AJISEN RAMEN
味千拉麵

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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 538)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

2010 ANNUAL RESULTS HIGHLIGHTS

	For the year ended 31 December		
	2010	2009	**% Change Increase/ (Decrease)**
	(HK$'000)	*(HK$'000)*	
Turnover	**2,680,538**	1,985,726	35.0
Sales from restaurant operation	**2,576,837**	1,903,181	35.4
Gross profit	**1,854,239**	1,384,894	33.9
Profit before taxation	**622,194**	434,101	43.3
Profit attributable to owners of the Company	**447,334**	314,456	42.3
Basic earnings per share (HK cents)	**41.83**	29.45	42.0
Proposed final and special dividend per share (HK cents)	**23.00**	15.00	53.3
Total number of restaurants (at 31 December)	**508**	398	27.6

ANNUAL RESULTS

The board of directors (the "Board") of Ajisen (China) Holdings Limited (the "Company" or "Ajisen") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2010 together with the comparative figures for the year 2009 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Turnover	3	**2,680,538**	1,985,726
Other income		**67,157**	65,918
Other gains and losses		**(14,065)**	9,912
Cost of inventories consumed		**(826,299)**	(600,832)
Staff costs		**(471,393)**	(339,965)
Depreciation		**(129,420)**	(113,029)
Property rentals and related expenses		**(353,059)**	(290,702)
Other operating expenses		**(330,661)**	(281,767)
Finance costs		**(604)**	(1,160)
Profit before taxation	4	**622,194**	434,101
Taxation	5	**(153,644)**	(104,175)
Profit for the year		**468,550**	329,926
Other comprehensive income			
Exchange differences arising on translation		**73,567**	591
Fair value gain on available-for-sale investments		**–**	50
Reclassification adjustment of fair value gain to profit or loss on disposal of available-for-sale investments		**–**	(86)
Gain on revaluation of properties		**–**	1,862
Income tax relating to components of other comprehensive income		**–**	(465)
Other comprehensive income for the year (net of tax)		**73,567**	1,952
Total comprehensive income for the year		**542,117**	331,878
Profit for the year attributable to:			
Owners of the Company		**447,334**	314,456
Non-controlling interests		**21,216**	15,470
		468,550	329,926
Total comprehensive income attributable to:			
Owners of the Company		**518,508**	316,195
Non-controlling interests		**23,609**	15,683
		542,117	331,878
Dividends	6	**160,324**	100,896
		HK$ cents	*HK$ cents*
Earnings per share			
– Basic	7	**41.83**	29.45
– Diluted		**41.45**	29.41

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Non-current assets			
Investment properties		**278,412**	122,987
Property, plant and equipment		**772,549**	546,757
Prepaid lease payments		**58,091**	51,762
Deposits paid for acquisition of investment properties		**–**	22,795
Deposits paid for acquisition of property, plant and equipment		**1,586**	1,522
Deposits paid for acquisition of land leases		**57,297**	36,321
Rental deposits		**58,041**	34,832
Goodwill		**37,135**	37,135
Deferred tax assets		**2,973**	3,247
Available-for-sale investments		**5,537**	537
		1,271,621	857,895
Current assets			
Inventories		**82,366**	55,737
Trade and other receivables	*8*	**144,679**	100,450
Amounts due from related parties		**32**	27
Taxation recoverable		**4,954**	2,042
Other financial assets	*9*	**–**	68,182
Restricted cash		**142,440**	–
Bank balances and cash		**1,828,721**	1,701,690
		2,203,192	1,928,128
Current liabilities			
Trade and other payables	*10*	**362,683**	241,365
Amounts due to related companies		**2,385**	8,924
Amounts due to directors		**544**	544
Amount due to a shareholder		**23,753**	18,679
Dividend payable		**8**	5
Taxation payable		**70,617**	50,893
Secured bank loans		**142,440**	–
		602,430	320,410
Net current assets		**1,600,762**	1,607,718
Total assets less current liabilities		**2,872,383**	2,465,613

	2010	2009
	HK$'000	*HK$'000*
Non-current liability		
Deferred tax liabilities	**24,958**	15,289
	24,958	15,289
Net assets	**2,847,425**	2,450,324
Capital and reserves		
Share capital	**107,060**	106,791
Reserves	**2,674,541**	2,297,588
Equity attributable to owners of the Company	**2,781,601**	2,404,379
Non-controlling interests	**65,824**	45,945
Total equity	**2,847,425**	2,450,324

Notes:

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

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied a number of new and revised standards and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The adoption of the new and revised HKFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

The Group applies HKFRS3 (Revised 2008) "Business Combinations" prospectively to business combinations for which the acquisition date is on or after 1 January 2010.

As there was no transaction during the current year in which HKFRS3 (Revised 2008) is applicable, the application of HKFRS3 (Revised 2008) and the consequential amendments to other HKFRSs had no effect on the consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS3 (Revised 2008) and the consequential amendments to the other HKFRSs are applicable.

The application of HKAS 27 (revised 2008) has resulted in changes in the Group's accounting policies for changes in ownership interests in subsidiaries of the Group. Specifically, HKAS 27 (revised 2008) has affected the Group's accounting policies regarding changes in the Group's ownership interests in its subsidiaries that do not result in loss of control. In prior years, in the absence of specific requirements in HKFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised, when appropriate; for decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss. Under HKAS 27 (revised 2008), all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, HKAS 27 (revised 2008) requires the Group to derecognise all assets, liabilities and non-controlling interests at their carrying amounts and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

These changes have been applied prospectively from 1 January 2010 in accordance with the relevant transitional provisions. The application of HKAS 27 (revised 2008) has no material impact on the consolidated financial statements for the year ended 31 December 2010 as there were no changes in ownership interests in subsidiaries of the Group in this year.

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010[1]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[3]
HKFRS 9	Financial Instruments[4]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
HKAS 24 (Revised)	Related Party Disclosures[6]
HKAS 32 (Amendments)	Classification of Rights Issues[7]
HKFRIC – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[6]
HKFRIC – Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

1 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate
2 Effective for annual periods beginning on or after 1 July 2010
3 Effective for annual periods beginning on or after 1 July 2011
4 Effective for annual periods beginning on or after 1 January 2013
5 Effective for annual periods beginning on or after 1 January 2012
6 Effective for annual periods beginning on or after 1 January 2011
7 Effective for annual periods beginning on or after 1 February 2010

HKFRS 9 Financial Instruments (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 Financial instruments (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

- Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. The directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for the annual period beginning on 1 January 2013 and that the application of HKFRS 9 may have an impact on the consolidated financial statements as the Group's available-for-sale investments that are currently measured at cost less any identified impairment losses will be measured upon adoption.

The amendments to HKAS 12 titled Deferred Tax: Recovery of Underlying Assets mainly deal with the measurement of deferred tax for investment properties that are measured using the fair value model in accordance with HKAS 40 Investment Property. Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. The directors anticipate that the application of the amendments to HKAS 12 may have an impact on deferred tax recognised for investment properties that are measured using the fair value model.

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

3. 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 and organised by different operating division and geographical locations 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.

Segment revenue and results

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

For the year ended 31 December 2010

	Operation of restaurants			Manufacture and sales of noodles and related	Investment	Segment		
	PRC	Hong Kong	Total	products	holding	total	Elimination	Total
	HK$'000	*HK$'000*	*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 *(note)*	**–**	**–**	**–**	**493,630**	**–**	**493,630**	**(493,630)**	**–**
	2,290,480	**286,357**	**2,576,837**	**597,331**	**–**	**3,174,108**	**(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**

For the year ended 31 December 2009

	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	1,646,901	256,280	1,903,181	82,545	–	1,985,726	–	1,985,726
– inter-segment sales *(note)*	–	–	–	358,209	–	358,209	(358,209)	–
	1,646,901	256,280	1,903,181	440,754	–	2,343,935	(358,209)	1,985,726
Segment profits	403,449	36,026	439,475	12,806	15,845	468,126	–	468,126
Unallocated income								22,230
Unallocated expenses								(55,095)
Finance costs								(1,160)
Profit before taxation								434,101
Taxation								(104,175)
Profit for the year								329,926

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

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.

Other information

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

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

	2010 *HK$'000*	2009 *HK$'000*
The PRC	**1,041,231**	609,467
Hong Kong	**221,880**	244,644
	1,263,111	854,111

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 2010 and 31 December 2009.

None of the customers accounted for 10% or more of the total turnover of the Group during the years ended 31 December 2010 and 31 December 2009.

4. PROFIT BEFORE TAXATION

	2010 *HK$'000*	2009 *HK$'000*
Profit before taxation has been arrived at after charging:		
Cost of inventories consumed *(note a)*	**826,299**	600,832
Directors' remuneration	**5,998**	5,143
Other staff's salaries, wages and other benefits	**422,569**	295,830
Other staff's retirement benefits scheme contributions	**37,032**	33,262
Other staff's share-based payment expenses	**5,794**	5,730
Total staff costs	**471,393**	339,965
Allowance for doubtful debts	**2,008**	58
Auditor's remuneration	**2,900**	2,500
Non-audit services	**600**	1,477
	3,500	3,977
Fuel and utility expenses	**129,572**	113,617
Operating lease rentals in respect of		
– land lease	**1,420**	1,534
– rented premises	**313,487**	257,545

Notes:

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

5. TAXATION

	2010	2009
	HK$'000	*HK$'000*
Hong Kong Profits Tax	**8,200**	7,150
PRC income tax		
– Current year	**125,227**	89,057
– Over provision in prior years	**(3,726)**	–
– Withholding taxes paid	**7,000**	–
	136,701	96,207
Deferred taxation	**16,943**	7,968
	153,644	104,175

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the years ended 31 December 2010 and 31 December 2009.

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

Certain of the Group's subsidiaries operating in the PRC and eligible for certain tax holidays and concessions for the years ended 31 December 2010 and 31 December 2009.

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 2010 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.

6. DIVIDENDS

	2010	2009
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
Final, paid – HK7.50 cents per share for 2009 (2009: paid – HK5.25 cents per share for 2008)	**80,162**	56,054
Special, paid – HK7.50 cents per share for 2009 (2009: paid – HK4.20 cents per share for 2008)	**80,162**	44,842
	160,324	100,896

A final dividend of HK10.5 cents per ordinary share (2009: HK7.50 cents per share) and a special dividend of HK12.5 cents per ordinary share (2009: HK7.50 cents per share) has been proposed by the directors and is subject to approval by the shareholders in the annual general meeting.

7. 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:

	2010	2009
	HK$'000	*HK$'000*
Earnings for the purposes of basic and diluted earnings per share, being profit for the year attributable to owners of the Company	**447,334**	314,456
	Number of shares	
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,069,305,580**	1,067,719,635
Effect of dilutive potential ordinary shares relating to: – outstanding share options	**9,801,081**	1,596,252
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,079,106,661**	1,069,315,887

8. TRADE AND OTHER RECEIVABLES

	2010	2009
	HK$'000	*HK$'000*
Trade receivables		
– related companies	**578**	382
– others	**31,749**	30,788
	32,327	31,170
Rental and utility deposits	**26,236**	33,421
Property rentals paid in advance for restaurants	**21,258**	15,852
Advance to suppliers	**21,179**	3,220
Other receivables and prepayments	**43,679**	16,787
	144,679	100,450

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

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

	2010	2009
	HK$'000	*HK$'000*
Age		
0 to 30 days	**24,088**	17,632
31 to 60 days	**2,596**	4,657
61 to 90 days	**585**	2,161
91 to 180 days	**1,423**	2,976
Over 180 days	**3,635**	3,744
	32,327	31,170

9. OTHER FINANCIAL ASSETS

	2010	2009
	HK$'000	*HK$'000*
Financial assets designated as at fair value through profit or loss ("FVTPL")	**–**	68,182

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

31 December 2009

Deposit linked to USDEUR Booster

Notional amount	**Start date**	**Deposit end date**	**Interest rate**	**Fair value**
				HK$'000
RMB60,000,000	21 October 2009	21 April 2010	variable	68,182

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

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

The other financial assets at 31 December 2009 were fully settled during the year ended 31 December 2010.

10. TRADE AND OTHER PAYABLES

	2010	2009
	HK$'000	*HK$'000*
Trade payables		
– related companies	**5,988**	4,883
– others	**144,919**	94,416
	150,907	99,299
Payroll and welfare payables	**50,576**	32,287
Customers' deposits received	**12,408**	5,831
Payable for acquisition of property, plant and equipment	**38,032**	32,086
Payable for property rentals	**33,530**	37,093
Other taxes payable	**38,610**	16,866
Others	**38,620**	17,903
	362,683	241,365

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

The following is an aged analysis of trade payables presented based on invoice dates at the end of each reporting period:

	2010	2009
	HK$'000	*HK$'000*
0 to 30 days	**90,297**	74,421
31 to 60 days	**43,504**	11,244
61 to 90 days	**9,512**	3,215
91 to 180 days	**5,345**	3,787
Over 180 days	**2,249**	6,632
	150,907	99,299

DIVIDEND

A final dividend of HK10.5 cents per ordinary share (2009: HK7.50 cents) and a special dividend of HK12.5 cents per ordinary share (2009: HK7.50 cents) for the year ended 31 December 2010 have been proposed by the Board and is subject to the approval by the shareholders at the annual general meeting (''AGM'') to be held on 11 May 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Review

There had been uncertainties in the recovery of the global economy during 2010. Impact from international financial crisis had not yet faded out. The new European sovereign debt crisis and the Quantitative Easing as a monetary policy implemented by the United States accelerated the volatility and uncertainty in the global financial and commodities market. This had brought certain effect on the upward momentum of the economy in China. Despite such adverse external environment, the economy of China still sustained relatively high speed of growth. The gross domestic product in China recorded a year-on-year increase of 10.3% in 2010. The amount exceeded that of Japan, and became the second largest economy in the world after the United States. Under the policies and measures aiming to promote domestic demand and increase welfare benefits in China, consumption is regarded as a mean to stimulate economic growth. In 2010, the contribution of consumption to GDP remained steady at 37.3%, and led to a growth in GDP by 3.9 percentage points. In 2010, the revenue from the F&B market in China amounted to approximately RMB1,763.6 billion, representing a year-on-year rise of 18.0%, and achieved double-digit growth for twenty consecutive years.

As a result of the stable growth in the economy, income of the residents in both urban and rural area increased. With the pace of life accelerating, improved views in consumption and changes in the consumption pattern, families are more accustomed to travel and dine out. In particular, with major events, such as World Expo held in Shanghai and Asian Games held in Guangzhou during the year further generated opportunities for people to dine out. The growth of F&B industry was 10 percentage points higher than other industries. The F&B industry in China is demonstrating its enormous growth potential. On the other hand, as influenced by the business model of international fast food operation, traditional F&B restaurants rapidly transformed to modern F&B restaurants during recent years. There are more restaurants that serve fusion menu combining Chinese and international cuisine. Operation was reorganized into chain store scale. Chain restaurants became an integral part to the F&B industry. Fast casual restaurants ("FCR") integrating the characteristics of traditional restaurants and fast food restaurants are in a better position to fulfill the consumption demand in the modern society. FCR gradually became a part of living and the number of consumers grew year-on-year. Hence, the market share of FCR continued to expand. In future, competition in the F&B industry will become more intensive and more F&B enterprises will tend to develop as a group and operate in the form of chain stores. More efforts will be devoted to brand marketing and innovation in business model.

The extent of increase rise in consumer price index ("CPI") was relatively greater year-on-year for 2010. In particular, since the beginning of the second half of the year, inflation became more significant. During the fourth quarter, the increase in CPI reached 4.7%, of which food price recorded the biggest jump due to the increase of cereals price in the international market. Significant increase in food price led to the control of costs in raw materials by the F&B industry more difficult. Minimum wage rate revised upward throughout all provinces and cities in China during 2010. This, together with inflation, caused a general increase in staff costs. The F&B industry faced pressure in controlling its costs from two sides, namely food and raw material as well as staff.

Despite facing the challenges discussed above, the Group will fully leverage on our competitive edge in product research and development, business model and centralized purchasing to enhance efficiency in internal management and mitigate the negative effect brought by inflation so as to maximize the earnings of the Company. In the meantime, by capitalizing on the branding effect of "Ajisen", we will extend our cooperation with strategic partners vertically and horizontally. This will in turn ensure the rapid and steady expansion of the restaurant network.

2011 is the first year for the Twelfth Five-Year Plan prescribing the economic and social development of the State. The priorities for development as set out in the Twelfth Five-Year Plan are namely restructuring of the economy, increase of domestic demand, enhancement of consumption spending and achievement of synchronization in the level of resident income and the standard of economic development. The F&B industry is one of the pillars in the traditional servicing industries in China, which occupies an important role to consumption. It is becoming apparent in improving livelihood of the people. There is ample room of development offered under the Twelfth Five-Year Plan for the F&B industry in future. The F&B industry will definitely become a new focus for the growth in economy as well as investment in China in this century. Looking ahead, as a leading FCR chain operator in Mainland China and Hong Kong, the Group is optimistic to overcome the new challenges and ensure the delivery of a sustainable and steady growth in its annual results.

Business Review

In 2010, thanks for the steady and relatively rapid growth of China economy together with our effort in development of restaurant network, the Group's key performance indicators such as turnover, gross profit and profit attributable to the owners of the Company demonstrated double-digit growth. Profitability also improved substantially. For the year ended 31 December 2010, the Group's turnover increased from approximately HK$1,986 million in 2009, by approximately 35.0% to approximately HK$2,681 million in 2010. The gross profit of the Group reached approximately HK$1,854 million, an increase of approximately 33.9% from last year. In particular, profit attributable to the owners of the Company increased by approximately 42.3% to approximately HK$447 million from approximately HK$314 million last year, the extent of which was much greater than the increase in turnover. Net profit margin also increased from approximately 16.6% last year to approximately 17.5%. This showed that profitability of the Group improved significantly during the year. Correspondingly, basic earnings per share rose from HK29.45 cents last year to HK41.83 cents per ordinary share.

In view of the steady growth in the profit attributable to the owners of the Company during the year, the Board recommended a final dividend of HK10.5 cents and a special dividend of HK12.5 cents per ordinary share for the year ended 31 December 2010 as a return to the shareholders.

During the year, with steady and relatively rapid growth of China economy, the Group actively adjusted development strategies, which substantially advanced the profitability while maintaining the rapid and steady expansion of the FCR network. Emphasis was placed on the development at second and third tier cities in Central and Western China. As at 31 December 2010, the Group had a total of 508 chain restaurants, an increase of 110 chain restaurants from 398 chain restaurants in 2009. The Group's restaurant network covers about 86 cities in 27 provinces and municipalities in China, an addition of 16 cities from the end of 2009.

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 2010, the Group has two major production bases in Shanghai and Shenzhen, and 12 food manufacturing and processing centres throughout China, the Group also steadily pursued the construction of four new production bases in order to accommodate the pace and demand from the planned expansion of its FCR network.

During the year, efficiencies derived from economies of scale were achieved as the deployment in the Group's FCR network became mature especially in second and third tier cities. In the meantime, the Group placed emphasis on the quality of new restaurants opened. The Group continues to focus on the expansion of medium-to-small size restaurants. The mode of small input and high output further enhanced operational efficiency and profitability. On the other hand, the Group tightly controlled its costs and expenses in different segments of operation. This contributed to a significant fall in the proportion of various expenses to turnover.

During the year, the Group's cost of inventories consumed as a proportion to turnover was approximately 30.8%, indicating a slight increase of approximately 0.5 percentage points from that of the corresponding period last year. Accordingly, gross profit margin decreased from approximately 69.7% last year to approximately 69.2% in 2010. By leveraging 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 17.6% of the turnover, which was approximately 0.5 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 13.2%, which was approximately 1.5 percentage points lower 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. With a relatively rapid increase in turnover, rental costs will be further diluted, the ratio of rental and related costs proportion to turnover will decrease correspondingly.

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 500 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 and Beijing. It is expected that the system will be implemented in Southern and Central China during 2011. 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 2010, the Group's major business and primary source of income continue to stem from the retail chain restaurant business. During the year, the Group's restaurant business income recorded approximately HK$2,576,837,000 (2009: HK$1,903,190,000), accounted for approximately 96.1% (2009: 95.8%) of the Group's total revenue.

As at 31 December 2010, the Group's restaurant portfolio consisted of 508 Ajisen chain restaurants, comprising the following:

	31 December 2010	31 December 2009	+/–
By type:			
Owned and managed	**506**	396	52
Owned but not managed	**2**	2	–
Total	**508**	398	52
By provinces:			
Shanghai	**111**	92	19
Beijing	**30**	31	-1
Tianjin	**4**	3	1
Guangdong (excluding Shenzhen)	**51**	31	20
Shenzhen	**36**	36	0
Jiangsu	**49**	35	14
Zhejiang	**33**	15	18
Sichuan	**19**	17	2
Chongqing	**11**	10	1
Fujian	**17**	14	3
Hunan	**7**	5	2
Hubei	**14**	9	5
Liaoning	**10**	11	-1
Shandong	**28**	21	7
Guangxi	**3**	3	–
Guizhou	**5**	4	1
Jiangxi	**4**	3	1
Shaanxi	**11**	8	3
Yunnan	**6**	5	1
Henan	**3**	2	1
Hebei	**2**	1	1
Anhui	**7**	2	5
Gansu	**2**	–	2
Xinjiang	**3**	–	3
Hainan	**2**	1	1
Shanxi	**1**	–	1
Neimenggu	**2**	–	2
Hong Kong	**35**	37	-2
Taiwan*	**2**	2	–
Total	**508**	398	110
Total saleable area	**123,558 sq. meters**	102,509 sq. meters	21,049 sq. meters

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

	31 December 2010	31 December 2009	+/–
By geographical region:			
Northern China	**76**	67	9
Eastern China	**193**	142	51
Southern China	**145**	122	23
Central China	**92**	65	27
Taiwan	**2**	2	–
Total	**508**	398	110

	31 December 2010	31 December 2009	+/–
By scale:			
Flagship	**44**	41	3
Standard	**454**	345	109
Economic	**10**	12	-2
Total	**508**	398	110

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.

For the year ended 31 December 2010, revenue from the sales of packaged noodle and related products was approximately HK$103,701,000 (2009: HK$82,536,000), accounted for approximately 3.9% (2009: 4.2%) 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 2010, the total number of points-of-sale in this network reached approximately 8,000, of which approximately 2,000 were new additions 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 2010, the Group's turnover increased by approximately 35.0%, or approximately HK$694,812,000, to approximately HK$2,680,538,000 from approximately HK$1,985,726,000 for the corresponding period in 2009. Such increase was mainly due to the increase in the number of FCR of the Group during the year and the improvement in the growth of sales for the same outlet.

Cost of inventories consumed

For the year ended 31 December 2010, the Group's cost of inventories increased by approximately 37.5%, or approximately HK$225,467,000, to approximately HK$826,299,000 from approximately HK$600,832,000 for the corresponding period in 2009. 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 30.8%, slightly higher than 30.3% for the corresponding period in 2009. 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 2010 increased by approximately 33.9%, or approximately HK$469,345,000, to approximately HK$1,854,239,000 from approximately HK$1,384,894,000 for the corresponding period in 2009. Gross profit margin of the Group also slightly dropped from approximately 69.7% for the corresponding period in 2009 to approximately 69.2%.

Property rentals and related expenses

For the year ended 31 December 2010, property rentals and related expenses of the Group increased by approximately 21.5% from approximately HK$290,702,000 for the corresponding period in 2009 to approximately HK$353,059,000. Its proportion to turnover dropped from approximately 14.6% for the corresponding period in 2009 to approximately 13.2%. Such a decrease was mainly attributable to the fact that the positive same store sales growth exposure for the period and rental costs can be further diluted.

Staff costs

For the year ended 31 December 2010, staff costs of the Group increased by approximately 38.7% from approximately HK$339,965,000 for the corresponding period in 2009 to approximately HK$471,393,000, primarily due to the increase in headcount resulting from the opening of new restaurants. Staff costs as a proportion to turnover increased from approximately 17.1% for the corresponding period in 2009 by 0.5 percentage point to approximately 17.6%, which reflected the increase in minimum wage in a number of provinces and municipalities in China and implementation of new bonus incentive scheme.

Depreciation

For the year ended 31 December 2010, depreciation of the Group increased by approximately 14.5% or approximately HK$16,391,000 from approximately HK$113,029,000 for the corresponding period in 2009 to approximately HK$129,420,000. 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 2010, other operating expenses increased by approximately 17.4%, or approximately HK$48,894,000, to approximately HK$330,661,000 from approximately HK$281,767,000 for the corresponding period in 2009. However, its proportion to turnover was further reduced by 1.9 percentage point from 14.2% to approximately 12.3%, which reflected the effectiveness of the Group's control over its expenses.

Other income

For the year ended 31 December 2010, other income of the Group increased by approximately 1.9%, or approximately HK$1,239,000, to approximately HK$67,157,000 from approximately HK$65,918,000 for the corresponding period in 2009. 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 royalty income from sub-franchised.

Other gains and losses

For the year ended 31 December 2010, other gains and losses of the Group decreased by approximately 241.9% to a loss of approximately HK$14,065,000 from approximately HK$9,912,000 for the corresponding period in 2009. The drop was primarily due to an increase in foreign exchange loss and losses incurred on written off of certain property, plant and equipment the year.

Finance costs

For the year ended 31 December 2010, finance costs decreased by approximately 47.9%, or approximately HK$556,000, to approximately HK$604,000 from approximately HK$1,160,000 for the corresponding period in 2009. Loans which were obtained in the second half of 2008 were fully repaid in September and a short term loan were obtained in the second half of 2010 to finance the payment of final dividend for 2009.

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 2010 increased by approximately 43.3%, or approximately HK$188,093,000 to approximately HK$622,194,000 from approximately HK$434,101,000 for the corresponding period in 2009.

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 2010 increased by approximately 42.3%, or approximately HK$132,878,000, to approximately HK$447,334,000 from approximately HK$314,456,000 for the corresponding period in 2009.

Assets and liabilities

The Group's net current assets were approximately HK$1,600,762,000 and the current ratio was 3.7 as at 31 December 2010 (31 December 2009: 6.0). 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 2009.

Cash flows

Net cash inflow from operating activities for the year ended 2010 was approximately HK$625,342,000, while profit before taxation for the same period was approximately HK$622,194,000. 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 2010, the Group's capital expenditure was approximately HK$486,410,000 (2009: HK$205,403,000), which was due to the increase in purchase of property, plant and equipment for new restaurants and acquisition of an investment property in Shanghai.

Key operating ratios for restaurant operations

	Hong Kong			**PRC**		
	1-12/2010	1-6/2010 (approximate) (unaudited)	1-12/2009	**1-12/2010**	1-6/2010 (approximate) (unaudited)	1-12/2009
Comparable restaurant sales growth:	**2.8%**	0.6%	-14.3%	**8.7%**	6.8%	-1.3%
Turnover per GFA (per day/sq.m.):	**HK$199**	HK$190	HK$184	**RMB50**	RMB50	RMB45
Turnover per day per restaurant:	**HK$21,918**	HK$21,308	HK$21,277	**RMB13,278**	RMB13,200	RMB12,602
Per capita spending:	**HK$58.9**	HK$58.3	HK$57.1	**RMB38.3**	RMB37.9	RMB36
Table turnover per day (times per day):	**6**	6	6	**5.1**	5	5.1

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 2010.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has, throughout the year ended 31 December 2010, 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.

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

Details of the Company's corporate governance practices will be set out in the Company's 2010 Annual Report.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

The Company has made specific enquiry to all Directors, save that Mr. Shigemitsu Katsuaki, a non-executive Director, has received a notice dated 15 March 2011 from the Securities and Futures Commission, of which the Company is aware, about an enquiry to Part XV (Disclosure of Interests) of the Securities and Futures Ordinance and the Listing Rules (Appendix 10) in relation to Mr. Shigemitsu's disposal of 3,000,000 shares in the Company on 22 September 2010, all Directors have confirmed that, throughout the year under review, they were in compliance with the Required Standard.

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

Having made specific enquiry to all the Relevant Employees, the Company confirmed that all the Relevant Employees have complied with the Required Standard as set out in the Employees' Guidelines for Securities Transactions throughout the year ended 31 December 2010.

AUDIT COMMITTEE

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

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

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

The Audit Committee is satisfied with their review of the auditor's remuneration, the independence of the auditors, Deloitte Touche Tohmatsu ("DTT"), and recommended the Board to re-appoint DTT as the Company's auditors in the year 2011, which is subject to the approval of shareholders at the forthcoming AGM.

The Company's interim results for the period ended 30 June 2010 and annual results for the year ended 31 December 2010 have been reviewed by the Audit Committee, which opines that applicable accounting standards and requirements have been complied with and that adequate disclosures have been made.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from 5 May 2011 to 11 May 2011 (both days inclusive), during which period no share transfers will be registered.

In order to qualify for the final dividend and the special dividend and to attend and vote at the forthcoming AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 4 May 2011.

AGM AND DESPATCH OF 2010 ANNUAL REPORT

The AGM of the Company will be held on 11 May 2011. A notice convening the AGM will be published on the Company's websites at www.ajisen.com.hk and www.ajisen.com.cn and the Stock Exchange's website at www.hkexnews.hk and will be despatched to all shareholders together with the Annual Report in due course.

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

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

Hong Kong, 23 March 2011

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