Management Discussion and Analysis

Cash flows

Net cash inflow from operating activities for the year ended 2011 was approximately HK$455,411,000, while profit before taxation for the same period was approximately HK$516,064,000. The difference was primarily due to the increase in trade and other payables. During the year, the number of FCR operated by the Group increased, which resulted in more purchase of raw materials and other goods from suppliers. This, in turn, increased the amount of trade and other payables.

Capital expenditure

For the year ended 31 December 2011, the Group's capital expenditure was approximately HK$440,594,000 (2010: HK$486,410,000), which was due to the increase in purchase of property, plant and equipment for new restaurants and acquisition of an investment property in Xian.

Key operating ratios for restaurant operations

	Hong Kong			**PRC**		
	1-12/2011	1-6/2011	1-12/2010	**1-12/2011**	1-6/2011	1-12/2010
Comparable restaurant sales growth:	**4.6%**	5.8%	2.8%	**-6.0%**	14%	8.7%
Turnover per GFA (per day/sq.m.):	**HK$212**	HK$213	HK$199	**RMB45.2**	RMB53.3	RMB50
Turnover per day per restaurant:	**HK$23,310**	HK$23,490	HK$21,918	**RMB11,950**	RMB13,619	RMB13,278
Per capita spending:	**HK$59.1**	HK$59.3	HK$58.9	**RMB40.6**	RMB41.2	RMB38.3
Table turnover per day (times per day):	**5.6**	6	6	**4.0**	5.2	5.1

Corporate Governance Report

Introduction

The board (the "Board") of directors (the "Directors") and the senior management (the "Management") of Ajisen (China) Holdings Limited (the "Company") recognize 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 2011, 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. Under the Code Provision A.2.1, the roles of Chairman and Chief Executive Officer ("CEO") should be separate and should not be performed by the same individual. Currently, the Company does not comply with such Code Provision, namely, the roles of the Chairman and CEO have not been separated.

Model Code for Securities Transactions

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

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

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

Having made specific enquiry to all the Relevant Employees, the Company confirmed that all the Relevant Employees have complied with the Employees' Guidelines for Securities Transactions throughout the year ended 31 December 2011.

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 brings a fairly strong independence element in its composition.

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 the rotation requirement. 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 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 separate and should not be performed by the same individual. Under the current organization structure of the Company, Ms. Poon Wai is our Chairman of the Board and the CEO. With her extensive experience in the industry, the Board believes that vesting the roles of both Chairman and CEO in the same person provides the Company with strong and consistent leadership, allows for effective and efficient planning and implementation of business decisions and strategies, and is beneficial to the business prospects and management of the Group. 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. 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.

Induction and Continuing Development of Directors

Each newly appointed Director shall receive formal, comprehensive and tailored induction on the first occasion of his appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Corporate Governance Report

Directors will be continuously updated on the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. Briefing and professional development for directors will be arranged where necessary.

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 and committee meetings, reasonable notice is generally given. All notices, agendas, schedules and the relevant information of each Board and committee meeting are generally made available to Directors or committee members 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 2011, 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	2/4
Mr. Wang Jincheng	3/4

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.

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 written terms of reference.

Executive Committee

To assist the Directors to discharge some of their duties and 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 on reserved matters as mentioned 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 was one Executive Committee meeting held during the year ended 31 December 2011. Attendance of each Executive Committee member at the Executive Committee Meeting is set out below:

Name of Members	**Executive Committee Meeting Attended/Held**
Executive Directors	
Ms. Poon Wai	1/1
Mr. Yin Yibing	1/1
Mr. Poon Ka Man, Jason	1/1

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 2011, 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.

The Nomination Committee will assess the candidate or incumbent on criteria such as integrity, experience, skill and ability to commit time and effort to carry out the duties and responsibilities. The recommendations of the Nomination Committee will then be put to the Board for decision.

To enhance the corporate governance level and improve the corporate governance structure of the Company, pursuant to the latest modified provisions of the Listing Rules, the Board appointed Mr. Wang Jincheng an independent non-executive director of the Company as the chairman of the Nomination Committee with effect from 21 March 2012 to replace Mr. Wong Hin Sun, Eugene who remains as a member of the Nomination Committee. Currently, the members of the Nomination Committee are as follows:

Mr. Wang Jincheng *(Chairman)*,
an independent non-executive Director
Mr. Lo Peter,
an independent non-executive Director
Mr. Wong Hin Sun, Eugene,
a 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 2011, the Nomination Committee convened one committee meeting and had assessed the independence of independent non-executive Directors and considered the re-appointment of the retired Directors. Attendance of each Nomination Committee member at the Nomination Committee meeting is set out below:

Name of Members	**Nomination Committee Meeting Attended/Held**
Executive Directors	
Mr. Wang Jincheng	1/1
Mr. Lo Peter	1/1
Mr. Wong Hin Sun, Eugene	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 independent non-executive Directors and one non-executive Director as follows:

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

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

For the year ended 31 December 2011, the Audit Committee convened two 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
Executive Directors	
Mr. Jen Shek Voon	2/2
Mr. Lo Peter	1/2
Mr. Wong Hin Sun, Eugene	2/2
Mr. Wang Jincheng	2/2

The Audit Committee is satisfied with their review of the auditor's remuneration, the independence of the auditor, Deloitte Touche Tohmatsu ("DTT"), and recommended the Board to re-appoint DTT as the Company's auditor for the year 2012, which is subject to the approval of shareholders at the forthcoming AGM.

The Company's interim results for the period ended 30 June 2011 and the annual results for the year ended 31 December 2011 have been reviewed by the Audit Committee, which opined that applicable accounting standards and requirements have been complied with and that adequate disclosures have been made. The Audit Committee had also reviewed the Company's internal control and risk management systems and processes, and the re-appointment of external auditors.

Corporate Governance Report

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 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 Group; 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.

The Whistle-Blowing Policy (the "WBP") was set up on 17 April 2009. 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 2011, 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 2011, 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 42 and page 43 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 2011 was approximately as follows:

Type of Services	**Amount**
	HK$'000
Audit	3,000
Non-audit services	
Other services	600
Total:	3,600

Communication with Shareholders and Investor Relations

The Board recognizes the importance of good communications with all shareholders. The Company's 2011 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 auditor present at the 2011 AGM of the Company held on 17 May 2012 to answer shareholders' questions.

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.

In order to determine the Shareholders who are entitled to attend the AGM, the register of members of the Company will be closed from 14 May 2012 to 17 May 2012 (both days inclusive), during which period no share transfers will be registered.

Closure of register of members

In addition, in order to determine the Shareholders who are entitled to receive the final dividend and the special dividend for the year ended 31 December 2011, the register of members of the Company will be closed from 23 May 2012 to 28 May 2012 (both days inclusive), during which period no share transfers will be registered.

In order to qualify for attending and voting at the forthcoming AGM, and the entitlement for the final dividend and the special dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 11 May 2012 and 22 May 2012 respectively.

Shareholders' Rights

To safeguard shareholders' interests and rights, a separate resolution is proposed for each issue at shareholder meetings, including the election of individual directors.

All resolutions put forward at shareholder meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each shareholder meeting.

Looking Forward

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

Directors and Senior Management

Executive Directors

Poon Wai (潘慰), aged 56, 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. Ms. Poon is the sister of Mr. Poon Ka Man, Jason.

Yin Yibing (尹一兵), aged 56, 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 55, 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 43, 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 44, a non-executive Director of the Company since 8 March 2007. In September 2002, Mr. Wong founded Sirius Venture Capital Pte Ltd, which is a venture capital company. 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, Independent Director and Chairman of audit committee of Q&M Dental Group (Singapore) Limited listed on the Singapore Stock Exchange. Mr. Wong serves on the Board of International Enterprise Singapore. He is Chairman of CrimsonLogic Pte Ltd. He graduated with a Master degree in Business Administration from Imperial College, London, Owner President Management Program from Harvard 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 and Singapore Institute of Directors. He is a chartered financial analyst.

Independent non-executive Directors

Jen Shek Voon (任錫文), aged 65, 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 Metech Recycling Inc, Zhenzhong Auto Components Limited, Centillion Environment & Recycling Limited and Junma Tyre Cord Company Limited, companies listed in Singapore. Mr. Jen is also an independent non-executive director of Suiwah Corporation Berhad, company listed in Malaysia. From 2003 to 2011, Mr. Jen was an independent & non-executive director of Japan Asia Holding Limited and Japan Land Limited, companies Listed in Singapore. 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. 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 56, 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) and China Outfitters Holdings Limited (stock code: 1146), companies 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.

Wang Jincheng (王金城), aged 57, 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.

Directors and Senior Management

Senior Management

Lau Ka Ho, Robert (劉家豪), aged 37, is the Chief Financial Officer, the Company Secretary and the Qualified Accountant of the Company. Mr. Lau is an independent non-executive Director of Huscoke Resources Holdings Limited (stock code: 0704) 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 44, 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 38, 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 38, General Manager of Shanghai areas, is responsible for the development and daily management and operations of Shanghai areas. 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 61, Director/General Manager of Beijing areas, is responsible for overseeing the development, and day-to-day operations and management of the Beijing areas. 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, 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 42, General Manager of Hong Kong areas, is responsible for the management and operation of restaurants including Hong Kong Ajisen, 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 38, General Manager of South China region except Southwest China, is responsible for the brand development strategy and daily operations and management in South China except for southwest China. Before this, he was the operating manager of Shenzhen areas 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 38, General Manager of Southwest China region, is responsible for the brand development strategy and daily operations and management in Southwest China. Mr. Chen was the deputy General Manager 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 44, General Manager of Dalian areas for Northeast China market. He joined in 2003 as store manager in Dalian areas, 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.

Zhang Bo (張波), aged 36, is the General Manager of Jiangsu and Zhejiang areas, responsible for the development, sales and day-to day operations and management of the company in the Jiangsu and Zhejiang regions. Mr. Zhang had a degree in Economics Law from Northwest Institute of Political Science and Law (西北政法學院).

Yang Qiang (楊強), aged 36, is the General Manager of Shandong areas, responsible for the development and the day-to-day management and operations in Shandong areas. Mr. Yang graduated with a 機電專業 from 青島廣播電視大學.

Report of the Directors

The directors of the Company (the "Directors" or the "Board") are pleased to present their report together with the audited financial statements of the Group for the year ended 31 December 2011.

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 5 to the consolidated financial statements.

Results and appropriations

The results and appropriations of the Group are set out in page 44 and page 76 of the consolidated financial statements.

The Board recommended the payment of a final dividend of HK2.28 cents per ordinary share and a special dividend of HK9.80 cents per ordinary share for the financial year ended 31 December 2011.

Share capital

Details of the movements in share capital and share options of the Company during the year are set out in notes 27 and 28 to the consolidated financial statements.

Reserves

Movements in the reserves of the Group are set out in page 47 to page 48 of the consolidated financial statements.

Distributable reserves

As at 31 December 2011, the Company has no reserve available for distribution.

Subsidiaries

Particulars of the Company's principal subsidiaries are set out in note 40 to the consolidated financial statements.

Property, plant and equipment

Details of the movements in property, plant and equipment of the Group are set out in note 15 to the consolidated financial statements.

Borrowings

Details of the borrowings of the Group are set out in note 26 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 1.6% of the Group's total turnover. The purchase from the Group's largest supplier, Shigemitsu Industry Co., Ltd. accounted for approximately 5.5% of the Group's total purchase for the year and the purchase from the five largest suppliers of the Group accounted for approximately 13.5% 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 38 to page 39 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 2011.

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 114 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. Poon Ka Man, Jason, Mr. Katsuaki Shigemitsu and Mr. Wong Hin Sun, Eugene 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.

None of the Directors 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 2011, 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)*	476,625,041 shares (L)	44.42%
Ms. Poon Wai	beneficial owner	21,777,347 shares (L)	2.03%
Mr. Yin Yibing	founder of a discretionary trust *(Note 3)*	28,352,679 shares (L)	2.64%
Mr. Katsuaki Shigemitsu	interest in controlled corporation *(Note 4)*	31,425,380 shares (L)	2.93%
Mr. Katsuaki Shigemitsu	beneficial owner	950,000 shares (L)	0.09%
Mr. Wong Hin Sun, Eugene	interest of spouse *(Note 5)*	100,000 shares (L)	0.01%
Mr. Wang JinCheng	beneficial owner	12,500 shares (L)	0.00%
Mr. Jen Shek Voon	beneficial owner	95,000 shares (L)	0.01%

Notes:

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

2. The 476,625,041 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 10,604,251 shares were held by Shigemitsu Industry Co. Ltd., and the 20,821,129 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 100,000 shares are held by Mr. Wong Hin Sun, Eugene's wife, Ms. Chin May Yee, Emily.

(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)*	75,000 (L)
Mr. Wang JinCheng	beneficial owner	share option *(Note 4)*	37,500 (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 2011, 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 2011, 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	476,625,041	44.42%
Anmi Holding *(Notes 1 and 2)*	interest of controlled corporation	476,625,041	44.42%
HSBC International Trustee Limited *(Note 2)*	trustee (other than a bare trustee)	505,068,720	47.07%

Notes:

1. The 476,625,041 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. Among the 505,068,720 shares, 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 476,625,041 Shares and Royal Century wholly owned Brilinda Hilltop Inc. which held 28,352,679 Shares.

Save as disclosed herein, as at 31 December 2011, 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 "continuing 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.

Report of the Directors

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 15 to page 23 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 2011, the number of shares in respect of which options under the Share Option Scheme had been granted and remained outstanding was 25,291,000 Shares (2010: 3,308,000 Shares), representing approximately 2.36% of the shares of the Company in issue as at 31 December 2011 (2010: 0.31%).

Details of the share options granted under the Share Option Scheme and remained outstanding as at 31 December 2011 are as follows:

Grantee	Date of Grant	Outstanding as at 1 January 2011	Number of share options Granted *(Notes 1, 2)*	Exercised	Cancelled *(Note 3)*	Lapsed *(Note 3)*	Outstanding as at 31 December 2011
Employees (in aggregate)	25 June 2008 *(Note 4, 6, 7)*	462,000	–	(137,000)	–	–	325,000
	31 December 2008 *(Note 5, 6, 7)*	926,000	–	(328,500)	–	–	597,500
	3 July 2009	37,500	–	(10,000)	–	–	27,500
	2 July 2010	1,480,000	–	(123,500)	–	(58,000)	1,298,500
	6 July 2010	90,000	–	(10,000)	–	(30,000)	50,000
	26 August 2011	–	22,900,000	–	–	(220,000)	22,680,000
Director (in aggregate)	22 January 2009	312,500	–	–	–	–	312,500
		3,308,000	22,900,000	(609,000)	–	(308,000)	25,291,000

Notes:

(1) During the year ended 31 December 2011, 22,900,000 share options were granted on 26 August 2011. The estimated fair values of the options at the grant date were approximately HK$122,671,000. These share options granted under the Share Option Scheme, vesting in 5 tranches, i.e. the first 20% on 25 August 2012, the second 20% on 25 August 2013, the third 20% on 25 August 2014, the forth 20% on 25 August 2015 and the balance on 25 August 2016.

(2) The share options granted under the Share Option Scheme on 26 August 2011 were at the exercise price of HK$11.16 per share. The closing price per share immediately preceding the date of grant was HK$10.52.

(3) During the year ended 31 December 2011, 308,000 share options previously granted by the Company on 2 July 2010, 6 July 2010 and 26 August 2011 were lapsed due to the departure of the employees. Except for the share options granted on 26 August 2011 and lapsed as disclosed above, there were no share options cancelled during the year.

(4) 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.

(5) 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.

(6) 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.

(7) 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 2011	Exercise During the Year *(Note 4)*	Forfeited During the Year	Lapsed During the Year	Outstanding up to 31 December 2011
(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	2,809,250	(1,815,550)	–	–	993,700
	20,000,000	16,294,250	(1,815,550)	–	–	14,478,700

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$14.519 (2010: HK$9.06). During the year ended 31 December 2011, no (2010: 95,000) share options granted to employees of the Group lapsed due to departure of the employees.

As at 31 December 2011, the number of shares in respect of which options under the Pre-IPO Share Option Scheme had been granted and remained outstanding was 14,478,700 (2010: 16,294,250) share options, representing approximately 1.35% (2010: 1.52%) of the shares of the Company in issue as at 31 December 2011.

(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 38 to the consolidated financial statements.

Continuing connected transactions

Details of the continuing connected transactions during the year ended 31 December 2011 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 2011 is HK$44,189,900. The aggregate amount of the franchise fees and the technical fees for the year ended 31 December 2011 is approximately HK$29,947,293.

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 2011 is HK$72,680,000. The actual amount payable for the year is approximately HK$55,653,707.

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 2011 is HK$704,433. The actual amount received for the year is approximately HK$520,319.

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 2011 is HK$26,910,000. The actual amount payable for the year is HK$2,970,980.

Leasing agreements

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, which was renewed for a term of three years from 30 June 2011 (the "Shenzhen Lease Agreement").

The Group also has a continuing connected transaction with Ms. Poon Wai, an executive Director, whereby Ms. Poon Wai leases to Chongqing Weiqian Food Culture Co., Ltd ("Chongqing Weiqian") certain premises for use by Chongqing Weiqian as offices for a term of three years commencing from 1 July 2011 pursuant to a leasing agreement dated 30 June 2011 (the "Chongqing Lease Agreement").

An independent professional property valuer has reviewed the Shenzhen Lease Agreement and Chongqing Lease Agreement (collectively, the "Lease Agreements") 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 Agreements 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 Agreements for the year ended 31 December 2011 is HK$2,275,597. The actual amount paid for the year is HK$2,275,597.

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 2011 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 30 June 2011; 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 2011, the Group employed 15,681 persons (31 December 2010: 13,824 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 2011 was approximately HK$652,477,000 (31 December 2010: HK$471,393,000).

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, 21 March 2012

Independent Auditor's Report

Deloitte.
德勤

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

We have audited the consolidated financial statements of Ajisen (China) Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 44 to 112, which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 of the consolidated financial statements that give a true and fair view 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 2011 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
21 March 2012

Consolidated Statement of Comprehensive Income

For the Year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Turnover	5	3,074,978	2,680,538
Other income	6	103,432	67,157
Other gains and losses	7	32,363	(14,065)
Cost of inventories consumed		(991,272)	(826,299)
Staff costs		(652,477)	(471,393)
Depreciation		(145,522)	(129,420)
Property rentals and related expenses		(444,515)	(353,059)
Other operating expenses		(457,079)	(330,661)
Finance costs	8	(3,844)	(604)
Profit before taxation	9	516,064	622,194
Taxation	11	(150,115)	(153,644)
Profit for the year		365,949	468,550
Other comprehensive income			
Exchange differences arising on translation		76,352	73,567
Total comprehensive income for the year		442,301	542,117
Profit for the year attributable to:			
Owners of the Company		349,906	447,334
Non-controlling interests		16,043	21,216
		365,949	468,550
Total comprehensive income attributable to:			
Owners of the Company		423,173	518,508
Non-controlling interests		19,128	23,609
		442,301	542,117
Dividends		310,325	160,324
		HK cents	HK cents
Earnings per share	13		
– Basic		32.64	41.83
– Diluted		32.31	41.45

Consolidated Statement of Financial Position

At 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Non-current assets			
Investment properties	14	**327,161**	278,412
Property, plant and equipment	15	**1,075,167**	772,549
Prepaid lease payments	16	**109,935**	58,091
Intangible assets	32	**15,800**	–
Deposits paid for acquisition of property, plant and equipment		**10,241**	1,586
Deposits paid for acquisition of land leases	16	**26,838**	57,297
Rental deposits		**74,147**	58,041
Goodwill	17	**44,791**	37,135
Deferred tax assets	18	**3,032**	2,973
Available-for-sale investments	19	**5,537**	5,537
		1,692,649	1,271,621
Current assets			
Inventories	20	**98,258**	82,366
Trade and other receivables	21	**149,669**	144,679
Amounts due from related parties	22	**1,084**	32
Taxation recoverable		**3,402**	4,954
Restricted cash	23	**–**	142,440
Bank balances and cash	23	**1,887,104**	1,828,721
		2,139,517	2,203,192
Current liabilities			
Trade and other payables	24	**407,590**	362,683
Amounts due to related companies	25	**4,222**	2,385
Amounts due to directors	25	**544**	544
Amount due to a shareholder	25	**31,169**	23,753
Amount due to a non-controlling shareholder	25	**12,941**	–
Dividend payable		**11**	8
Taxation payable		**62,761**	70,617
Bank loans	26	**293,490**	142,440
		812,728	602,430
Net current assets		**1,326,789**	1,600,762
Total assets less current liabilities		**3,019,438**	2,872,383
Non-current liability			
Deferred tax liabilities	18	**22,353**	24,958
		22,353	24,958
Net assets		**2,997,085**	2,847,425

Consolidated Statement of Financial Position

At 31 December 2011

	Note	2011 HK$'000	2010 HK$'000
Capital and reserves			
Share capital	27	**107,302**	107,060
Reserves		**2,814,772**	2,674,541
Equity attributable to owners of the Company		**2,922,074**	2,781,601
Non-controlling interests		**75,011**	65,824
Total equity		**2,997,085**	2,847,425

The consolidated financial statements on pages 44 to 112 were approved and authorised for issue by the Board of Directors on 21 March 2012 and are signed on its behalf by:

Poon Wai	**Poon Ka Man, Jason**
DIRECTOR	*DIRECTOR*

Consolidated Statement of Changes in Equity

For the Year ended 31 December 2011

	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000	Share options reserve HK$'000	Capital 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	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2010	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
Profit for the year	–	–	–	–	–	–		–	447,334	447,334	21,216	468,550
Exchange differences arising on translation	–	–	–	–	–	–	71,174	–	–	71,174	2,393	73,567
Total comprehensive income for the year	–	–	–	–	–	–	71,174	–	447,334	518,508	23,609	542,117
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	(3,730)	(3,730)
Dividends recognised as distribution *(note 12)*	–	–	–	–	–	–	–	–	(160,324)	(160,324)	–	(160,324)
Shares issued upon exercise of share options	269	14,209	–	(2,296)	–	–	–	–	–	12,182	–	12,182
Transfer	–	–	–	–	–	–	–	27,999	(27,999)	–	–	–
Recognition of equity-settled share-based payments	–	–	–	6,856	–	–	–	–	–	6,856	–	6,856
At 31 December 2010	107,060	1,809,039	(277,655)	19,309	1,159	5,376	134,147	56,280	926,886	2,781,601	65,824	2,847,425
At 1 January 2011	107,060	1,809,039	(277,655)	19,309	1,159	5,376	134,147	56,280	926,886	2,781,601	65,824	2,847,425
Profit for the year	–	–	–	–	–	–	–	–	349,906	349,906	16,043	365,949
Exchange differences arising on translation	–	–	–	–	–	–	73,267	–	–	73,267	3,085	76,352
Total comprehensive income for the year	–	–	–	–	–	–	73,267	–	349,906	423,173	19,128	442,301
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	(12,941)	(12,941)
Dividends recognised as distribution *(note 12)*	–	–	–	–	–	–	–	–	(310,325)	(310,325)	–	(310,325)
Shares issued upon exercise of share options	242	13,831	–	(2,664)	–	–	–	–	–	11,409	–	11,409
Transfer	–	–	–	–	–	–	–	46,076	(46,076)	–	–	–
Recognition of equity-settled share-based payments	–	–	–	16,216	–	–	–	–	–	16,216	–	16,216
Acquisition of subsidiaries *(note 32)*	–	–	–	–	–	–	–	–	–	–	3,000	3,000
At 31 December 2011	107,302	1,822,870	(277,655)	32,861	1,159	5,376	207,414	102,356	920,391	2,922,074	75,011	2,997,085

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 effected in 2007.

(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 and (ii) the share capital of Luck Right.

Share options reserve represents fair values of share options recognised as expense over their vesting periods on a straight-line basis. Fair values of share options previously recognised in this reserve will be transferred to share premium when the share options are exercised. Fair values of share options previously recognised in this reserve will be transferred to retained profits when the share options are forfeited after the vesting date or are still not exercised at the expiry date.

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

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 2011

	2011 HK$'000	2010 HK$'000
Operating activities		
Profit before taxation	**516,064**	622,194
Adjustments for:		
Gain on fair value changes of investment properties	**(38,617)**	(9,380)
Allowance for doubtful debts	**–**	2,008
Gain on fair value changes of other financial assets	**–**	(2,223)
Depreciation of property, plant and equipment	**145,522**	129,420
Finance costs	**3,844**	604
Bank interest income	**(30,553)**	(21,785)
Loss on disposal of property, plant and equipment	**1,180**	4,456
Operating lease rentals in respect of prepaid lease payments	**2,150**	1,420
Share-based payment expenses	**16,216**	6,856
Operating cash flows before movements in working capital	**615,806**	733,570
Increase in rental deposits	**(16,106)**	(23,209)
Increase in inventories	**(15,695)**	(26,629)
Decrease (increase) in trade and other receivables	**960**	(46,873)
Increase in trade and other payables	**32,163**	115,372
Decrease in amounts due from related parties	**(1,052)**	–
Cash generated from operations	**616,076**	752,231
Tax paid	**(160,665)**	(126,889)
Net cash from operating activities	**455,411**	625,342

Consolidated Statement of Cash Flows

For the Year ended 31 December 2011

	2011 HK$'000	2010 HK$'000
Investing activities		
Withdrawal of restricted bank deposals	**142,440**	–
Deposits paid for acquisition of property, plant and equipment	**(10,241)**	–
Interest received	**30,553**	21,785
Proceeds from disposal of property, plant and equipment	**1,436**	139
Purchase of investment properties	**(10,132)**	(130,623)
Deposits paid and addition of prepaid lease payments	**(15,318)**	(35,491)
Acquisition of subsidiaries *(Note 32)*	**(24,410)**	–
Purchase of property, plant and equipment	**(404,903)**	(320,296)
Proceeds on redemption of other financial assets	**–**	139,405
Government grant in relation to land leases	**–**	5,801
Purchase of available-for-sale investments	**–**	(5,000)
Purchase of other financial assets	**–**	(69,000)
Placement of restricted bank deposits	**–**	(142,440)
Net cash used in investing activities	**(290,575)**	(535,720)
Financing activities		
Bank loans raised	**293,490**	142,440
Proceeds from issue of shares	**11,409**	12,182
Advance from a shareholder	**7,416**	5,074
Repayment to related companies	**1,837**	(6,539)
Interest paid	**(3,844)**	(604)
Repayment of bank loans	**(142,440)**	–
Dividends paid	**(310,322)**	(160,321)
Dividends paid to minority interests	**–**	(3,730)
Net cash used in financing activities	**(142,454)**	(11,498)
Net increase in cash and cash equivalents	**22,382**	78,124
Cash and cash equivalents at 1 January	**1,828,721**	1,701,690
Effect of foreign exchange rate changes on the balance of cash held in foreign currencies	**36,001**	48,907
Cash and cash equivalents at 31 December, representing bank balances and cash	**1,887,104**	1,828,721

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 ("Ms. Poon") who is a director of the Company. The addresses of the registered office and the principal place of business of the Company are disclosed in the "Corporation Information" section of the annual report.

The functional currency of the Company and the PRC operating subsidiaries of the Company is Renminbi ("RMB"). The functional currency of Hong Kong operating subsidiaries is Hong Kong dollars. Details of the subsidiaries of the Company (together with the Company thereinafter defined as the "Group") are set out in note 40.

The consolidated financial statements are presented in Hong Kong dollars ("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. Application of new and revised Hong Kong Financial reporting standards ("HKFRSs")

In the current year, the Group has applied the following new and revised standards, amendments and interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to HKAS 32	Classification of Right Issues
Amendments to HK(IFRIC)-Int 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments

The adoption of the new and revised standards, amendments and interpretations in the current year has had no material effect on the consolidated financial statements.

2. Application of new and revised Hong Kong Financial reporting standards ("HKFRSs") *(continued)*

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[1]
HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
HKFRS 9	Financial Instruments[3]
HKFRS 9 and HKFRS7 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[5]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[4]
HKAS 19 (Revised 2011)	Employee Benefits[2]
HKAS 27 (Revised 2011)	Separate Financial Statements[2]
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[2]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[6]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

[1] Effective for annual periods beginning on or after 1 July 2011
[2] Effective for annual periods beginning on or after 1 January 2013
[3] Effective for annual periods beginning on or after 1 January 2015
[4] Effective for annual periods beginning on or after 1 January 2012
[5] Effective for annual periods beginning on or after 1 July 2012
[6] Effective for annual periods beginning on or after 1 January 2014

HKFRS 13 Fair value measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 Financial Instruments: Disclosures will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. The directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and the application of this new standard may affect the amounts reported in the consolidated financial statements and result in a more extensive disclosures in the consolidated financial statements.

2. Application of new and revised Hong Kong Financial reporting standards ("HKFRSs") *(continued)*

Amendments to HKAS 1 Presentation of Items of other comprehensive income

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

The application of other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

3. Significant accounting policies

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

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.

Basis of consolidation

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and 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.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

3. Significant accounting policies *(continued)*

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted (please describe how the adjustment to non-controlling interests is determined) and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognise as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

– deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;

– liabilities or equity instruments related to share-based payment transactions of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date; and

3. Significant accounting policies *(continued)*

Business combinations *(continued)*

– assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquire (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another Standard.

Goodwill

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

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit 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 recognised for goodwill is not reversed in subsequent periods.

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

3. 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 in the normal course of business, net of discounts and sales related taxes.

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

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

Royalty income, 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 recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income 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 profit or loss 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 (other than properties under construction as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses.

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

3. Significant accounting policies *(continued)*

Property, plant and equipment *(continued)*

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

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.

Investment properties

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

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

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

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

3. Significant accounting policies *(continued)*

Leasing

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

The Group as lessor

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

The Group as lessee

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.

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 the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

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. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interest as appropriate).

3. Significant accounting policies *(continued)*

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, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Government grants

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as a deduction from the carrying amount of the relevant asset in the consolidated statement of financial position and transferred to profit or loss over the useful lives of the related assets. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

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

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 base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference 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.

3. Significant accounting policies *(continued)*

Taxation *(continued)*

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.

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. Current and deferred tax is recognsed 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 current and deferred tax is also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arised from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Intangible assets

Intangible assets acquired in a business combination

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

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

Inventories

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

3. Significant accounting policies *(continued)*

Financial instruments

Financial assets and financial liabilities are recognised in 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 two categories, including loans and receivables and available-for-sale investments. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognisition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Income is recognised on an effective interest basis for debt instruments.

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, restricted cash 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).

3. 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 financial assets with fair value through profit or loss, 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, 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 considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

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

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

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

3. 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.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

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 as either financial liabilities or as equity in accordance with 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 (including all fees and points or received that form an intergrate part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Other financial liabilities

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

3. 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.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group either transfers or retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

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 or payable is recognised in profit or loss.

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 original estimates during the vesting period, if any, is recognised in profit or loss such that the accumulative expense reflects the revised estimate, 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.

3. Significant accounting policies *(continued)*

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

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

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the 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 (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

4. Key source of estimation uncertainty

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

Estimated impairment of Restaurant Cash Generating Units and Domon Cash Generating Units (as defined in notes 17 and 32, respectively.), containing goodwill and intangible assets acquired through business combinations

Determining whether goodwill is impaired requires an estimation of the value in use of the Restaurant Cash Generating Units and Domon 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 Restaurant Cash Generating Units and Domon Cash Generating Units and suitable discount rates in order to calculate their present values. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2011, the carrying amount of goodwill and intangible assets of the Group were approximately HK$44,791,000 (2010: HK$37,135,000) and HK$15,800,000 (2010: nil), respectively. Details of the recoverable amount calculations are disclosed in notes 17 and 32.

4. Key source of estimation uncertainty *(continued)*

Estimated fair values of investment properties

Management reviews the carrying amounts of the Group's property interests held for purposes to earn rentals and/or for capital appreciation with aggregate carrying amount of approximately HK$327,161,000 (2010: HK$278,412,000) with reference to the current market environment whenever events or changes in circumstances indicate that the carrying amounts of the assets change. Changes in carrying amounts of the assets are recognised in profit and loss when there is objective evidence that the carrying amounts fluctuate.

In determining whether carrying amounts on the properties, the Group takes into consideration the current market environment, the estimated market value of the properties held and to be acquired and/or the estimated net sale proceeds it expects to receive on disposals of the properties. If the market environment/circumstances changes significantly, resulting in a change of carrying amounts of these property interests, change in carrying amounts will be recognised. For the year ended 31 December 2011, an aggregate change in carrying amounts on the Group's property interests held for rental and capital appreciation purpose amounted to approximately HK$38,617,000 (2010: HK$9,380,000) has been recognised in the profit or loss.

Useful lives and residual value of property, plant and equipment

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

At 31 December 2011, the carrying amount of property, plant and equipment amounted to approximately HK$1,075,167,000 (2010: HK$772,549,000).

5. Segment information

Information reported to Ms. Poon, the Group's chief operating decision maker, for the purposes of resource allocation and assessment of performance, is analysed by different operating divisions and geographical locations. This is also the basis upon which the Group is organised and specifically focuses on the Group's three operating divisions, namely operation of restaurants, manufacture and sales of noodles and related products and investment holding.

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

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

Information regarding these segments is presented below.

5. Segment information *(continued)*

Segment revenue and results

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

For the year ended 31 December 2011

	Operation of restaurants			Manufacture and sales of noodles and related products	Investment holding	Segment total	Elimination	Total
	PRC	Hong Kong	Total					
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue								
– external sales	2,641,816	317,927	2,959,743	115,235	–	3,074,978	–	3,074,978
– inter-segment sales	–	–	–	613,988	–	613,988	(613,988)	–
	2,641,816	317,927	2,959,743	729,223	–	3,688,966	(613,988)	3,074,978
Segment profits	469,950	39,887	509,837	11,536	50,748	572,121	–	572,121
Unallocated income								32,542
Unallocated expenses								(84,755)
Finance costs								(3,844)
Profit before taxation								516,064
Taxation								(150,115)
Profit for the year								365,949

5. Segment information *(continued)*

Segment revenue and results *(continued)*

For the year ended 31 December 2010

	Operation of restaurants			Manufacture and sales of noodles and related products	Investment holding	Segment total	Elimination	Total
	PRC HK$'000	Hong Kong HK$'000	Total HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue								
– external sales	2,290,480	286,357	2,576,837	103,701	–	2,680,538	–	2,680,538
– inter-segment sales	–	–	–	493,630	–	493,630	(493,630)	–
	2,290,480	286,357	2,576,837	597,331	–	3,174,168	(493,630)	2,680,538
Segment profits	603,648	45,137	648,785	14,479	21,657	684,921	–	684,921
Unallocated income								24,008
Unallocated expenses								(86,131)
Finance costs								(604)
Profit before taxation								622,194
Taxation								(153,644)
Profit for the year								468,550

Segment profit represents the profit earned by each segment without allocation of central administrative costs and directors' salaries, investment income and finance costs. This is the measure reported to the chief operating decision maker, Ms. Poon, for the purposes of resource allocation and assessment of segment performance.

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

5. 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, deposits paid for acquisition of land leases, goodwill, intangible assets and rental deposits, are located in the Group entities' countries of domicile, the PRC and Hong Kong, at the end of each reporting period.

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

	2011 **HK$'000**	2010 HK$'000
The PRC	**1,411,665**	1,041,231
Hong Kong	**272,415**	221,880
	1,684,080	1,263,111

All of the Group's revenue from external customers are attributed to the location of the relevant group entities, which is the PRC and Hong Kong, during the years ended 31 December 2011 and 31 December 2010.

None of the customers accounted for 10% or more of the total turnover of the Group during the years ended 31 December 2011 and 31 December 2010.

6. Other income

	2011 **HK$'000**	2010 HK$'000
Royalty income from sub-franchisee	**17,365**	15,516
Government grant	**25,123**	14,803
Bank interest income	**30,553**	21,785
Property rental income, net of negligible outgoings	**12,131**	12,277
Compensation received from landlord for early termination of operating leases of restaurants	**4,885**	24
Others	**13,375**	2,752
	103,432	67,157

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

7. Other gains and losses

	2011 HK$'000	2010 HK$'000
Change in fair values of investment properties	38,617	9,380
Allowance for doubtful debts	–	(2,008)
Net gain on other financial assets *(Note)*	–	2,223
Loss on disposal of property, plant and equipment	(1,180)	(4,456)
Net foreign exchange loss	(5,074)	(19,204)
	32,363	(14,065)

Note: Net gain on other financial assets for the year ended 31 December 2010 represented interest income earned on other financial assets which were recognised by the Group upon their maturities.

8. Finance costs

	2011 HK$'000	2010 HK$'000
Interest on bank borrowings:		
– wholly repayable within five years	3,844	604
	3,844	604

9. Profit before taxation

	2011 **HK$'000**	2010 HK$'000
Profit before taxation has been arrived at after charging:		
Cost of inventories consumed *(note a)*	**991,272**	826,299
Directors' remuneration *(Note 10)*	**5,908**	5,998
Other staff's salaries, wages and other benefits	**572,066**	422,569
Other staff's retirement benefits scheme contributions	**59,426**	37,032
Other staff's share-based payment expenses	**15,077**	5,794
Total staff costs	**652,477**	471,393
Advertising and promotion expenses	**23,733**	14,245
Auditor's remuneration	**3,000**	2,900
Non-audit services	**600**	600
	3,600	3,500
Fuel and utility expenses	**165,885**	129,572
Operating lease rentals in respect of		
– land lease	**2,150**	1,420
– rented premises *(note b)*	**391,123**	313,487

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$220,693,000 (2010: HK$200,175,000) and contingent rent of approximately HK$170,430,000 (2010: HK$113,312,000).

10. Directors' and employees' remuneration

The emoluments paid or payable to each of the eight (2010: eight) directors were as follows:

	2011						2010					
	Fees	Salaries and other benefits	Performance related incentive bonuses	Share-based payment expenses	Retirement benefits scheme contributions	Total	Fees	Salaries and other benefits	Performance related incentive bonuses	Share-based payment expenses	Retirement benefits scheme contributions	Total
	HK$'000	HK$'000	HK$'000 (Note)	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000 (Note)	HK$'000	HK$'000	HK$'000
Executive directors												
Ms. Poon	–	1,750	142	668	12	2,572	–	1,748	213	668	12	2,641
Mr. Yin Yibing	–	609	599	197	45	1,450	–	584	575	197	13	1,369
Mr. Poon Ka Man, Jason	–	840	35	197	12	1,084	–	840	70	197	12	1,119
Non-executive directors												
Mr. Wong Hin Sin, Eugene	162	–	–	22	–	184	162	41	–	–	–	203
Mr. Katsuaki Shigemitsu	100	–	–	–	–	100	100	–	–	–	–	100
Independent non-executive directors												
Mr. Lo Peter	163	–	–	22	–	185	163	41	–	–	–	204
Mr. Jen Shek Voon	163	–	–	22	–	185	163	41	–	–	–	204
Mr. Wang Jincheng	137	–	–	11	–	148	137	21	–	–	–	158
	725	3,199	776	1,139	69	5,908	725	3,316	858	1,062	37	5,998

Note: The performance related incentive bonuses for the years ended 31 December 2011 and 31 December 2010 were determined based on performance of the Group and individuals.

10. Directors' and employees' remuneration *(continued)*

The five highest paid individuals included three (2010: three) directors of the Company, details of whose emoluments are set out above. The emoluments of the remaining two (2010: two) highest paid individuals during the year are as follows:

	2011 HK$'000	2010 HK$'000
Employees		
– Basic salaries and allowances	1,675	1,623
– Performance related incentive bonuses	917	1,058
– Share-based payment expenses	169	543
– Retirement benefits scheme contributions	80	49
	2,841	3,273

Their emoluments were within the following bands:

	2011 HK$'000	2010 HK$'000
HK$nil to HK$1,000,000	–	–
HK$1,000,001 to HK$1,500,000	1	–
HK$1,500,001 to HK$2,000,000	1	2

During the years ended 31 December 2011 and 31 December 2010, 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 years ended 31 December 2011 and 31 December 2010.

11. Taxation

	2011 HK$'000	2010 HK$'000
Hong Kong Profits Tax	**10,926**	8,200
PRC income tax		
– Current year	**113,766**	132,227
– Withholding taxes paid	**13,541**	7,000
– Under(over) provision in prior years	**14,546**	(3,726)
	152,779	143,701
Deferred taxation	**(2,664)**	9,943
	150,115	153,644

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the years ended 31 December 2011 and 31 December 2010.

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, except the followings:

(a) Pursuant to the relevant provincial policy and with written approval obtained from the State Tax Bureau in Chongqing ("Chongqing STB") in the year ended 31 December 2009, Chongqing Weiqian Food & Restaurant Management Co., Ltd. 重慶味千餐飲管理有限公司 ("Chongqing Weiqian") which is located in Chongqing, China applied a preferential tax rate of 15% ("Preferential Tax Treatment") during the years ended 31 December 2009 and 31 December 2010.

During the year ended 31 December 2011, the Company received notice that the PRC National Audit Office recently issued a letter to the Chongqing STB stating that a few restaurant companies, including Chongqing Weiqian, should not have been granted the Preferential Tax Treatment for the year ended 31 December 2009. The PRC National Audit Office's ruling is that Chongqing Weiqian should pay enterprise income tax at the standard rate of 25%. During the year ended 31 December 2011, the Group made additional enterprise income tax provision of approximately HK$3.8 million (equivalent to approximately RMB3.2 million) for the year ended 31 December 2009 and paid such amount to the Chongqing STB on a timely manner as requested. As such, the Group applied the standard enterprise income tax rate of 25% for Chongqing Weiqian in the year ended 31 December 2011.

In addition, the Group made provision of approximately HK$10.7 million (equivalent to approximately RMB9.0 million) for the potential payment of additional enterprise income tax based on the standard rate of 25% for the year ended 31 December 2010. This provision is based on the Group's assessment that the above PRC National Audit Office ruling has brought uncertainties to the Preferential Tax Treatment that Chongqing Weiqian enjoyed.

11. Taxation *(continued)*

As a result of the foregoing, during the current year, the Group recognised a one-time tax liability of approximately HK$14.5 million (equivalent to approximately RMB12.2million) related to the change in the Preferential Tax Treatment for the years ended 31 December 2009 and 2010. The directors of the Company believe that the Preferential Tax Treatment Chongqing Weiqian previously enjoyed was appropriate under relevant published government rules and regulations and the written approval it received for the year ended 31 December 2009.

(b) The tax rates of Weiqian Noodle Food Service (Shenzhen) Co., Ltd. and Weiqian Noodle (Shenzhen) Co., Ltd. increased from 15% and 15% to 25% and 25%, respectively, progressively from 1 January 2008 onwards. The relevant tax rates for the entities were 24% and 24% for the year ended 31 December 2011 (2010: 22% and 22%).

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

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

	Hong Kong				PRC				Total			
	2011		2010		2011		2010		2011		2010	
	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000	%
Profit before taxation	46,546		18,597		469,518		603,597		516,064		622,194	
Tax at the applicable income tax rate	7,680	16.5	3,069	16.5	117,380	25.0	150,899	25.0	125,060	24.2	153,968	24.7
Tax effect of expenses not deductible for tax purposes	5,698	12.2	5,348	28.7	906	0.2	–	–	6,604	1.3	5,348	0.8
Tax effect of income not taxable for tax purpose	(4,939)	(10.6)	(365)	(2.0)	(611)	(0.1)	(1,145)	(0.2)	(5,550)	(1.1)	(1,510)	(0.2)
Effect of tax exemptions granted to PRC subsidiaries	–	–	–	–	–	–	(2,464)	(0.4)	–	–	(2,464)	(0.4)
Tax effect of tax losses not recognised	3,378	7.3	2,320	12.5	3,140	0.67	647	0.1	6,518	1.3	2,967	0.5
Tax effect of utilization of tax losses previously not recognised	(820)	(1.8)	–	–	(1,268)	(0.27)	–	–	(2,088)	(0.4)	–	–
Withholding tax provision on dividends from PRC subsidiaries	–	–	–	–	10,991	2.3	12,000	2.0	10,991	2.1	12,000	1.9
Income tax at concessionary rate	–	–	–	–	(3,097)	(0.7)	(9,501)	(1.6)	(3,097)	(0.6)	(9,501)	(1.6)
Under(over) provision in prior years	–	–	–	–	14,546	3.1	(3,726)	(0.6)	14,546	2.8	(3,726)	(0.6)
Others	–	–	–	–	(2,869)	(0.6)	(3,438)	(0.6)	(2,869)	(0.6)	(3,438)	(0.6)
Tax charge and effective rate for the year	10,997	23.6	10,372	55.7	139,118	29.6	143,272	23.7	150,115	29.0	153,644	24.5

12. Dividends

	2011 HK$'000	2010 HK$'000
Dividends recognised as distribution during the year:		
Interim, paid – HK5.95 cents per share for 2011 (2010: nil)	63,842	–
Final, paid – HK10.5 cents per share for 2010 (2010: paid – HK7.5 cents per share for 2009)	112,525	80,162
Special, paid – HK12.50 cents per share for 2010 (2010: paid – HK7.5 cents per share for 2009)	133,958	80,162
	310,325	160,324

A final dividend of HK2.28 cents per share (2010: HK10.50 cents per share) and a special dividend of HK9.80 cents per share (2010: HK12.50 cents per share) has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

13. 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:

	2011 HK$'000	2010 HK$'000
Earnings for the purposes of basic and diluted earnings per share, being profit for the year attributable to owners of the Company	349,906	447,334

	Number of shares	
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	1,071,980,459	1,069,305,580
Effect of dilutive potential ordinary shares relating to:		
– outstanding share options	10,968,353	9,801,081
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	1,082,948,812	1,079,106,661

14. Investment properties

	HK$'000
FAIR VALUE	
At 1 January 2010	122,987
Additions	153,418
Transfers to property, plant and equipment	(7,373)
Net increase in fair value recognised in profit or loss	9,380
At 31 December 2010	278,412
Additions	10,132
Net increase in fair value recognised in profit or loss	38,617
At 31 December 2011	327,161

During the year ended 31 December 2010, the Group transferred certain of its property interests with carrying values of HK$7,373,000 from investment properties to property, plant and equipment.

The fair values 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 2011, 31 December 2010 and 31 March 2010 (the date of change of intention of the use of the property interests mentioned above in 2010). 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.

The carrying value of investment properties shown above comprises:

	2011 HK$'000	2010 HK$'000
Land in Hong Kong:		
Medium-term lease	**128,580**	103,540
Land in the PRC:		
Medium-term lease	**198,581**	174,872
	327,161	278,412

At 31 December 2011, the Group pledged certain of its investment properties to secure general banking facilities granted to the Group. Details are set out in note 35.

15. Property, plant and equipment

	Buildings	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Plant and machinery	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST							
At 1 January 2010	135,182	476,380	57,677	9,260	190,287	–	868,786
Currency realignment	5,844	19,277	2,294	320	8,668	–	36,403
Additions	31,123	68,240	4,887	1,197	62,296	158,499	326,242
Disposals	(755)	(5,485)	(1,180)	(1,074)	(9,033)	–	(17,527)
Transfer	–	12,802	3,167	–	20,276	(36,245)	–
Transfer from prepaid lease payments	3,542	–	–	–	–	–	3,542
Transfer from investment properties	7,373	–	–	–	–	–	7,373
At 31 December 2010	182,309	571,214	66,845	9,703	272,494	122,254	1,224,819
Currency realignment	9,608	24,034	2,969	355	11,624	6,871	55,461
Additions	9,588	84,759	13,194	1,540	40,218	263,129	412,428
Acquisition of subsidiaries	–	831	771	–	398	–	2,000
Disposals	–	(3,221)	(3,362)	(500)	(10,221)	–	(17,304)
Transfer	119,120	37,377	11,068	–	22,914	(190,479)	–
At 31 December 2011	320,625	714,994	91,485	11,098	337,427	201,775	1,677,404
DEPRECIATION							
At 1 January 2010	34,712	175,760	23,158	5,143	83,256	–	322,029
Currency realignment	1,596	7,249	838	173	3,897	–	13,753
Provided for the year	7,839	57,270	4,491	1,444	58,376	–	129,420
Eliminated on disposals	(25)	(3,710)	(879)	(488)	(7,830)	–	(12,932)
At 31 December 2010	44,122	236,569	27,608	6,272	137,699	–	452,270
Currency realignment	2,043	9,938	1,232	216	5,704	–	19,133
Provided for the year	11,793	75,028	16,868	1,326	40,507	–	145,522
Eliminated on disposals	–	(2,669)	(3,050)	(349)	(8,620)	–	(14,688)
At 31 December 2011	57,958	318,866	42,658	7,465	175,290	–	602,237
CARRYING VALUES							
At 31 December 2011	262,667	396,128	48,827	3,633	162,137	201,775	1,075,167
At 31 December 2010	138,187	334,645	39,237	3,431	134,795	122,254	772,549

15. Property, plant and equipment *(continued)*

The above items of property, plant and equipment, except for buildings under development, 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 2011, the Group pledged certain of its property, plant and equipment to secure the general banking facilities granted to the Group. Details are set out in note 35.

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

Prepaid lease payments

	2011 **HK$'000**	2010 HK$'000
CARRYING VALUES		
At 1 January	**58,685**	52,992
Additions during the year	**55,582**	10,655
Transferred to property, plant and equipment	**–**	(3,542)
Charged to profit or loss	**(2,150)**	(1,420)
At 31 December	**112,117**	58,685
Less: Amount to be amortised within one year included in trade and other receivables	**(2,182)**	(594)
Non-current portion	**109,935**	58,091
Prepaid lease payments comprises:		
Land use rights situated in the PRC under medium-term lease	**81,979**	27,374
Leasehold land situated in Hong Kong under medium-term lease	**21,421**	22,014
Property rentals paid in advance for rental of restaurant premises	**8,717**	9,297
	112,117	58,685

At 31 December 2011, the Group pledged certain of its leasehold land to secure the general banking facilities granted to the Group. Details are set out in note 35.

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

Prepaid lease payments *(continued)*

Deposits paid for acquisition of land leases

During the year ended 31 December 2011, the Group did not receive any government grant (2010: RMB5,801,000) in relation to certain deposits paid by the Group to acquire prepaid leases. The Group recognised the amount as a deduction from the carrying amount of the relevant asset which was the deposits paid for acquisition of land leases in the consolidated statement of financial position and will transfer this to profit or loss over the useful lives of the leases.

17. Goodwill

	2011 **HK$'000**	2010 HK$'000
COST AND CARRYING VALUES		
Balance at beginning of year	**37,135**	37,135
Arising on acquisition of subsidiaries *(note 32)*	**7,656**	–
Balance at end of year	**44,791**	37,135

Included above, goodwill of approximately HK$35.6 million and HK$1.5 million is allocated to the cash generating units of certain restaurants operating in Hong Kong and the PRC, respectively ("Restaurants Cash Generating Units"). The remaining goodwill of approximately HK$7.7 million is allocated to the cash generating unit of subsidiaries acquired in the year. Details of the cash generating units to which goodwill attached, and the impairment of goodwill and indefinite life intangible assets acquired, are set out in note 32.

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

The recoverable amounts of the Restaurants 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 Restaurants 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 14.0% (2010: 13.0%) which reflects current market assessments of the time value of money and the risks specific to the Restaurants Cash Generating Units. The cash flows beyond the next five years are explorated using a growth rate of 3.0% (2010: 3.0%) per annum. The growth rates are based on industry growth forecasts. No impairment loss was considered necessary.

18. 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	Government subsidies	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2010	2,611	(2,854)	58	(7,000)	(4,857)	(12,042)
Credit (charge) to profit or loss	64	(1,206)	(4,892)	(5,000)	1,091	(9,943)
At 31 December 2010	2,675	(4,060)	(4,834)	(12,000)	(3,766)	(21,985)
Credit (charge) to profit or loss	66	(3,505)	(213)	2,550	3,766	2,664
At 31 December 2011	2,741	(7,565)	(5,047)	(9,450)	–	(19,321)

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2011	2010
	HK$'000	HK$'000
Deferred tax assets	3,032	2,973
Deferred tax liabilities	(22,353)	(24,958)
	(19,321)	(21,985)

The Group has unutilised tax losses of approximately HK$80,075,000 (2010: HK$60,456,000) 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:

	2011	2010
	HK$'000	HK$'000
Year of expiry		
2011	–	3,371
2012	6,236	3,395
2013	2,460	6,849
2014	1,214	1,153
2015	2,689	2,187
2016	8,473	–
	21,072	16,955

18. Deferred taxation *(continued)*

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$189,000,000 (2010: HK$240,000,000), deferred tax liabilities have 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 2011 amounting to approximately HK$706,000,000 (2010: HK$580,000,000) 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.

19. Available-for-sale investments

	2011 HK$'000	2010 HK$'000
Unlisted equity investments in British Virgin Islands, at cost	5,000	5,000
Unlisted equity investments in Taiwan, at cost	537	537
	5,537	5,537

The unlisted equity investments are equity securities issued by a private entity established in Taiwan and British Virgin Islands at 31 December 2011 and 31 December 2010. 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.

20. Inventories

	2011 HK$'000	2010 HK$'000
Raw materials and consumables	87,168	73,074
Work in progress	1,921	586
Finished goods	9,169	8,706
	98,258	82,366

21. Trade and other receivables

	2011 HK$'000	2010 HK$'000
Trade receivables		
– a related company	**602**	578
– others	**29,876**	31,749
	30,478	32,327
Rental and utility deposits	**34,423**	26,236
Property rentals paid in advance for restaurants	**21,030**	21,258
Advance to suppliers	**18,709**	21,179
Other receivables and prepayments	**45,029**	43,679
	149,669	144,679

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

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

	2011 HK$'000	2010 HK$'000
Age		
0 to 30 days	**25,282**	24,088
31 to 60 days	**1,931**	2,596
61 to 90 days	**329**	585
91 to 180 days	**454**	1,423
Over 180 days	**2,482**	3,635
	30,478	32,327

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 2011 and 31 December 2010 have no default history and of good credit quality.

21. Trade and other receivables *(continued)*

Included in the Group's trade receivable balances are debtors with a carrying amount of approximately HK$2,482,000 (2010: HK$3,635,000) which are past due as at 31 December 2011 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 270 days as at 31 December 2011 (2010: 270 days).

Movement in the allowance for doubtful debts:

	HK$'000
Balance at 1 January 2010	342
Increase in allowance recognised in profit or loss	2,008
Balance at 31 December 2010 and 31 December 2011	2,350

Included in the allowance for doubtful debts is impairment of approximately HK$2,350,000 recognised at 31 December 2011 and 31 December 2010 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.

As at December 2011 and 31 December 2010, the other receivables of the Group are neither past due nor impaired as they have no default history and there are continuous subsequent settlement.

22. Amounts due from related parties

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

Name of related party	**2011** **HK$'000**	2010 HK$'000	**Maximum amount outstanding during the year** **HK$'000**
Well Keen International Ltd., a company in which Ms. Poon Wai has controlling interests	**14**	14	**14**
Step Profit Ltd., a company in which Ms. Poon Wai has controlling interests	**1,070**	18	**1,070**
	1,084	32	

22. Amounts due from related parties *(continued)*

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

As at 31 December 2011 and 31 December 2010, the related parties of the Group are neither past due nor impaired as they have no default history and there are continuous subsequent settlement. The Group does not hold collateral over these balances.

23. Restricted cash/bank balances and cash/foreign currency forward contracts

Transaction I

Restricted cash at 31 December 2010 represented deposits of approximately HK$142,440,000 placed in banks for arrangements of foreign currency forward contracts. The deposits were matured in twelve months from 31 December 2010 and therefore the restricted cash was classified as current assets at 31 December 2010.

During the year ended 31 December 2010, the Group entered into arrangements with an established commercial bank that the Group had drawn down a bank loan denominated in HK$ and would repay such loan in RMB at a pre-determined forward rate for a contractual period of a year for the purpose of working capital of the Group. At the same time, the Group placed fixed deposits of the same amount of contracted limit with the contractual period to the same bank as security and such amount will be used to settle the loan upon maturity.

Principal amount	**Maturity**	**Forward exchange rate**
HK$142,440,000	18 October 2011	HK$/RMB at 1.1965

The restricted cash carried fixed interest at rate of 2.25% per annum at 31 December 2010. The restricted cash was released upon the settlement of relevant bank loan during the year ended 31 December 2011 and therefore, there was no such deposit at 31 December 2011.

The restricted cash of approximately HK$142,440,000 was 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.

Transaction II

During the year ended 31 December 2011, the Group entered into an arrangement with another financial institution pursuant to which the Group would purchase United States dollars ("USD") at a pre-determined rate from this counterparty for a contractual period of one year. Details are as follows:

Principal amount	**Maturity**	**Forward exchange rate**
USD33,287,000	In June 2012	Buy USD/Sell RMB at 6.4800

As at 31 December 2011, the Group did not place or restrict any cash in relation to the Transaction II.

23. Restricted cash/bank balances and cash/foreign currency forward contracts *(continued)*

As at 31 December 2011 and 31 December 2010, the fair values of the foreign currency forward contracts related to Transaction I and II were measured using quoted forward exchange rates to match the maturities of the contracts at the end of the relevant reporting period.

In the opinion of the directors of the Company, changes in fair value of the above foreign currency forward contracts did not have material impact on the financial position of the Group.

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 0.36% to 5.30% (2010: 0.18% to 4.55%) 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:

	2011 **HK$'000**	2010 HK$'000
USD	**298,723**	162,807

Certain bank balances and cash of approximately HK$1,468,901,000 (2010: HK$1,350,930,000) were denominated in RMB which is not a freely convertible currency in the international market. The exchange rate of RMB is determined by the Government of the PRC and the remittance of these funds out of the PRC is subject to exchange restrictions imposed by the Government of the PRC.

24. Trade and other payables

	2011 **HK$'000**	2010 HK$'000
Trade payables		
– related companies	**7,279**	5,988
– others	**155,495**	144,919
	162,774	150,907
Payroll and welfare payables	**54,356**	50,576
Customers' deposits received	**7,442**	12,408
Payable for acquisition of property, plant and equipment	**49,428**	38,032
Payable for property rentals	**31,336**	33,530
Other taxes payable	**33,873**	38,610
Others	**68,381**	38,620
	407,590	362,683

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

24. Trade and other payables *(continued)*

The average credit period of purchase of purchase of goods is 60 (2010: 60) days. The following is an aged analysis of trade payables presented based on invoice dates at the end of the reporting period:

	2011	2010
	HK$'000	HK$'000
0 to 30 days	**109,388**	90,297
31 to 60 days	**43,392**	43,504
61 to 90 days	**4,018**	9,512
91 to 180 days	**1,507**	5,345
Over 180 days	**4,469**	2,249
	162,774	150,907

25. Amount(s) due to related companies/directors/a shareholder/ a non-controlling shareholder

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

Either Ms. Poon or Mr. Katsuaki Shigemitsu has controlling interests in these related companies.

26. Bank loans

	2011	2010
	HK$'000	HK$'000
Bank loans with carrying amount repayable:		
Within one year	**293,490**	142,440
Secured	**60,000**	142,440
Unsecured	**233,490**	–
	293,490	142,440

The amounts due are based on scheduled repayment dates set out in the loan agreements.

Details of assets of the Group as at 31 December 2011 that have been pledged as collateral to secure the general banking facilities are set out in note 35.

26. Bank loans *(continued)*

The Group's bank loans at 31 December 2011 carried variable interest rate at 1.20% per annum over one-year Hong Kong Interbank Offer Rate ("HIBOR"), 0.6% per annum over London Interoffice Bank Office Rate and 1.35% per annum over HIBOR (31 December 2010: 1.20% per annum over HIBOR) and the effective interest rates ranged from 0.86% to 1.35% (31 December 2010: 1.96%) per annum.

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

	2011 HK$'000	2010 HK$'000
USD	233,490	–

27. Share capital

	Number of shares	Share capital HK$'000
Authorised:		
Ordinary shares of HK$0.10 each		
At 1 January 2010, 31 December 2010, 1 January 2011 and 31 December 2011	10,000,000,000	1,000,000
Issued and fully paid:		
At 1 January 2010	1,067,908,320	106,791
Exercise of share options *(note a)*	2,694,000	269
At 31 December 2010	1,070,602,320	107,060
Exercise of share options *(note b)*	2,424,550	242
At 31 December 2011	1,073,026,870	107,302

Notes:

(a) During the year ended 31 December 2010, the Company issued 2,694,000 new shares upon exercise of share options at the average exercise price of HK$4.5223 per share.

(b) During the year ended 31 December 2011, the Company issued 2,424,550 new shares upon exercise of share options at the average exercise price of HK$4.7058 per share.

All shares issued during the years ended 31 December 2011 and 31 December 2010 ranked pari passu in all respects with all shares then in issue.

28. 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.

No consideration is payable on the grant of the Company's options. The exercise 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 days immediately preceding the date of grant, and (iii) the nominal value of the shares.

The following table disclosed movements of the Company's shares options under the Share Option Scheme during the years ended 31 December 2011 and 31 December 2010.

Grant date	Exercise price HK$	Outstanding at 1 January 2011	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31 December 2011
25 June 2008	3.726	462,000	–	(137,000)	–	325,000
31 December 2008	3.726	926,000	–	(328,500)	–	597,500
22 January 2009	3.308	312,500	–	–	–	312,500
3 July 2009	4.938	37,500	–	(10,000)	–	27,500
2 July 2010	8.884	1,480,000	–	(123,500)	(58,000)	1,298,500
6 July 2010	8.71	90,000	–	(10,000)	(30,000)	50,000
26 August 2011	11.16	–	22,900,000	–	(220,000)	22,680,000
		3,308,000	22,900,000	(609,000)	(308,000)	25,291,000
Exercisable at the end of the year						1,208,425

28. Share Option Schemes *(continued)*

(a) Share Option Scheme *(continued)*

Grant date	Outstanding at 1 January 2010	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31 December 2010
25 June 2008	738,750	–	(204,250)	(72,500)	462,000
31 December 2008	1,050,000	–	(124,000)	–	926,000
22 January 2009	350,000	–	(37,500)	–	312,500
3 July 2009	150,000	–	(37,500)	(75,000)	37,500
2 July 2010	–	1,510,000	–	(30,000)	1,480,000
6 July 2010	–	90,000	–	–	90,000
	2,288,750	1,600,000	(403,250)	(177,500)	3,308,000
Exercisable at the end of the year					926,750

The details of the share options granted during 2008 and 2009 are set out below:

Date of grant	Vesting period	Exercise period
25 June 2008	25/6/2008-24/6/2009	25/12/2008-30/3/2017
31 December 2008	31/12/2008-31/12/2009	31/12/2009-30/12/2013
22 January 2009	21/1/2010-21/1/2013	22/1/2010-21/1/2019
3 July 2009	2/7/2010-2/7/2013	3/7/2010-2/7/2019

The closing prices of the Company's shares on 25 June 2008, 31 December 2008, 22 January 2009 and 3 July 2009, the dates of grant, were HK$8.30, HK$3.61, HK$3.25, HK$4.90, respectively.

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 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	

28. Share Option Schemes *(continued)*

(a) Share Option Scheme *(continued)*

(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% from 25 December 2008, the second 25% from 25 December 2009, the third 25% from 25 December 2010 and the balance 25% from 25 December 2011.

(iii) These 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% from 18 September 2009, the second 25% from 18 September 2010, the third 25% from 18 September 2011 and the balance 25% from 18 September 2012.

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

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

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

Share options granted on 22 January 2009:

These share options were 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.

Share options granted on 3 July 2009:

These share options were 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.

28. Share Option Schemes *(continued)*

(a) Share Option Scheme *(continued)*

The details of the share options granted during the year ended 31 December 2010 are set out below:

(1) The share options granted under the Share Option Scheme on 2 July 2010 and 6 July 2010 were at exercise prices of HK$8.884 per share and HK$8.710 per share, respectively.

(2) For the share options granted on 2 July 2010, the options will be vested in 4 tranches, i.e. the first 25% on 1 July 2011, the second 25% on 1 July 2012, the third 25% on 1 July 2013 and the balance on 1 July 2014.

The exercise period is from 2 July 2010 to 1 July 2020.

For the share options granted on 6 July 2010, the options will be vested in 4 tranches, i.e. the first 25% on 5 July 2011, the second 25% on 5 July 2012, the third 25% on 5 July 2013 and the balance on 5 July 2014.

The exercise period is from 6 July 2010 to 5 July 2020.

(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 2 July 2010	**Granted on 6 July 2010**
Share price	HK$8.500	HK$8.710
Exercise price	HK$8.884	HK$8.710
Expected volatility	57.27%	57.24%
Expected life (years)	5.50 to 7.00	5.50 to 7.00
Risk-free interest rates	1.66% to 1.99%	1.65% to 1.99%
Expected dividend yield	0.810%	0.810%

The closing price of the Company's shares on the date immediately before the date of grant on 1 July 2010 and 5 July 2010 were HK$8.73 and HK$8.41, respectively. 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. Changes in variables and assumptions may result in changes in the fair values of the share options.

28. Share Option Schemes *(continued)*

(a) Share Option Scheme *(continued)*

The details of the share options granted during the year ended 31 December 2011 are set out below:

(1) The share options granted under the Share Option Scheme on 26 August 2011 was at an exercise price of HK$11.160 per share.

(2) The exercise period is from 26 August 2011 to 25 August 2021.

(3) For the share options granted on 26 August 2011, the options will be vested in 5 tranches, i.e. the first 20% on 25 August 2012, the second 20% on 25 August 2013, the third 20% on 25 August 2014, the fourth 20% on 25 August 2015 and the balance on 25 August 2016.

(4) 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 26 August 2011
Share price	HK$11.160
Exercise price	HK$11.160
Expected volatility	53.91%
Expected life	5.50 to 7.50
Risk-free interest rates	0.907% to 1.355%
Expected dividend yield	0.941%

The closing price of the Company's shares on the date immediately before the date of grant was HK$10.52. 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. Changes in variables and assumptions may result in changes in the fair values of the share options.

During the year ended 31 December 2011, an aggregate 609,000 (2010: 403,250) share options were exercised. In respect of the share options exercised during the year, the weighted average share price and exercise price at the dates of exercise are HK$13.689 and HK$4.874 per share, respectively (2010: HK$8.593 and HK$3.800 per share).

During the year ended 31 December 2011, 22,900,000 share options was granted by the Company on 26 August 2011. The estimated fair values of the options on those dates are approximately HK$122,671,000. During the year ended 31 December 2011, 308,000 share options previously granted by the Company were forfeited due to the departure of employees. No share options granted on 26 August 2011 by the Company were exercised during the year ended 31 December 2011.

28. Share Option Schemes *(continued)*

(a) Share Option Scheme *(continued)*

During the year ended 31 December 2010, 1,510,000 share options and 90,000 share options were granted by the Company on 2 July 2010 and 6 July 2010, respectively. The estimated fair values of the options on those dates are approximately HK$6,465,000 and HK$402,000, respectively. During the year ended 31 December 2010, 177,500 share options previously granted by the Company were forfeited due to the departure of employees. No share options granted on 2 July 2010 and 6 July 2010 by the Company were exercised during the year ended 31 December 2010.

At 31 December 2011, the number of share in respect of options under the Share Option Scheme had been granted and remained outstanding was 25,291,000 (2010: 3,308,000), representing 2.36% (2010:0.31%) of the shares of the Company in issue at that date.

The Group recognised the total expense of HK$15,428,000 for the year ended 31 December 2011 (2010: HK$3,706,000) 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.

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

	Number of Options								
Grantees	Outstanding at 1 January 2010	Exercise during the year	Forfeited during the year	Lapsed during the year	Outstanding at 31 December 2010	Exercise during the year	Forfeited during the year	Lapsed during the year	Outstanding at 31 December 2011
(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	5,195,000	(2,290,750)	–	(95,000)	2,809,250	(1,815,550)	–	–	993,700
	18,680,000	(2,290,750)	–	(95,000)	16,294,250	(1,815,550)	–	–	14,478,700

28. Share Option Schemes *(continued)*

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

The share options exercisable at 31 December 2011 and 31 December 2010 are 14,478,700 and 11,557,375, respectively.

In respect of the share options exercised during the year, the weighted average share price and exercise price at the dates of exercise was HK$14.519 and HK$4.6495, respectively (2010: HK$9.063 and 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.

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

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

28. Share Option Schemes *(continued)*

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

(4) In respect of the share options exercised during the year, the weighted average share price at the dates of exercise is HK$14.519 per share (2010: HK$9.063 per share). During the year ended 31 December 2011, no (2010: 95,000) share options granted to employees of the Group were lapsed due to departure of the employees. At 31 December 2011, the number of shares in respect of which options under the Pre-IPO Share Option Scheme had been granted and remained outstanding was 14,478,700 (2010: 16,294,250), representing 1.35% (2010: 1.52%) of the shares of the Company in issue at that date.

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

(6) The estimated fair values of the share options granted on 8 March 2007 were approximately 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 behavioural considerations. Changes in variables and assumptions may result in changes in the fair values of the Pre-IPO share options.

(7) No consideration is payable on the grant of the Company's Pre-IPO share options.

The Group recognised the total expense of HK$787,500 for the year ended 31 December 2011 (2010: HK$3,150,000) in relation to share options granted by the Company under the Pre-IPO Share Option Scheme.

29. Information of the statement of financial position of the Company

	2011 HK$'000	2010 HK$'000
Non-current assets		
Interests in subsidiary	**70,620**	51,685
Amount due from a subsidiary	**966,065**	676,352
	1,036,685	728,037
Current assets		
Other receivables	**–**	15
Amounts due from subsidiaries	**759,407**	860,520
Bank balances and cash	**391**	15,650
	759,798	876,185
Current liabilities		
Other payables	**661**	2,071
Bank loans	**233,490**	–
Dividend payable	**11**	8
	234,162	2,079
Net current assets	**525,636**	874,106
Total assets less current liabilities	**1,562,321**	1,602,143
Capital and reserves		
Share capital	**107,302**	107,060
Reserves *(note i)*	**1,455,019**	1,495,083
Total equity	**1,562,321**	1,602,143

29. Information of the statement of financial position of the Company

(continued)

Note i: Reserves

	Share premium HKD'000	Share options reserve HKD'000	Special reserve HKD'000 *(note)*	Retained profits (Accumulated losses) HKD'000	Total HKD'000
At 1 January 2010	1,794,830	14,749	(363,531)	39,055	1,485,103
Profit and total comprehensive income for the year	–	–	–	151,535	151,535
Share issued upon exercise of share options	14,209	(2,296)	–	–	11,913
Recognition of equity-settled share-based payments	–	6,856	–	–	6,856
Dividends recognised as distribution *(note 12)*	–	–	–	(160,324)	(160,324)
At 31 December 2010	1,809,039	19,309	(363,531)	30,266	1,495,083
Profit and total comprehensive income for the year	–	–	–	242,878	242,878
Share issued upon exercise of share options	13,831	(2,664)	–	–	11,167
Recognition of equity-settled share-based payments	–	16,216	–	–	16,216
Dividends recognised as distribution *(note 12)*	–	–	–	(310,325)	(310,325)
At 31 December 2011	1,822,870	32,861	(363,531)	(37,181)	1,455,019

Note: A debit amount of approximately HK$363 million represents the aggregate amount of the consideration which was settled by the Company with (i) cash consideration of approximately HK$207 million and (ii) share consideration of approximately HK$155 million for the acquisition of Luck Right and its subsidiaries from Ms. Poon Wai in 2008.

30. Financial instruments

(a) Categories of financial instruments

Financial assets

	2011 HK$'000	2010 HK$'000
Loans and receivables	**1,940,393**	2,018,653
Available-for-sale investments	**5,537**	5,537
	1,945,930	2,024,190
Financial liabilities		
Liabilities measured at amortised costs	**700,206**	477,366

30. 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, restricted cash, bank balances and cash, trade and other payables, amounts due to related companies/a shareholder/directors/a non-controlling shareholder, dividend payable and 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 monetary 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 2011 and 31 December 2010 are approximately HK$298,723,000 and HK$162,807,000, respectively.

The carrying amounts of the Group's bank loans are denominated in foreign currency, representing USD, as at 31 December 2011 are HK$233,490,000 (2010: nil).

The Group currently does not have a foreign currency hedging policy but the directors of the Company monitor foreign exchange exposure by closely monitoring the foreign exchange risk profile by way of arrangement of foreign currency forward contracts and will consider hedging significant foreign currency exposure should the need arise.

Sensitivity analysis

This sensitivity analysis details the Group's sensitivity to a 5% appreciation and depreciation in each relevant foreign currency against functional currency, RMB. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currencies denominated monetary items and adjusts their translation at the end of the year end for a 5% change in foreign currency rates. A positive number below indicates an increase in post-tax profit for the year and a negative number below indicates a decrease in post-tax profit for the year where the relevant foreign currencies fluctuate 5% against RMB.

30. Financial instruments *(continued)*

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

Currency risk (continued)

Sensitivity analysis *(continued)*

	2011 HK$'000	2010 HK$'000
HK$ impact		
– HK$ strengthens against RMB by 5%	–	(5,947)
– HK$ weakens against RMB by 5%	–	5,947
USD impact *(note)*		
– USD strengthens against RMB by 5%	2,313	6,105
– USD weakens against RMB by 5%	(2,313)	(6,105)

Notes: 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.

For the foreign currency forward contracts, the sensitivity analysis has been estimated based on the contracts outstanding at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates an increase in post-tax profit for the year and a negative number below indicates a decrease in post-tax profit for the year where the relevant foreign currency forward rate of the foreign currency of the Company's principal subsidiary, i.e. USD, change 5% against RMB.

	Year ended 31 December	
	2011 HK$'000	2010 HK$'000
USD impact		
– if USD strengthens against RMB	9,572	–
– if USD weakens against RMB	(9,572)	–

In the opinion of the directors of the Company, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the reporting period end exposures do not reflect the exposure during the year.

30. Financial instruments *(continued)*

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

Interest rate risk

As at 31 December 2011 and 31 December 2010, the Group is exposed to cash flow interest risk in relation to variable-rate bank balances and bank loans (see notes 23 and 26 for details of these balances). Management monitors interest rate exposures and will consider hedging significant interest rate risk should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for interest-bearing financial instruments at the 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 in interest rate for variable-rate bank balances outstanding as at 31 December 2011 and 2010 and 50 basis point increase or decrease in interest rate for variable bank loans for the year ended 31 December 2011 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$14,918,000 (2010: HK$15,978,000).

For the year ended 31 December 2011 if interest rates of 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 approximately HK$12,253,000 (2010: HK$5,947,000).

Credit risk

As at 31 December 2011, the Group's principal financial assets are trade and other receivables, amount due from related companies, restricted cash 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 2011, the five largest trade receivables, including three (2010: four) based in the PRC and two (2010: one) based in Hong Kong who are engaged in sales of consumer products accounted for approximately 28.1% (2010: 23.9%) 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.

There is concentration of credit risk on bank balances and cash for the Company as at 31 December 2011 and 31 December 2010. As at 31 December 2011 balances with three (2010: four) largest banks accounted for 42% (2010: 46%) of bank balances and cash (2010: bank balances and cash and restricted cash) of the Group. The credit risk on liquid funds 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.

30. Financial instruments *(continued)*

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

Liquidity risk management

The directors of the Company has adopted a liquidity risk management framework for the management of the Group's short-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. The following tables also detail the Group's liquidity analysis for its derivative financial instruments, which are prepared based on the contractual maturities as the management considers that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

	Weighted effective interest rate	**Less than six months**	**Six months to one year**	**Total undiscounted cash flows**	**Carrying amounts**
	%	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2011					
Financial liabilities					
Non-interest bearing		**406,716**	**–**	**406,716**	**406,716**
Variable-rate interest bearing instruments	**0.96%**	**234,731**	**60,405**	**295,136**	**293,490**
		641,447	**60,405**	**701,852**	**700,206**
At 31 December 2010					
Financial liabilities					
Non-interest bearing		334,926	–	334,926	334,926
Variable-rate interest bearing instruments	1.96%	1,396	143,232	144,628	142,440
		336,322	143,232	479,554	477,366

(c) Fair value

Save as mentioned elsewhere in the consolidated financial statements, the fair value of financial assets and financial liabilities 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.

31. 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 debt, which includes the bank loans, and equity attributable to owners of the Company comprising share capital, reserves and retained profits as disclosed in the consolidated financial statements.

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.

32. Acquisition of subsidiaries

On 1 January 2011, the Group acquired 90% of the issued capital of Domon (International) Limited and Domon (China) Limited (hereinafter collectively referred to as "Domon Entities") for cash consideration of HK$27,000,000 from an independent third party neither connected to nor related to the Group. The acquisition has been accounted for using the acquisition method. The amount of goodwill arising as a result of the acquisition was HK$7,656,000. Domon Entities are engaged in retail chain restaurants in Hong Kong. The Group acquired the Domon Entities as the Group wishes to penetrate market of retail chain restaurants in Hong Kong.

Acquisition-related costs amounting to approximately HK$420,000 have been excluded from the consideration transferred and have been recognised as an expense in current year, within the other operating expenses line item in the consolidated statement of comprehensive income.

Assets acquired and liabilities recognised at the date of acquisition

	HK$'000
Intangible assets	15,800
Plant and equipment	2,000
Cash and cash equivalents	2,590
Trade and other receivables	4,362
Inventories	197
Trade and other payables	(1,347)
Taxation payable	(1,258)
Net assets acquired	22,344

The fair value of trade and other receivables at the date of acquisition amounted to approximately HK$4,362,000, which represented the gross contractual amounts and the expected recoverable cash flows of such receivables on the date of acquisition.

32. Acquisition of subsidiaries *(continued)*

Goodwill arising on acquisition

	Total
	HK$'000
Consideration transferred	27,000
Plus: non-controlling interests (10% in Domon Entities)	3,000
Less: net assets acquired	(22,344)
Goodwill arising on acquisition *(note 17)*	7,656

Non-controlling interests

The non-controlling interests (10%) in Domon Entities recognised at the acquisition date was measured by reference to the fair value of the non-controlling interests and amounted to HK$3,000,000. This fair value was estimated by applying an income approach. The following are the key model inputs used in determining the fair value:

- assumed discount rate of 11.21%;
- assumed long-term sustainable growth rate of 4.00%; and
- assumed adjustments because of the lack of control or lack or marketability that market participants would consider when estimating the fair value of the non-controlling interests in Domon Entities.

Goodwill arose on the acquisition of Domon Entities as the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Domon Entities. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on the acquisition is expected to be deductible for tax purposes.

Net cash outflow on acquisition of subsidiaries

	HK$'000
Consideration paid in cash	27,000
Less: cash and cash equivalent balances acquired	(2,590)
	24,410

32. Acquisition of subsidiaries *(continued)*

Impact of acquisition on the results of the Group

Included in the profit for the year is operating profits of approximately HK$3,519,000 attributable to the additional business generated by Domon Entities. Revenue for the year ended 31 December 2011 includes approximately HK$32,471,000 generated from Domon Entities.

Intangible assets acquired

The intangible assets acquired by the Group mainly represented the trade names of the Domon Entities. In the opinion of the directors of the Company, the Group will not incur significant costs to renew such tradenames. Accordingly, the intangible assets are deemed to have an indefinite useful life and are carried at cost less any subsequent accumulated impairment losses.

Impairment testing on goodwill and intangible assets with indefinite useful life

For the purpose of impairment testing, goodwill of approximately HK$7,656,000 and intangible assets of approximately HK$15,800,000 have been allocated to cash-generating units, Domon Entities (the "Domon Cash Generating Units"). As at 31 December 2011, the directors of the Company determined that no impairment is identified for this Domon Cash Generating Units.

The basis of the recoverable amount of the Domon Cash Generating Units and the major underlying assumptions are summarized below:

- The recoverable amount of the Domon Cash Generating Units has been determined based on value in use calculation.

- That calculation uses cash flow projections based on financial budgets approved by management covering five year period and a discount rate of 10.40% at 31 December 2011. The discount rate of 10.40% is the return of the Group's assets that reflects current market assessments of the time value of money and the specific risk associated with the Domon Cash Generating Units, after taking into account of the weighted average cost of equity and debt. The cashflows for the years beyond the five year period are explorated using a growth rate of 13% per annum.

Other key assumption for the value in use calculation related to the estimation of cash inflows and outflows include budgeted sales and gross margin. Such estimation is based on the Domon Cash Generating Units' past performance and management's expectations for the market development.

33. Major non-cash transaction

During the year ended 31 December 2010, the Group transferred its investment properties with carrying value of approximately HK$7,373,000 to property interests held under operating leases. Details are set out in note 14 to the consolidated financial statements.

During the year ended 31 December 2010, the Group transferred its remaining balance of prepaid lease rental with carrying values of approximately HK$3,542,000 to property, plant and equipments. Details are set out in note 15 to the consolidated financial statements.

34. Capital commitments

	2011 HK$'000	2010 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of the acquisition of		
– property, plant and equipment	30,641	63,432
– land leases	–	21,368
	30,641	84,800

35. Pledge of assets

	2011 HK$'000	2010 HK$'000
Investment properties	73,900	–
Property, plant and equipment	11,250	–
Prepaid lease payments	21,421	–
Restricted cash	–	142,440
	106,571	142,440

36. 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:

	2011 HK$'000	2010 HK$'000
Within one year	233,827	234,695
In the second to fifth year inclusive	862,304	772,890
After five years	341,077	281,600
	1,437,208	1,289,185

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

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

37. Operating lease arrangements

The Group as lessor

The Group's properties with carrying amounts of approximately HK$327,161,000 (2010: HK$278,412,000) were held for rental purposes. These properties are expected to generate an annualised rental yield of approximately 4% (2010: 4%) 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:

	2011 HK$'000	2010 HK$'000
Within one year	9,757	13,852
In the second to fifth year inclusive	22,636	4,979
	32,393	18,831

38. Retirement benefits scheme

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

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

The total cost charged to profit or loss for the year is approximately HK$59,495,000 (2010: HK$37,069,000) and amounts due to the MPF and state-managed retirement plans included in trade and other payables is approximately HK$1,228,000 (2010: HK$803,000).

39. Related party transactions

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

Relationship with related party	Nature of transaction	2011 HK$'000	2010 HK$'000
Shigemitsu Industry Co., Ltd., a company Mr. Kasuaki Shigemitsu has controlling interests	Sales of noodles and related products	520	421
	Purchases of raw materials	55,654	52,977
	Franchise commissions paid	29,947	22,669
Companies in which Ms. Poon has controlling interests	Property rental received	169	325
Ms. Poon	Property rentals paid	2,276	1,943
Companies in which Mr. Poon Ka Man, Jason, a director of the Company, has controlling interests	Decoration expenses paid	2,971	2,494

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

	2011 HK$'000	2010 HK$'000
Short-term employee benefits	8,002	7,778
Retirement benefits scheme contributions	161	95
Share-based payment	1,308	1,604
	9,471	9,477

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

40. Principal subsidiaries

Details of the Company's principal subsidiaries at 31 December 2011 and 31 December 2010 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 2011	2010	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 to group companies
Brilliant China Holdings Limited	Hong Kong	HK$10,000	100%	100%	Operating the Group's Hong Kong office and food processing Ajisen factory
Colour Wave Development Limited	Hong Kong	HK$10,000	100%	100%	Operating an Ajisen chain restaurant
Festive Profits Limited	British Virgin Islands	US$100	100%	100%	Investment holding
Fortune Choice Limited	Hong Kong	HK$10,000	100%	100%	Holding company of Shenzhen factory and trading of noodles
Gold Regent Limited	Hong Kong	HK$10,000	100%	100%	Operating an Ajisen chain restaurant
Hong Kong Ajisen Co., Ltd.	Hong Kong	HK$10,000	100%	100%	Operating an Ajisen chain restaurant
Hong Kong Ajisen Food Company Limited	Hong Kong	HK$10,000	100%	100%	Operating an Ajisen chain restaurant
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

40. Principal subsidiaries *(continued)*

Name of subsidiary	Place of incorporation/ establishment/ operations	Nominal value of issued and fully paid share capital/ registered capital	Attributable proportion of nominal value of issued share capital/ registered capital held by the Company 2011	2010	Principal activities
Ocean Talent Limited	Hong Kong	HK$10,000	100%	100%	Operating an Ajisen chain restaurant
Pacific Smart Limited	Hong Kong	HK$10,000	100%	100%	Operating an Ajisen chain restaurant
Seamax Limited	Hong Kong	HK$10,000	100%	100%	Operating an Ajisen chain restaurant
Sunny Pearl Investment Limited	Hong Kong	HK$10,000	100%	100%	Operating an Ajisen chain restaurant
Top Overseas Limited	Hong Kong	HK$10,000	100%	100%	Operating an Ajisen chain restaurant
Wintle Limited	Hong Kong	HK$10,000	100%	100%	Operating an Ajisen chain restaurant
Well Good Limited	Hong Kong	HK$10,000	100%	100%	Operating an Ajisen chain restaurant
領先食品（上海）發展有限公司 Lead Food (Shanghai) Development Co. Ltd.	PRC wholly foreign owned enterprise	US$1,200,000	100%	100%	Operating a noodle factory in Shanghai, the PRC
上海領先餐飲管理有限公司 Shanghai Lead Food & Restaurant Management Co. Ltd.	PRC wholly foreign owned enterprise	US$20,000,000	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

40. Principal subsidiaries *(continued)*

Name of subsidiary	Place of incorporation/ establishment/ operations	Nominal value of issued and fully paid share capital/ registered capital	Attributable proportion of nominal value of issued share capital/ registered capital held by the Company 2011	2010	Principal activities
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
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
重慶味千餐飲管理有限公司 Chongqing Weiqian Food & Restaurant Management Co. Ltd.	PRC limited liability enterprise	RMB1,500,000	100%	100%	Operating Ajisen chain restaurants in Chongqing, the PRC
大連味千餐飲有限公司 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
Weiqian Noodle Food Service (Shenzhen) Co., Ltd. 領鮮食品(上海)有限公司	PRC limited liability enterprise	USD15,000,000	100%	100%	Operating a noodle factory in Shanghai, the PRC
味千拉面深圳有限公司 Weiqian Noodle (Shenzhen) Co., Ltd.	PRC wholly foreign owned enterprise	RMB18,437,000	100%	100%	Operating a noodle factory in Shenzhen, the PRC

* Directly held by the Company

40. Principal subsidiaries *(continued)*

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.

41. Events after the reporting period

(A) Pursuant to written resolutions of the directors of the Company dated 19 January 2012, 22,340,000 share options of the Company previously granted on 26 August 2011 under the Share Option Scheme were modified to reduce the exercise price from HK$11.16 to HK$9.42 per share. The modification of terms of the share options would increase the fair values of the relevant share options which the fair value increment will be recognised in profit or loss over these share options remaining vesting period. The directors of the Company are in the process of estimating the impact of the transaction to the performance and financial position to the Group.

(B) On 26 January, 2012, an indirect wholly-owned subsidiary of the Company, namely Ajisen Project Limited ("Ajisen Project"), acquired additional 10% equity interests in a private entity established in British Virgin Islands carrying out food and beverage business (including but not limit to barbecue) in the PRC (the "Investments") in which Ajisen Project, Amni Trust and an independent third party (the "Vendor") which is neither connected nor related to the Company owned 5%, 5% and 90% equity interests, respectively, at 31 December 2011 at a cash consideration of HK$15,000,000 from the Vendor. Immediately upon completion of the transaction, the Group owned 15% equity interests in the Investments and would neither gain control nor significant influence of the Investments. The investments would remain as available-for-sale investments as reflected in the consolidated statement of financial position at 31 December 2011 and upon completion of the transaction.

Properties Held for Investment

Name/Location		Type	Carrying values in existing state at 31 December 2011 HK$'000	Lease term
1.	Units 903 to 908, Block A Xinian Centre, Tairanjiu Road Futian District, Shenzhen City, Guangdong Province, the PRC	C	12,335	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	54,680	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	73,900	Medium-term lease
4.	Limit 2110 to 2116, 2118, 2121, 2214 and 2 underground car packing spaces, No. 1399, Haining Road, Zhabei District, Shanghai City, the PRC	C	9,066	Medium-term lease
5.	Unit 1-12, 18/F, Huaihai Middle Road No. 333, Luwan District, Shanghai, the PRC	C	167,756	Medium-term lease
6.	Room 51801 and 51802, 18/F Unit 5, Block 1, Wangzuo Guojicheng, No. 3 Tongyan Road New District, Xi'an City Shaanxi Province, the PRC	C	9,424	Medium-term lease

Type of properties: C-commercial

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

Financial Summary

	Year ended 31 December				
	2007	2008	2009	2010	**2011**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
RESULTS					
Turnover	1,081,970	1,673,072	1,985,726	2,680,538	**3,074,978**
Profit before taxation	307,205	298,912	434,101	622,194	**516,064**
Taxation	(68,167)	(68,554)	(104,175)	(153,644)	**(150,115)**
Profit for the year	239,038	230,358	329,926	468,550	**365,949**
Attributable to:					
– owners of the Company	231,572	220,841	314,456	447,334	**349,906**
– non-controlling interests	7,466	9,517	15,470	21,216	**16,043**
	239,038	230,358	329,926	468,550	**365,949**

	As at 31 December				
	2007	2008	2009	2010	**2011**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
ASSETS AND LIABILITIES					
Total assets	2,434,037	2,576,058	2,786,023	3,474,813	**3,832,166**
Total liabilities	(230,544)	(363,924)	(335,699)	(627,388)	**(835,081)**
Net assets	2,203,493	2,212,134	2,450,324	2,847,425	**2,997,085**

AJISEN RAMEN
味千拉麵

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