

1. OVERVIEW


We are one of the leading FCR chain operators selling Japanese noodles (ramen) and Japanese-style dishes in the PRC and Hong Kong under the “” logo and “Ajisen” brand name. FCRs are a hybrid of fast-food and traditional sit-down restaurants. We are accredited by the China Cuisine Association as one of the largest Japanese-style FCR chain operators in the PRC in terms of number of chain restaurants. As at the Latest Practicable Date, our Group had a restaurant portfolio totaling 122 Ajisen chain restaurants, of which 92 are owned and managed by us, 24 are managed but not owned by us, three are owned but not managed by us, and three are sub-franchised. These 122 restaurants comprise 32 in Shanghai, 12 in Shenzhen, eight in Beijing, 51 in other regions of the PRC and 19 in Hong Kong. We have categorised our Ajisen restaurants into flagship-size, standard-size and economy-size restaurants, depending on their size.

We have entered into the Framework Agreement for the management of all restaurants owned by Shenzhen Weiqian⁽¹⁾. We believe that we have a significant market position in our core markets, namely Shanghai, Shenzhen and Hong Kong and we plan to expand our network to a total of 320 by the end of 2008. On 16th January 2007, we entered into an investment agreement with our Franchisor, Katsuaki Shigemitsu and two other Independent Third Parties to establish a joint venture company in Taiwan for the purpose of establishing the “Ajisen” business in Taiwan, in which we will hold a 15% interest. Our Group will be a minority investor and will not have management control of this joint venture company. It is intended that this joint venture company will become the holding company for all future “Ajisen” chain restaurants to be opened in Taiwan.

Besides our industry ranking of 5th place among the fast food restaurants in the PRC in terms of revenue in the “China’s Top 100 F&B Enterprises” list in 2005, we have also been recognised as a “Famous F&B Brand Enterprise” for 2004/2005 by the Shanghai Restaurants Association. In Hong Kong, we have been accredited as a quality restaurant under the Quality Tourism Services Scheme (QTS) of the Hong Kong Tourism Board. Our pork-rib soup ramen dishes have been tested and certified as healthy and nutritious by the China Cuisine Association.

To leverage on our “Ajisen” brand and complement our FCR business, we also manufacture and sell packaged noodles under the “” logo and “Ajisen” brand name. We supply our packaged noodle products to our sub-franchised Ajisen restaurants, chain restaurants operated and managed by us, to other third-party restaurant operators, supermarkets, and other independent Ajisen restaurant outlets located in other countries such as Australia, Canada, the Philippines, Singapore and the United States. Some of our major clients in the PRC and Hong Kong include Walmart, Carrefour, Lotus Supermarket, City Supermarket, JUSCO, Wellcome and Park’nShop. Besides manufacturing packaged noodles, our food manufacturing and processing facilities also process all the food ingredients, cooked and semi-cooked food for all our self-managed and sub-franchised Ajisen chain restaurants.

Note:

- (1) Shenzhen Weiqian currently owns 23 Ajisen restaurants and 1 Aji-Gyu/ restaurant, all of which are situated in Guangdong province, Wuhan and Chengdu. The Aji-Gyu restaurant specialises in Japanese-style barbecued foods.

2. AJISEN PHILOSOPHY

We believe that our success can be attributed to our management team's determined focus on 5 core values which we have developed over the years. These 5 core values, or what we refer to as the "5Cs" concept, are the key fundamental principles of operations of our Group, namely:

- (1) strong brand equity via brand building;
- (2) comprehensive site selection, focusing on prime areas and CBDs;
- (3) innovative business model incorporating the advantages of both traditional Chinese full-service restaurants and Western fast food;
- (4) specially designed menu that matches with Asian food culture; and
- (5) pleasant dining environment with a modern and strong cultural ambience.

We believe that our Ajisen philosophy has enabled us to successfully expand our Ajisen chain restaurant network throughout the PRC.

3. OUR PRINCIPAL STRENGTHS

By capitalising on our 5Cs, we have successfully developed the following principal strengths:

- We have a strong brand name
- We operate an extensive and strategic restaurant network covering prime locations in major PRC cities and Hong Kong
- We are innovative in our product development
- We combine traditional Japanese technique with modern production technology
- We have a proven restaurant management and business model which can be easily adopted in other regions of the PRC
- We have an experienced and professional management team

We have a strong brand name

We have successfully established an image as a provider of modern, high quality, healthy and authentic Japanese food. We adopt a consistent high level of quality control to ensure excellence in food product quality and service for maximum customer satisfaction. We seek to differentiate ourselves from our competitors by serving a variety of ramen and Japanese-style dishes that cater for the different tastes and preferences of our customers. Since commencing business in 1995, we

have successfully built a reputation for our Ajisen ramen as a premium quality, healthy, authentic and delicious product. In recognition of this, the China Cuisine Association has certified our food products as healthy and nutritious. Over the years, we have obtained numerous awards and recognitions from various organisations. Please refer to the paragraph headed “Awards” under this section for more information on our awards and industry recognitions. As a result, we have been able to attract new customers and enhance customer loyalty with our strong brand name.

Our focus is to provide efficient and friendly service. Some of our service staff have had prior experience working in other F&B companies and each of our Ajisen restaurant is staffed with experienced management personnel who constantly supervise and provide on-the-job training to our staff.

Our strong brand name has given us a leverage to successfully establish our restaurant network in strategic locations such as prime locations with high pedestrian traffic and easy accessibility for customers. We also believe that we are a valued and preferred tenant for shopping malls, allowing us to negotiate favourable leasing terms with these landlords.

We operate an extensive and strategic restaurant network covering prime locations in major PRC cities and Hong Kong

In addition to Hong Kong, we have also established a restaurant network which covers some of the fastest growing cities and major provincial capitals in the PRC such as Shanghai, Beijing, Hangzhou, Shenzhen and Wuhan. As demand for quality dining in these affluent cities is expected to rise due to the increase in spending power of the PRC population, we believe that we will benefit from the strong growth potential and opportunities.

We strive to establish our Ajisen restaurants in prime locations with high pedestrian flow and which are highly accessible to our target customers in these affluent and high growth regions. For instance, in Shanghai, we are located in the Huai Hai Road shopping district and the Lujiazui financial district. In Hong Kong, our Ajisen restaurants are located in busy commercial districts such as Mongkok, Causeway Bay and Tsimshatsui. We believe that a network of restaurants at prime locations in various major cities not only helps us in establishing a solid business channel, but also allows us to build the “Ajisen” brand into a premium FCR.

We are innovative in our product development

We strive to maintain an innovative, evolving and wide-ranging menu which is well suited to the taste of customers from different regions in the PRC and Hong Kong by combining Japanese-style dishes with Chinese food culture and dining habits. As the main features of our chain restaurant business are our white soup and ramen, we have created many new and different recipes revolving around these

two principal ingredients, adapting to the local culture and taste preferences in different regions. Our menus are updated twice a year. For instance, we have introduced the tenderous ribs noodles, spicy Ajisen noodles and abalone ramen, which are all created from our white soup and ramen. In order to maintain our competitiveness and enhance our market position, we continuously strive to expand and improve our product offerings. We currently have more than 60 food product offerings in our menus. We believe our focus on innovation has enabled us to differentiate our food products in the PRC and Hong Kong markets and strengthened our brand awareness and market share.

We combine traditional Japanese technique with modern production technology

We adopt Japanese technology and methods in our ramen production. As we believe that the ramen production technology from Japan is considered one of the most advanced in the world, we have adopted Japanese techniques in the production of ramen which entails the right proportion and composition of ingredients, mixing methods and drying periods. In accordance with the terms of our Franchise Agreements, our Franchisor provides us with technical support in all aspects of our packaged food production. Please refer to the paragraph headed “Production” under this section for more information.

We have a proven restaurant management and business model which can be easily adopted in other regions of the PRC

Having accumulated almost 10 years of experience in the FCR market in Hong Kong and the PRC, the Group has developed a management and business model which we believe would allow us to easily expand to other regions in the PRC. We have established and implemented a set of systematic procedures and management guidelines which we apply when opening a new Ajisen restaurant. We have organised our Group in such a manner that our Subsidiaries, namely Shanghai Lead Food, Hangzhou Weiqian, Nanjing Weiqian, Shandong Weiqian, Beijing Weiqian and Chongqing Weiqian act as autonomous divisional management offices to operate and manage our Ajisen chain restaurants established in their respective areas. Currently, we have 6 divisional management offices. We believe this business and operational model will allow us to expand at a faster and more efficient pace since these regional head offices will have the local expertise to facilitate our expansion plans. We intend to replicate our management model in running all our new Ajisen chain restaurants.

We have an experienced and professional management team

Our senior management has extensive managerial experience from a diversity of background. We believe that our Group’s track record demonstrates the ability of our senior management to develop our Group’s business effectively. Prior to joining our Group, several members of our senior management team have held senior

positions in other food service or food service related organisations. We believe that their industry and management experience will provide significant contributions to our success and future advancement. Please refer to the section headed “Directors, Senior Management and Staff” for more information on our management team.

4. OUR BUSINESS STRATEGIES

We aim at continuing to grow and expand our business as a leading FCR operator selling ramen and Japanese-style dishes in Hong Kong and the PRC. In order to enhance the “Ajisen” brand penetration and awareness, we have identified the following as our major growth drivers in order to pursue our growth objectives:

- Expand our FCR network
- Diversify our product offerings and distribution channels
- Embark on a multi-brand strategy

Expand our FCR network

Our Ajisen chain restaurants are our principal source of revenue. Hence, we expect our chain restaurants to play an integral part in our revenue and profits generation. As we see vast potential in the Hong Kong, Taiwan and PRC markets, we intend to expand our FCR network in these areas. We aim to establish a minimum of 200 chain restaurants by the end of 2007 and a total of 320 by 2008.

Regions	Present	No. of Restaurants			
		07	+/-	08	+/-
Eastern China ⁽¹⁾	47	65	+18	81	+16
Southern China ⁽²⁾	42	64	+22	87	+23
Northern China ⁽³⁾	19	36	+17	62	+26
Central China ⁽⁴⁾	11	22	+11	37	+15
Sub-franchise restaurants	3	13	+10	53	+40
Total	122	200	+78	320	+120
Production facilities	2		+2		
Logistics centers	3		+1		

Notes:

- (1) Includes Zhejiang and Jiangsu Provinces and Shanghai
- (2) Includes Fujian and Guangdong Provinces and Hong Kong
- (3) Includes Shandong and Liaoning Provinces and Beijing
- (4) Includes Sichuan, Hunan and Hubei Provinces and Chongqing

In order to attain our target number of restaurants, we have adopted 3 methods to grow our FCR network (1) organic growth; (2) sub-franchise arrangements; and (3) mergers and acquisitions or collaboration with third parties.

Organic Growth

We intend to concentrate our organic growth in existing markets such as Shanghai, Shenzhen, Hong Kong, Beijing and Chengdu. We intend to open 35 flagship-size restaurants, 170 standard-size restaurants and 62 economy-size restaurants by 2008.

Sub-franchise arrangements

Although our main focus will be on the expansion of self-owned restaurants in the PRC market, we believe that selective sub-franchise development will complement our growth strategies and enhance operational efficiency, brand penetration and awareness as well as regional footprint. We plan to focus our sub-franchise network in the second-tier and third-tier cities in the PRC as they are currently undergoing development and are progressively growing in importance. We have entered into a consultancy agreement with Link-C, an Independent Third Party, to assist us in strengthening our network infrastructure and standardising our operational procedures, as well as to assist us in setting out an uniform and scalable sub-franchise business model. Link-C is a Subsidiary of Link Consulting Associates-Japan, which is one of the larger consulting firms in Japan with approximately 40 years' of experience in consulting. We have paid Link-C a total of RMB350,000 for consultancy services during the Track Record Period. We aim to establish an additional 10 sub-franchise restaurants by 2007 and another 40 by 2008.

In order to ensure the Ajisen dining experience is consistent throughout our network, we need to have a standardised and scalable system to support the sub-franchise growth. We therefore plan to establish an Ajisen training institute in Shanghai to provide professional training for our sub-franchisees to operate "Ajisen" restaurants under our stringent control on brand usage as well as the quality of food and services. The target sub-franchise candidates will typically be established local operators with good logistics capabilities because it will reduce our investment risks as we expand into new geographical locations.

Mergers and acquisitions/collaborations with third parties

As part of our expansion plans, we will consider acquiring suitable companies which will complement our current business model or enter into joint ventures with local partners and foreign restaurant chains to establish new "Ajisen" restaurants or new brands at strategic locations. We will assess whether the acquisition target offers potential turnaround opportunities which we can leverage on by using our brand equity to improve the target's operations and hence yield a positive contribution to the Group. Collaboration with other food manufacturers is another avenue which we are interested in exploring as we seek to further expand our product offerings.

In respect of our investment plans in Taiwan, on 16th January 2007, we entered into an investment agreement with our Franchisor, Katsuaki Shigemitsu, and two Independent Third Parties to establish a joint venture company in Taiwan for the purpose of establishing the "Ajisen" business in Taiwan. Our Group will be a minority investor and will not have management control of this joint venture company. This joint venture company is owned as to 15% by us, as to 20% by each of our Franchisor and Katsuaki Shigemitsu, and as to 25% and 20% by the other two

Independent Third Parties respectively. Each of Poon Wai, Poon Ka Man Jason and Katsuaki Shigemitsu has agreed that all future business activities of the Group in Taiwan will be conducted through this joint venture company or other similar ventures in which our Group shall have at least a 15% interest. Each of Poon Wai, Poon Ka Man, Jason and Katsuaki Shigemitsu has undertaken that he or she will not set up his or her own business which may or will compete with our Group.

As part of the Group's corporate governance measures, as long as Katsuaki Shigemitsu remains a Director of the Company, any future transactions with this joint venture company which are subject to Chapter 14A of the Listing Rules and any future investment or divesture in this joint venture company will be subject to the Group's independent non-executive Directors' review and relevant disclosures will be made in annual reports and announcements. Other than our investment in Taiwan, we have not identified any potential targets or partners to collaborate or negotiate with as at the Latest Practicable Date.

Diversify our product offerings and distribution channels

We intend to diversify our product offerings. In order to retain customers and attract new ones, we plan to constantly innovate and refresh our menu to cater to our customers' changing tastes and preferences. Consumer tastes and preferences are constantly evolving and the demand for fresh new variety is constantly increasing as urbanisation continues. The success of our business thus depends on our ability to continuously improve and expand our product offering to cater to the changing consumer preferences.

The sustainability of our business also rests upon our ability to build an Ajisen culture which extends beyond our FCR restaurants into our customers' daily life. We plan to diversify our existing products in our distribution network and give our customers wider offerings than packaged Japanese-style ramen by introducing new products such as specialised soup condiments for noodles. Furthermore, we intend to introduce Ajisen-branded commodities such as bowls and other dining utensils for sale at our restaurants, department stores, supermarkets, shopping centres and distributors as part of our brand enhancement effort.

Embark on a multi-brand strategy

We intend to leverage on our know-how in Japanese food and Japanese food production technology to expand our customer base and reach out to different consumer segments along the casual dining value chain. Currently, our "Ajisen" brand is targeted at the mass market with an average spending of around HK\$50 per head for Hong Kong and around RMB30 for the PRC. We intend to cultivate other brands with the appropriate channels and products to reach out to customers in the higher-spending as well as the lower-spending groups.

Based on the above business strategies, we estimate our capital expenditure for the financial year ended 31st December 2006 to be approximately HK\$65.0 million and for the financial years ending 31st December 2007 and 2008 to be approximately HK\$209.0 million and HK\$414.7 million respectively.

5. AWARDS

Over the years, we have received awards and obtained recognitions from various industry associations. These include:

Award	Year	Granting Body
China's Top 100 F&B Enterprises (ranked 7th among the fast food restaurants in the PRC in terms of revenue)	2004	<i>the Department of Commercial Reform and Development of the MoC, the China Cuisine Association and the China National Commercial Information Centre</i>
(ranked 5th among the fast food restaurants in the PRC in terms of revenue)	2005	
Famous F&B Brand Enterprise	2004/2005	<i>Shanghai Restaurants Association</i>
Gold Prize: Tenderous Ribs Noodles	2004	<i>Shanghai Food Culture Exhibition 2004 organised by the Shanghai Business Association</i>
Gold Prize: Beef Curry Udon	2004	<i>Shanghai Food Culture Exhibition 2004 organised by the Shanghai Business Association</i>
Top 100 China Enterprises Worthy of Investments	2006	<i>World Eminence Chinese Business Association</i>
Certified as healthy and nutritious by the Food Nutrition Committee of China Cuisine Association	2006	<i>China Cuisine Association</i>
China's Top 10 Fast Food Brand Enterprises	2006	<i>China Cuisine Association</i>
Accredited as a quality restaurant under the Quality Tourism Services Scheme (QTS)	2006/2007	<i>Hong Kong Tourism Board</i>

6. THE AJISEN FRANCHISE

Pursuant to the Franchise Agreements, we have secured a perpetual franchise for the Franchise Business in Hong Kong, Macao and the PRC which is subject to a review of the business arrangements in every 38 years and, if necessary such adjustments to be made to the operation of the Franchise Businesses as the parties may deem fit. There are no conditions and costs for the renewal or termination of the Franchise Agreements nor are we bound to open any additional restaurants each year under the Franchise Agreements.

Hong Kong

Pursuant to the HK Franchise Agreement, our Franchisor has granted us a sole, exclusive and perpetual franchise to operate the Franchise Businesses under the “Ajisen” trademarks, and the right to sub-franchise the Franchise Business to other third parties in Hong Kong without their prior consent. As franchisee, we are bound by the following terms under the HK Franchise Agreement, including but not limited to:

- payment of franchise fee, an annual technical fee and/or cost of supplies to our Franchisor;
- usage of the unique white soup base and condiments designated by our Franchisor for the operation of the Franchised Businesses;
- to comply with all laws, bye-laws and regulations applicable to the business;
- to conduct the business in an orderly manner and to comply with the methods of production and maintain the quality of the products;
- to maintain and upkeep the restaurants and/or premises for business so as to maintain the reputation of the “Ajisen” trademarks and to promote the business; and
- to furnish our Franchisor with an audited profit and loss account of the Franchised Businesses annually.

The HK Franchise Agreement may be terminated if:

- (i) the franchisee fails to pay the franchise fee, the technical fee and/or the cost of supplies, if payable, in accordance with the agreement;
- (ii) the franchisee fails to use the unique soup base and condiments designated by the Franchisor in the operation of the Franchise Businesses; or

(iii) the franchisee is subject to any winding-up order of the court.

Under the HK Franchise Agreement, we are obligated to pay a monthly franchise fee of HK\$7,000 per restaurant and an annual technical fee based on a percentage of the gross annual income of the manufacturing operations in Hong Kong. Presently, we do not manufacture our packaged noodle products in Hong Kong.

PRC

Pursuant to the PRC Franchise Agreement, our Franchisor has granted us a sole, exclusive and perpetual franchise to operate, and to sub-franchise to any parties the right to operate restaurants in the PRC under the “Ajisen” trademarks, without having to seek any prior consent from the Franchisor.

We are bound by the following terms under the PRC Franchise Agreement:

- payment of the trademark fee, franchise fee, an annual technical fee and/or cost of supplies to our Franchisor;
- usage of the unique white soup base and condiments designated by our Franchisor for the operation of the Franchised Businesses;
- to comply with all laws, bye-laws and regulations applicable to the business;
- to conduct the business in an orderly manner and to comply with the methods of production and maintain the quality of the products;
- to maintain and upkeep the restaurants and/or premises for business so as to maintain the reputation of the “Ajisen” trademarks and to promote the business; and
- to furnish our Franchisor with an audited profit and loss account of the Franchised Businesses annually.

In addition, our Franchisor is bound by the following terms under the PRC Franchise Agreement:

- to offer us the first right to purchase its business, trademarks, formulae for the soup condiments and soup base or any other “Ajisen” intellectual property rights at the same price and on the same conditions available to any third party in the event that it decides to sell any of the above; and
- to purchase goods from us in the PRC on a preferred basis against other suppliers in the event that it intends to make any purchase in the PRC.

The PRC Franchise Agreement may be terminated if:

- (i) the franchisee fails to pay the trademark licence fee, the technical fee and/or the cost of supplies, if payable, in accordance with the agreement;
- (ii) the franchisee fails to use the unique soup base and condiments designated by the Franchisor in the operation of the Franchise Businesses; or
- (iii) the franchisee is subject to any winding-up order of the court.

Under the PRC Franchise Agreement, we are obligated to pay a monthly franchise fee of RMB3,500 per restaurant and an annual technical fee based on a percentage of the gross annual income of the manufacturing operations in the PRC.

7. OUR AJISEN CHAIN RESTAURANTS

Our ramen and menu

We market and sell our ramen with a unique white soup made from pork ribs. In Japan, ramen is generally served with three basic kinds of soups, categorised by their flavour: (1) white soup; (2) miso soy bean paste soup; and (3) soy sauce soup. We have chosen to serve our ramen in white soup as we feel that this soup is not only tasty but also most familiar and suitable to the culinary habits and taste preferences of our local consumers in Hong Kong and the PRC. Our Ajisen chain restaurants' menu features interesting creations that showcase varieties which capture the tastes and flavours that our customers can identify with. We have revolved around our special Japanese white soup base and ramen in creating new recipes to adapt to the local taste of our customers in different regions. All our ramen dishes are served in the white soup and topped with different food items such as pork, deep fried chicken, beef and abalone, depending on individual customer's preference and order. Our special Japanese white soup is derived from a unique secret recipe formulated and produced by our Franchisor. Some of our food product offerings and best-sellers include tenderous ribs ramen, our trademark Ajisen ramen consisting of char siew (barbeque pork), kimchi, bean sprouts and braised egg, Japanese pan-fried dumplings and beef enoki roll (golden needle mushroom wrapped in beef). Our menu is further supplemented by other Japanese-style dishes typically found in most Japanese restaurant menus such as rice sets, stone-pot sets, barbecued foods, side dishes and desserts. We currently have more than 60 regular food choices in our menu for our customers to choose from. Our pork-rib soup ramen dishes have been tested and certified as healthy and nutritious by the China Cuisine Association.

We review our menu regularly and revamp it when necessary. As we innovate new recipes to cater to the taste preferences of our consumers in Hong Kong and the PRC, our menus in different regions may vary slightly in content. In order to cater to the variety of tastes and preferences of the large consumer market, we will, from time to time, develop and introduce some new recipes to our Ajisen chain restaurants. We would first conduct a market tasting of each new recipe by introducing it to certain selected restaurants to gauge our customers' acceptance of the new

recipe. These dishes would then be introduced to the rest of our Ajisen chain restaurants if customer feedback proves satisfactory. Please refer to the paragraph entitled “Product Development” under this section for more information on our product development efforts.

Our restaurant customers

Our target customers are customers between the ages of 20 and 40 who are looking to dine in a comfortable and aesthetically pleasing environment at affordable prices. We believe that this group of people are the ones who have a relatively higher level of spending power, given that their education and income levels have been steadily increasing over the years. As our Ajisen chain restaurants are involved in retail sales, none of our customers accounted for more than 30% of our turnover in the Track Record Period. Our customers are walk-in customers and regular patrons, whose individual annual expenditure at our various Ajisen chain restaurants do not constitute a significant percentage of our turnover. Most of our sales are paid at the time of purchase by cash. Our sales in the PRC and Hong Kong are denominated in Renminbi and Hong Kong dollar respectively.

Our Ajisen Chain Restaurant Network

As at the Latest Practicable Date, we have a portfolio of 122 Ajisen chain restaurants in the PRC and Hong Kong. We are well represented in the major cities in the PRC such as Shanghai, Beijing and Shenzhen. The following map shows the number of Ajisen chain restaurants as at the Latest Practicable Date:



BUSINESS

The following table summaries the number of Ajisen restaurants in Hong Kong and the PRC as at the Latest Practicable Date:

City	Number of Ajisen chain restaurants	Total saleable area (sqm)	Average saleable area per restaurant (sqm)	Total number of seats	Average number of seats per restaurant	Total number of employees	Average number of employees per restaurant
Owned and Managed by us:							
<i>Northern China</i>							
Beijing	8	2,064	258	975	122	314	39
Qingdao	5	1,441	288	448	90	139	28
Dalian	3	717	239	400	133	70	23
Yantai	1	331	331	132	132	36	36
Weifang	1	296	296	103	103	30	30
Weihai	1	190	190	96	96	28	28
<i>Eastern China</i>							
Shanghai ⁽¹⁾	31	9,837	317	4,078	132	1,319	43
Nanjing ⁽²⁾	4	1,212	303	541	135	161	40
Hangzhou	2	587	294	288	144	85	43
Suzhou	2	927	464	292	146	74	37
Wuxi	2	554	277	221	111	50	25
Changzhou	2	425	213	190	95	65	33
Changshu	1	316	316	127	127	25	25
Jiangyin	1	517	517	172	172	36	36
Ningbo	1	320	320	146	146	50	50
<i>Central China</i>							
Wuhan	1	279	279	106	106	18	18
Chongqing	4	1,331	333	444	111	92	23
Chengdu	2	638	319	222	111	43	22
Changsha	1	336	336	152	152	17	17
<i>Southern China</i>							
Humen	1	568	568	200	200	42	42
Dongguan	1	440	440	200	200	29	29
Hong Kong	17	1,861	109	1,101	65	371	22
Managed but not Owned by us:							
<i>Eastern China</i>							
Shanghai ⁽³⁾	1	247	247	166	166	65	65
<i>Southern China</i>							
Shenzhen	12	2,760	230	1,447	121	324	27
Zhuhai	1	490	490	184	184	48	48
Dongguan	3	1,135	378	406	135	105	35
Foshan	2	542	271	246	123	38	19
Jiangmen	1	375	375	156	156	24	24
Zhongshan	1	262	262	108	108	24	24
<i>Central China</i>							
Wuhan	2	740	370	268	134	50	25
Chengdu	1	188	188	84	84	15	15
Owned but not Managed by us:							
<i>Southern China</i>							
Fuzhou	3	376	125	238	79	63	21
Total:	<u>119</u>	<u>32,302</u>	<u>N/A</u>	<u>13,937</u>	<u>N/A</u>	<u>3,850</u>	<u>N/A</u>
Sub-franchised restaurants (not owned or managed by us)⁽⁴⁾:							
Haikou	1						
Hong Kong	2						
	<u>122</u>						

BUSINESS

Notes:

- (1) Includes one restaurant which has ceased operation and excludes two restaurants which are undergoing de-registration.
- (2) Includes one restaurant (i.e Nanjing Beijige restaurant) which has temporarily ceased operations as our landlord is undergoing liquidation.
- (3) We have entered into an asset acquisition agreement with 上海嘉彩拉面館 (Shanghai Jiakai Ramen Restaurant) ("Shanghai Jiakai"), an Independent Third Party, for the acquisition of its business assets situated in a restaurant in Shanghai. We are currently in the process of applying for the transfer of the lease and a business licence. In the interim, Shanghai Jiakai has allowed us to operate and manage their restaurant as an Ajisen restaurant, with all revenue earned by the restaurant belonging to our Group.
- (4) As these sub-franchised restaurants are not owned or managed by us, information relating to their saleable area, number of seats and employees are not available.

The following table shows the operational data of the Ajisen restaurants in Hong Kong and the PRC which are owned and/or managed by our Group⁽¹⁾:

	Southern China⁽²⁾	Eastern China⁽³⁾	Central China⁽⁴⁾	Northern China⁽⁵⁾
Average traffic flow per store per day	511	632	297	420
Average per capita spending (RMB)	49	30	33	30
Average table turnover per day	8	7	6	6
Average bowls of noodles sold per day per store	370	425	217	280

Notes:

- (1) All data are based on November and December 2006 management figures.
- (2) Includes Hong Kong.
- (3) Includes Shanghai, Nanjing, Hangzhou, Suzhou, Wuxi, Changzhou, Changshu, Jiangyin, Ningbo.
- (4) Includes Chongqing, Changsha, Chengdu, Wuhan.
- (5) Includes Beijing, Qingdao, Yantai, Weifang, Weihai, Dalian.

We have not experienced any interruptions with a significant effect on our financial position in the past 12 months prior to the Listing Date.

Our Sub-franchisees

Hong Kong

We entered into two sub-franchise agreements on 13th August 2002 and 9th October 2003 with Select Service Partner Hong Kong Limited, an Independent Third Party, for the operation of two Ajisen restaurants in the departure and arrival halls of the Hong Kong International Airport. Select Service Partner Hong Kong Limited is the airport catering operator and has been granted licences and concession rights to operate restaurants at the Hong Kong International Airport.

Under the first sub-franchise agreement dated 13th August 2002, the term of the sub-franchise agreement is for a term of 86 months, beginning from the earlier of the date immediately following the expiration of the fit-out period or the date of commencement of business (which was on 17th September 2002). The term of the second sub-franchise agreement dated 9th October 2003 is for a period of 82 months from the earlier of the date immediately following the expiration of the fit-out period or the date of commencement of business (which was on 10th November 2003). Both agreements are not renewable.

The two sub-franchise agreements may be terminated prior to their expiry under the following conditions:

- if the sub-franchisee fails to pay the royalty fee and costs of supplies;
- if the sub-franchisee fails to maintain a reasonable standard of operation of business;
- if the sub-franchisee's licence to operate restaurants in the Hong Kong International Airport is terminated;
- by mutual agreement between the parties; or
- if a force majeure event continues for 90 days.

Under the first sub-franchise agreement dated 13th August 2002, the sub-franchisee will pay us an initial royalty fee of HK\$300,000 and a monthly royalty fee based on 2% of its net sales, as well as for the cost of supplies. Under the second sub-franchise agreement dated 9th October 2003, the sub-franchisee will pay us an initial royalty fee of HK\$100,000 and subsequently a monthly royalty fee ranging from 2% to 3% of its net sales, such percentage being dependent on the level of monthly sales of the sub-franchisee. During the three financial years ended 31st December 2005 and the nine months ended 30th September 2006, the revenue derived from the two sub-franchise agreements were approximately HK\$5.9 million, HK\$11.1 million, HK\$10.9 million and HK\$8.3 million respectively.

PRC

A third sub-franchise agreement was initially entered into between Ajisen Ramen Group and Select Service Partner Hainan Company Limited, an Independent Third Party dated 28th February 2005, prior to the Reorganisation for the establishment of an Ajisen sub-franchised restaurant in Meilan Airport in Haikou, Hainan (PRC). On 1st March 2007, a novation agreement was made between Ajisen Ramen Group, Shenzhen Weiqian, Select Service Partner Hainan Company Limited and Festive Profits to transfer the sub-franchise rights from Ajisen Ramen Group to a member of our Group.

Under the sub-franchise agreement dated 28th February 2005, the term of the sub-franchise agreement is for a term of seven years commencing 1st July 2004. The agreement is not renewable and may be terminated prior to its expiry under the following conditions:

- if the sub-franchisee fails to pay the royalty fee and costs of supplies;
- if the sub-franchisee fails to maintain a reasonable standard of operation of business;
- if the sub-franchisee fails to observe and perform its obligations under the sub-franchise agreement;
- if the sub-franchisee's licence to operate restaurants in the Meilan Airport is terminated;
- by mutual agreement between the parties; or
- if a force majeure event continues for 90 days.

The sub-franchisee paid an initial royalty fee of RMB300,000 to Ajisen Ramen Group and, commencing 1st March 2007, will pay us a monthly royalty fee ranging from 2% to 3.5% of its net sales, such percentage being dependent on the level of monthly sales of the sub-franchise. Ajisen Ramen Group does not have any other sub-franchising rights and has not entered into any other sub-franchise arrangements in the PRC.

Restaurant Opening and Site Selection

Our development department is in charge of expanding our restaurant network. Before the opening of each Ajisen restaurant, we conduct a series of feasibility studies. To assist us in conducting the feasibility studies, we have compiled a procedural manual stipulating the critical and important factors to consider for the establishment of a new Ajisen restaurant, including but not limited to the following:

- the location, neighbourhood and accessibility of the site (e.g. whether it is located near any large shopping malls, educational institutions, entertainment venues, residential areas, etc.);
- the flow of pedestrian traffic;
- consumption trends of the population in that particular area;
- projections on the return on rentals;
- composition of tenants (e.g. whether there are any other reputable brand names which have opened stores nearby); and
- potential competition in the same area.

Our site selection and restaurant opening process is as follows:

(1) Site Selection

Our restaurants are usually situated at one of the following site locations, namely:

- busy commercial districts with high pedestrian flow;
- entertainment centres;
- major shopping malls and office buildings;
- business districts;
- residential estates;
- airports and train stations;
- large scale hypermarkets; and
- tourist attractions.

25% of our Ajisen chain restaurants are located in newly established commercial and residential estates in the PRC. We believe that as these newly established commercial and residential estates become more well established and developed, the pedestrian flow in these areas would correspondingly increase, thereby benefitting our business operations.

We rely on our development department to source and identify suitable locations. Occasionally, we also employ a professional consultancy company or real estate agent to assist us in finding potential sites.

(2) Internal business evaluation

Once we have identified some potential sites, we will commence our internal due diligence procedures. We have developed a set of standard due diligence procedures to which we must adhere to every time a potential site for a restaurant is identified. Our internal due diligence procedures entail a six-step process through which the opinions and approvals of our development, engineering, marketing and finance departments, our legal consultant, and our general manager are sought based on a checklist of a wide-ranging variety of matters. For instance, we will seek our engineering department's advice on whether the potential site complies with the departments requirements for installing our kitchen equipment, or the overall condition of the premises. Once the general manager of the management office in charge endorses and approves the results of our due diligence, our development department will approach the landlord to begin negotiations of the lease.

(3) Lease negotiations and the signing of the lease agreement

Once our internal business evaluation procedures have been complied with, and each of our relevant departments has given us its approvals to proceed, we will contact the landlord to commence negotiations on the terms and conditions of our lease. Upon the successful completion of negotiations with the landlord, we will execute the lease agreement. Most of our tenancies in the PRC run for an average of 6 to 10 years, while in Hong Kong, most of our tenancies run for an average of 2 to 3 years with some granting us an option to renew for another 2 to 3 years.

(4) Restaurant renovations and opening

The site is then equipped with kitchen equipment and renovated in accordance with our recommended restaurant format. We take an average of two months to complete the renovations for each chain restaurant. For more details of our restaurant format, please refer to the paragraph headed “Restaurant sizes” below.

(5) Regulatory Compliance

As we have encountered some regulatory problems in the past due to our rapid expansion, we have also implemented a clear set of internal compliance guidelines for opening of our new restaurants in the PRC to prevent breaches of regulations, in which our administrative, marketing, engineering, finance and development departments have been tasked with applying for all relevant licences and approvals which we will require each time a new restaurant opens. Please refer to the paragraph headed “Hong Kong and PRC Regulatory Compliance” under this section for more information on the regulatory problems experienced by us in the past.

Restaurant Sizes

Depending on the location of the Ajisen restaurant and the terms of the individual lease, the size of our Ajisen restaurants varies. We are flexible with regard to floor area and do not require much space in order to operate an Ajisen chain restaurant. We have divided our Ajisen restaurants into three different restaurant sizes: (1) flagship-size restaurants; (2) standard-size restaurants and (3) economy-size restaurants. The Ajisen flagship-size restaurants are found in the prime locations such as CBDs and business centres which occupy a saleable area of 400 sqm or more and have seating capacity of 151 to 230 seats. The Ajisen standard-size restaurants are our most common restaurants which occupy a saleable area of 100 to 400 sqm and have seating capacity of 71 to 150 seats. Most of our Ajisen standard-size restaurants are located at entertainment centres, shopping malls, airports and train stations. To further expand our urban footprint, we will establish Ajisen economy-size restaurants which occupy a saleable area of approximately 100 sqm with seating capacity of 45 to 70 seats and are mostly located in

BUSINESS

hypermarkets and large-scale residential areas. The following table summarises the number of flagship-size, standard-size and economy-size restaurants managed and/or owned by us in Hong Kong and the PRC as at the Latest Practicable Date:

	Flagship-size >400 m ²	Standard-size & economy-size <400 m ²
Northern China	1	18
Beijing	0	8
Others	1	10
Eastern China	7	40
Shanghai	5	27
Nanjing	2	10
Others	0	3
Southern China	5	37
Shenzhen	1	11
Hong Kong	–	17
Others	4	9
Central China	3	8
Chengdu	1	2
Chongqing	1	3
Other	1	3
Total	16	103

We currently have a seating capacity of approximately 2,887, 10,917 and 393 seats in our flagship-size, standard-size and economy-size restaurants respectively.

As far as practicable, we strive to create uniformity in our branding by standardising the layout and design of our Ajisen chain restaurants. Most of our Ajisen chain restaurants are designed in a modern Japanese style. Our standardised

BUSINESS

restaurant format may occasionally differ depending on the size and layout of the restaurant. The following pictures illustrate some of the formats of our restaurants:



Restaurant Management

The following table shows the consolidated information on the basic operations of the Ajisen chain restaurants in the PRC and Hong Kong which are owned and/or managed by our Group:

	2003	31st December 2004	2005	30th September 2006
Number of restaurants owned and managed	12	32	54	77
Number of restaurants managed but not owned	0	0	0	24
Number of restaurants owned but not managed	1	1	2	3
Total:	<u>13</u>	<u>33</u>	<u>56</u>	<u>104</u>

BUSINESS

Total revenue from restaurants owned and managed (RMB million)	105.5	258.4	378.8	380.2
Average daily revenue (RMB) ⁽¹⁾	289,145	708,046	1,037,712	1,392,806
Total management fees received from restaurants managed but not owned (RMB)	0	0	0	23,298,623

Note:

- (1) this is derived by total revenue from restaurants owned and managed divided by number of days during the period.

Other than the three Ajisen restaurants in Fuzhou, Fujian, PRC and the three sub-franchise restaurants, we manage all the Ajisen restaurants in Hong Kong and the PRC. Under the Framework Agreement, we manage all the Ajisen chain restaurants owned by Shenzhen Weiqian which are situated in Chengdu, Wuhan and Guangdong Province. Most of the Ajisen chain restaurants in the PRC which are managed by us typically operate from 10:00 am to 11:00 pm daily, whereas those in Hong Kong operate from 11:30 am to 11:30 pm daily. Depending on the location, some of our chain restaurants have longer operating hours. Our restaurant staff in the PRC and Hong Kong work in overlapping shifts, each lasting 8 hours and 9½ hours respectively every day. Each of our Ajisen chain restaurant is managed by a management team comprising at least one restaurant manager, one restaurant supervisor and one deputy restaurant supervisor. The restaurant manager is in charge of the overall operation of the restaurant and his general responsibilities include ensuring that the staff have been properly trained to provide quality service to our customers, and that the restaurant is adequately stocked and operating smoothly. Our restaurant management teams also work in shifts so that there is constant supervision at all our Ajisen chain restaurants. The number of service staff differs from restaurant to restaurant, depending on the size of the restaurant.

As we do not manage the three Ajisen restaurants in Fuzhou, Fujian, PRC which are under the management of Fuzhou Weiqian, our restaurant management concept does not apply to these three restaurants. To the best of our knowledge and belief, we have not experienced any major disruptions to our Ajisen chain restaurant business.

As at the Latest Practicable Date, Fuzhou Weiqian manages three restaurants situated in Fuzhou, Fujian Province, PRC. Fuzhou Weiqian is a joint venture company between our Subsidiary, Hong Kong Ajisen Food Company Limited (as to 60%) and Chan Chung Yung (as to 40%) who is an Independent Third Party. Under the joint investment agreement entered into between Hong Kong Ajisen Food Company Limited and Chan Chung Yung on 7th July 2003, the total investment and registered capital of Fuzhou Weiqian would be HK\$500,000. Hong Kong Ajisen Food Company

Limited would contribute HK\$300,000, representing 60% of its equity interest while Chan Chung Yung would inject HK\$200,000, representing 40% of its equity interest. The board of directors would comprise 3 directors, 2 of whom would be appointed by Hong Kong Ajisen Food Company Limited and 1 by Chan Chung Yung. Chan Chung Yung would be the chairman of the board and the legal representative of Fuzhou Weiqian. Under the joint investment agreement and the Articles of Association of Fuzhou Weiqian, Hong Kong Ajisen Food Company Limited and Chan Chung Yung would share the risks and the profits of Fuzhou Weiqian. The board of directors is the highest authority and will decide on all important matters relating to Fuzhou Weiqian, including but not limited to production forecasts, approving the annual financial account, profit distribution, the appointment or removal of the senior executives such as the general manager, deputy general manager and chief accountant.

Although we are the majority shareholder of Fuzhou Weiqian, and share the risks and profits of Fuzhou Weiqian in proportion to our shareholding, Chan Chung Yung actually has management control of Fuzhou Weiqian and manages it exclusively by reason of the following:

- (a) Fuzhou Weiqian is exclusively managed by Chan Chun Yung. All restaurant site selections, rental agreement negotiations, renovations and staff employment have all been solely decided by Chan Chung Yung and he has not consulted Hong Kong Ajisen Food Company Limited. Fuzhou Weiqian does not adopt the same menus, POS systems and management systems of the other Ajisen restaurants managed by the Group.
- (b) Chan Chung Yung is the chairman of the board of Fuzhou Weiqian. Of the two directors appointed by Hong Kong Ajisen Food Company Limited, one director is not actively involved in board meetings and the management of Fuzhou Weiqian. The other director is Chan Chung Yung's wife.
- (c) Hong Kong Ajisen Food Company Limited has never been given any audited or management accounts of Fuzhou Weiqian since its establishment and is not fully informed of its financial condition.

We are in negotiations with Chan Chung Yung to request for more information regarding Fuzhou Weiqian and to see how we can work together with our joint venture partner in the management of the company and whether we would be able to acquire Chan Chung Yung's equity interest in Fuzhou Weiqian. In the event that we are unable to resolve the management control issues with Chan Chung Yung within six months from the Listing Date, we may apply for the liquidation of Fuzhou Weqian.

Our investment of HK\$300,000 in Fuzhou Weiqian, which is classified as "Available-for-sale-investments" of our Group in 2003, has been fully written off in the same year.

Our Food Manufacturing and Processing Centres

In order to ensure consistent quality in the food we serve at our Ajisen chain restaurants, we have established food manufacturing and processing centres or facilities to assist us in the preparation and processing of ingredients, cooked and semi-cooked food items such as roast pork and dumplings for distribution to all our Ajisen chain restaurants. These food manufacturing and processing centres are located in Shanghai Factory and Shenzhen Factory as well as in Beijing, Shandong and Hong Kong where they can easily service our Ajisen chain restaurant and customer networks. The cooked and semi-cooked food for our Ajisen chain restaurants in Shandong are processed by an independent sub-contractor. For further details of our food processing centres, please refer to the paragraph on “Our Packaged Food Operations” below.

8. OUR PACKAGED FOOD OPERATIONS

Our packaged food operations encompass the following: (1) manufacture and distribution of ramen to all our Ajisen chain restaurants and other independent Ajisen Ramen outlets located overseas; (2) manufacture and distribution of packaged noodle products to our distribution network consisting of distribution companies, supermarkets and other third-party restaurant operators; (3) preparation and processing of ingredients, cooked and semi-cooked food for our chain restaurants; and (4) preparation of our unique white soup condiments and packaged noodle products for our chain restaurants.

As our business first started as a ramen-manufacturing operations, our first production facilities were operated by the Shenzhen Factory which was established in December 1995. As our business grew and we branched into the FCR business, we established the Shanghai Factory in March 2001 to meet the demands of our growing business. With a view to achieving greater efficiency and standardisation in food quality for all our Ajisen chain restaurants, we subsequently established food processing facilities in various parts of the PRC. We process all the food ingredients, semi-cooked and cooked food used in all our Ajisen chain restaurants, including the sub-franchised restaurants. Currently, we own food manufacturing and processing facilities in Shanghai, Shenzhen, Beijing and Hong Kong. Our food processing and manufacturing facilities are situated on a total site area of approximately 17,906.2 sqm, with a total staff size of 374.

We maintain stringent hygiene procedures in our food manufacturing and processing facilities, and have implemented a set of standard operating procedures for hygiene and cleanliness for all our food manufacturing and processing facilities with which our production staff are required to comply with during the production process. Our ramen manufacturing procedures are designed to minimise human contact with the ramen to minimise the risk of contamination. The ramen production lines in our factories are semi-automated, and are equipped with machinery and mass production facilities.

There are currently 10 production lines in the Shanghai Factory and six in Shenzhen Factory. Our food processing and manufacturing facilities are also equipped with cooking facilities which are designed to cater for large-scale cooking. We have not experienced any major system failures causing interruptions to our business operations.

On a daily basis, our production staff manufactures ramen for our Ajisen chain restaurants and for distribution to our network of customers. Our cooks prepare food ingredients, semi-cooked and cooked food on a daily basis for distribution to our chain restaurants. The quantity of food supplied to each chain restaurant is based on demand from each chain restaurant to ensure that they are fresh for daily consumption. Our food processing and manufacturing facilities occasionally operate round the clock when demand and schedule require.

The food ingredients used in our factories are sourced through our procurement departments and processed in accordance with our standard recipes. Ramen manufacturing and food preparation in all our factories follow standard processes in order to maintain consistent quality and standard. The Shanghai Factory and Shenzhen Factory are ISO9001 and HACCP certified. We believe that our dedication to quality control and maintaining a high standard of hygiene have earned our products a strong reputation in the industry. We have not encountered any major disruptions to our food manufacturing and processing facilities.

Our Distribution Network

We sell our packaged noodle products under our “Ajisen” brand through our network of customers comprising distribution companies, supermarket chains throughout the PRC and Hong Kong, restaurant operators, our sub-franchised restaurants and other overseas Ajisen restaurants which are Independent Third Parties. Some of our major clients in the PRC and Hong Kong include Walmart, Carrefour, Lotus Supermarket, City Supermarket, JUSCO, Wellcome and Park’nShop. We supply our packaged noodle products to independent overseas Ajisen restaurants in countries such as Australia, Canada, the Philippines, Singapore and the United States. As at the Latest Practicable Date, we have entered into supply contracts with distribution companies, supermarket chains and third-party restaurant operators with a collective distribution network of 5,950. Our sales departments located in each management office are responsible for negotiating with our distributors regarding the terms of the supply contracts. Most of the supply agreements we have entered into with our customers are renewable annually. As we are using the supermarkets’ shelf space, we are required to pay most of them a monthly fee for using their shelf space and helping us promote and market our packaged noodle products. We

usually extend to our customers credit terms ranging from 60 to 90 days. Once our distributors place an order with us, we will deliver the packaged noodle products to them within one to three days. To avoid late delivery penalties, we make best efforts to ensure that we deliver our food products to our distributors in a timely manner and in accordance with the terms of our supply contracts. We contract and sell our packaged noodle products to our customers who do not act as our sales agents. Hence, we have no control over the sale price of the packaged noodle products sold by our customers. We also supply processed food ingredients such as fried onions and fried garlic to Indonesia and Japan. Our Hong Kong Subsidiary, Fortune Choice, carries out all of our Group's export activities in this regard. We have not experienced any major instances of late delivery to any of our customers, causing us to compensate them for late delivery and hence resulting in a loss of revenue to us. We also have not experienced any complaints from our distributors which have led to the withdrawing of our products from the shelf.

For each of the three financial years ended 31st December 2005 and the nine months ended 30th September 2006, our five largest customers accounted for approximately 8.6%, 6.2%, 4.8% and 3.8% of our total turnover by value, with our largest customer accounting for 3.6%, 3.1%, 2.0% and 1.7% respectively. None of our Directors or their respective Associates, or existing shareholders who, to the knowledge of the Directors, own more than 5% of our issued share capital, has any interest in any of our five largest customers. Further details of our distributors are set out in the section headed "Financial Information" of this prospectus.

Production

We produce ramen at the following locations:

- Shanghai: The Shanghai Factory operates a full service factory which manufactures and distributes ramen to our chain restaurants and distribution customers. The Shanghai Factory services all our Ajisen chain restaurants and distributors located in Shanghai and the neighbouring Jiangsu and Zhejiang provinces. The Shanghai Factory currently has 10 production lines.
- Shenzhen: The Shenzhen Factory also operates a full service factory which manufactures and distributes ramen to our chain restaurants and distribution customers. The Shenzhen Factory services our Ajisen chain restaurants and distributors located in Guangdong province and Hong Kong. Supplies of the packaged noodle products for export sales to countries such as Singapore and the United States are also produced in the Shenzhen Factory. The Shenzhen Factory currently has six production lines.

For food hygiene purposes, we have implemented a set of standard operating procedures for hygiene and cleanliness which all our food manufacturing and processing facilities must adhere to. These standard operating procedures stipulate that our production staff in our factories are properly attired in our uniforms, aprons and working boots before

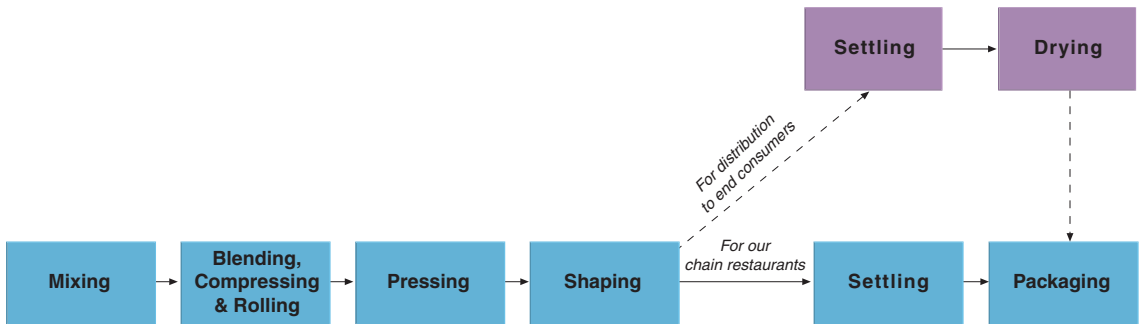
entering the designated food manufacturing and processing areas. They are also required to wear masks to cover their mouths, gloves and caps to keep their hair away from their faces. Our equipment and premises are also cleaned and disinfected at regular intervals. We have modelled our standard operating procedures to comply with the HACCP standards to ensure that our hygiene standards conform to internationally acceptable standards.

Ramen Production

The ramen packs we sell to the distribution companies and supermarkets contains the ramen in its uncooked form and the pre-packed white soup base. Packaged noodles which are distributed to our Ajisen chain restaurants or sold to restaurant operators do not have the pre-packed white soup base included.

Currently, the packaged noodle products which we distribute to our distributors come in 12 varieties and in 2-person, 3-person or 5-person packs. Our packaged noodle products can be kept for two months under room temperature conditions and six months if refrigerated. For the ramen which we manufacture for our own use in all our Ajisen chain restaurants, the expiry period of our ramen is 15 days as these ramen have not undergone the drying process which allows them to be kept for longer periods.

The diagram below illustrates our ramen production process:



Mixing, Blending, Compressing, Rolling and Pressing – In this process, the raw ingredients such as wheat flour, edible alcohol and water are poured into a flour mixing machine and thoroughly mixed to form the dough mixture. The flour mixing machine mixes the raw ingredients at a high speed to prevent oxidation. Once thoroughly mixed, the dough mixture is transferred to the compounding machine when the dough is continuously kneaded. The dough is passed through rollers to roll it into sheets. Next, two sheets of dough are rolled together and blended together to form one continuous sheet about 10mm thick. This process helps to separate the gluten from the dough. The dough sheets are again passed through rollers to stretch them until they are 1.5 mm thick. This process gives the gluten its suppleness, elasticity and consistency.

BUSINESS

Shaping and Settling – The dough sheets are passed through a cutting machine where the rotating blades slice the sheets into individual strands of ramen. The ramen is then left to settle for a period of time.

Drying and Packaging – For ramen which is distributed to our distributors and other independent restaurant operators, our ramen will go through the additional process of drying. The ramen is “blow-dried” by directing steam at high temperatures on it. This process enhances the preservability of the ramen, allowing the ramen to be kept for a longer period of time. The packaging of the ramen is carried out in designated packing areas. Our packaging staff will manually pack the ramen into the different packages. The packaging for different noodle products varies. Ramen for our Ajisen chain restaurants are packaged in plain packaging while ramen for distribution are packaged in printed packages with our “Ajisen” brand and trademarks, cooking instructions and expiry dates stipulated thereon. After the ramen is packed and boxed, ramen designated for our chain restaurants will be despatched immediately, while the ramen for our distributors will be stored in our warehouse, and will be delivered to our distributors by our trucks or by logistics companies which have been pre-approved by us when orders are received.

Factory Utilisation Rate/Capacity

The utilisation rates of the production facilities at the Shanghai Factory and the Shenzhen Factory are as follows:

	Total Capacity (tonnes)				Actual Production (tonnes)				Utilization Rate (%) ⁽³⁾			
	2003	2004	2005	As at 30th September 2006 ⁽¹⁾	2003	2004	2005	As at 30th September 2006 ⁽²⁾	2003	2004	2005	As at 30th September 2006
Shanghai Factory	600	1,000	1,400	1,845	510	870	1,050	1,651	85.0%	87.0%	75.0%	89.49%
Shenzhen Factory	2,031	2,178	2,620	1,966	1,540	1,755	2,310	1,735	75.82%	80.58%	88.17%	88.25%

Notes:

- (1) the annualised total capacity of Shanghai Factory for 2006 based on total capacity for first 9 months is 2,460 while the annualised total capacity of Shenzhen Factory for 2006 based on total capacity for first 9 months is approximately 2,621.
- (2) the annualised actual production of Shanghai Factory for 2006 based on total capacity for first 9 months is approximately 2,201 while the annualised total capacity of Shanghai Factory for 2006 based on total capacity for first 9 months is approximately 2,313.
- (3) the utilisation rate is calculated by dividing the actual production by the total capacity.

Preparation of Ingredients, Cooked and Semi-Cooked Food

With a view to ensuring greater efficiency and consistency in food processing, as well as to reduce the chances of food contamination, the processing of ingredients, cooked and semi-cooked food is mechanised as much as possible. For example, onions and garlic are all shelled with the use of machines. Raw meat and vegetables are also prepared in separate areas to ensure that there is no cross-contamination. After the food is processed, those which are intended to be used by our chain restaurants are despatched immediately while others are returned to our food storage and refrigeration facilities. The processed food served in our Ajisen chain restaurants are mixed together with other food ingredients and cooked in our restaurant kitchens before being served to our customers.

Currently, our ingredients, cooked and semi-cooked food are prepared and processed in the following locations:

- **Shanghai:** Besides the Shanghai Factory, we have also established another food processing facility in Shanghai to prepare, process and distribute ingredients, cooked and semi-cooked food to our chain restaurants. In addition to preparing cooked and semi-cooked food items, Shanghai Factory also manufactures ramen. Our food processing facilities in Shanghai service all our Ajisen chain restaurants located in Shanghai and the neighbouring Jiangsu and Zhejiang provinces.
- **Shenzhen:** the Shenzhen Factory prepares, processes and distributes ingredients, cooked and semi-cooked food to our chain restaurants located in Guangdong province and Hong Kong.
- **Beijing:** We have set up food processing facilities in Beijing to prepare, process and distribute cooked and semi-cooked food items to all our chain restaurants located in Beijing and its surrounding areas.
- **Hong Kong:** Our Subsidiary, Brilliant China Holdings Limited, has set up a food processing facility which prepares, processes and distributes cooked and semi-cooked food items to all our chain and sub-franchised restaurants located in Hong Kong.
- **Shandong:** We have sub-contracted the preparation of the cooked and semi-cooked food items for our Ajisen chain restaurants located in Shandong Province to an independent operator in Qingdao, Shandong Province, PRC.

9. QUALITY CONTROL

Our Group is committed to food hygiene and safety, and places great emphasis on the safety of our food products. We adhere to and apply a strict internal system of quality control in respect of all our Ajisen chain restaurants and our entire production and procurement process in our food manufacturing and processing facilities. To ensure that our customers are satisfied with the quality and hygiene standards of our food products,

we have implemented a quality control regime to achieve those standards. We ensure that our food ingredients are safe for human consumption at all times and that there are no outbreak of diseases which would render any of our food ingredients unsafe. Our quality control starts from the procurement of our raw materials. As we strive to attract more customers to our Ajisen chain restaurants and grow our business, we are aware of the importance of quality in food and service as well as the maintenance of the hygiene and cleanliness of our chain restaurants in accordance with the standards set by the relevant government authorities.

As recognition of our stringent quality control standards, we have received several international certifications attesting to our commitment to produce quality food products such as the ISO 9001 and HACCP certifications.

ISO 9001 is a set of internationally recognised standards for the quality management of businesses. It applies to the processes that create and control the products and services an organisation supplies. It prescribes systematic control of activities to ensure that the needs and expectations of customers are met. The Shanghai Factory and the Shenzhen Factory are both ISO 9001 certified and obtained their ISO certifications on 16th March 2006 and 19th April 2005, respectively.

HACCP is a set of procedures issued by the PRC Quality Certification Centre for conducting hazard analysis at every critical point during the food production process. These procedures will predict the potential problematic control points during our food production process and implement preventive analysis to ensure that our food products attain the requisite quality set under HACCP. In order for us to obtain the HACCP certification, we have to satisfy the results of all of the hazard analysis at every critical control point during the production process and ensure that our food products meet the standards required by the HACCP system. The HACCP certificate is recognised by the World Health Organisation and the Food and Agriculture Organisation of the United Nations as one of the most efficient control systems in respect of food quality. Shanghai Factory and Shenzhen Factory are both HACCP certified and obtained their HACCP certifications in April and May 2005, respectively.

We have also received support from our Franchisor in this aspect. Pursuant to the Franchise Agreements, where it is stated that our Franchisor shall send at least one qualified employee at its own expense to assist, advise and/or supervise us in the opening of new restaurants, operational and promotional activities, our Franchisor has seconded two members of its quality control department over from Japan to assist us in implementing and strengthening our quality control system. As a result of our Franchisor's assistance, we have consistently met the quality control requirements stipulated under the Franchise Agreements. The manner and standards in which our suppliers select their supplies are also an important consideration for us when we choose our suppliers.

Our food products are tested by our quality control departments before being packaged. Our quality control departments will test our food products for consistency in texture, colour and taste. The PRC health authorities would also inspect our factories before the renewal of our hygiene permits.

10. PURCHASING, LOGISTICS AND INVENTORY CONTROL**Purchasing**

With a view to achieving greater standardisation of our production process, economies of scale, securing bulk purchase discounts and timely delivery from our suppliers, all major raw materials (e.g. flour and pork ribs) are procured by the Shanghai Factory and the Shenzhen Factory and thereafter distributed to our other food manufacturing and processing facilities. For all other raw materials such as those which are of a perishable nature, each of the six divisional management offices is responsible for arranging its own procurement in the region for which it is responsible. Our procurement personnel are located in our various Subsidiaries in Hong Kong and the PRC. We find that if we are able to procure in bulk all the raw materials and goods required for our Group's operations, this will improve our bargaining position vis-a-vis the suppliers and reduce our production costs. We are also able to effectively maximise the usage of raw materials and minimise wastage. The raw materials required by us can be categorised into two main groups: (1) food ingredients such as raw meat, vegetables, eggs, tea, cooking oil, and sauces; and (2) goods such as packaging materials, bottled beverages, utensils and paper napkins.

Each of the Group's chain restaurants and food manufacturing and production facilities is responsible for determining the amount of food ingredients and goods it requires and will each submit a purchase order on a daily basis either to the procurement departments at the Shenzhen Factory, the Shanghai Factory or the divisional management office in charge. The procurement departments will consolidate these purchase orders for the areas they are in charge of and determine the total amount of food ingredients or goods to be ordered. Other principal functions of our procurement departments include the selection of suppliers for our food ingredients (which are sourced locally), and negotiations with these suppliers for procurement terms and price setting.

We require a wide range of suppliers, including suppliers for kitchen equipment and utensils, green tea, cooking oil, soup ingredients, raw meat, vegetables and packaging materials. Our suppliers are chosen in accordance with the requirements of our ISO 9001 accreditation. We select our suppliers based on the quality and the price of the raw materials which they supply. To spread the risk of non-delivery, we usually choose an average of two to three suppliers for each kind of raw materials. We have entered into supply agreements with some of our major suppliers setting out the duration of the agreement, price (which may be adjustable depending on the seasonal market price), quality and specifications of the raw materials to be provided. Most of our supply agreements have a duration ranging from one to three years and our suppliers have extended credit terms to us ranging from 30 to 60 days. We aim at developing long term partnerships with our suppliers and have developed a good and long-standing relationship with many of them. We have been purchasing from some of our suppliers for almost 10 years.

We also purchase some food ingredients from our Franchisor, such as the special soup base and condiments for our white soup which gives it its unique taste. Our Hong Kong Subsidiary, Fortune Choice, carries out all of our Group's import activities in this regard.

Our purchases are generally denominated in RMB and Japanese Yen. The costs of raw materials account for a significant part of our food manufacturing and production facilities' costs. In each of the three financial years ended 31st December 2005 and the nine months ended 30th September 2006, the costs of raw materials accounted for approximately 89.5%, 91.1%, 90.3% and 88.4% of our total cost of sales. The total purchases from our five largest suppliers in aggregate accounted for approximately 64.9%, 43.6%, 34.3% and 31.9% of our Group's purchases during the three financial years ended 31st December 2005, and the nine months ended 30th September 2006, with our largest supplier, Shigemitsu, accounting for 36.5%, 24.8%, 15.5% and 16.6% of our Group's purchases respectively. Most of our suppliers have extended 30 to 60 days credit terms to us. Save for Katsuaki Shigemitsu who owns an approximately 43.6% interest in Shigemitsu, none of our Directors or their respective Associates, or existing shareholders who, to the knowledge of the Directors, own more than 5% of our issued share capital, has any interest in any of our five largest suppliers.

Logistics and Inventory Control

As far as practicable, we try to centralise our inventory management system in the Shenzhen Factory and the Shanghai Factory. Due to the perishable nature of some of our raw materials, we are unable to establish a fully centralised location to store all our raw materials. Our suppliers will deliver all our raw materials to the Shenzhen Factory and the Shanghai Factory which in turn are responsible for the delivery of raw materials to the other food manufacturing and processing facilities or Ajisen chain restaurants.

For the region which it is overseeing, each of the six divisional management offices is also responsible for its own logistics and inventory management of raw materials with a short shelf-life. Our suppliers will deliver the perishable raw materials directly to the food manufacturing and processing facility which has placed the order. After examination and inspection by our quality control departments, our raw materials will be stored in our warehouses or refrigeration facilities. As our raw materials are of a perishable nature, we have refrigerated storage facilities for the storage of our raw materials. We have implemented the ERP software to assist us in the management of our purchase orders, monitoring of stock levels and logistics management. We will deliver the processed food products and ramen to our Ajisen chain restaurants by our own delivery vehicles. Occasionally, when we are running on a tight schedule, we will outsource the delivery of our packaged noodle products to a pre-approved list of logistics companies. Food ingredients which are of a perishable nature are delivered by our delivery trucks within the same day they leave our factories. All food ingredients, processed food products and/or goods

delivered to each of our Ajisen chain restaurants and food manufacturing and processing facilities are checked against the delivery order for quantity. As at the Latest Practicable Date, we owned a fleet of 14 delivery trucks and lorries.

Our logistics and inventory control departments monitor the stock in our warehouses and will conduct a stock-take of the inventory in our chain restaurants and food manufacturing and production facilities at the end of every week and at the end of every month respectively. We have recently implemented the ERP software to streamline our processes and assist us in our logistics and inventory management.

11. CASH MANAGEMENT SYSTEM

The vast majority of our chain restaurant customers pay in cash at the time of purchase, with only a small percentage using a special food card which is similar to a debit card. As the sales of our Ajisen chain restaurants are predominantly settled by cash, our chain restaurants handle a significant amount of cash everyday. We have implemented a check and balance system at all our Ajisen restaurants to ensure that our cash receipts are accounted for every day including the handling of cash by the cashier only, daily reconciliation of sales recorded by the summaries generated from the POS system with the actual cash receipts and daily deposits of cash in the bank by each Ajisen restaurant. Each duty branch manager and cashier is responsible for ensuring that the day's sales and expenses have been properly recorded and accounted for at the close of business each day. Our finance department will conduct a monthly reconciliation of the bank deposit slips and the sales records. We have implemented the POS cashier monitoring system in our Ajisen chain restaurants.

We have entered into an agreement with 上海索迪斯萬通服務公司 (Shanghai Sodexho Service Co., Ltd) which supplies pre-paid food cards that can be used in their network of participating restaurants. Purchasers of these food cards can use them instead of cash to pay for their meals in all participating outlets. Revenue from these special food cards are recognised when customers utilise these cards in our restaurants. We have been advised by our PRC legal counsel that the usage of these pre-paid food cards do not contravene any PRC rules and regulations.

12. CREDIT CONTROL

As our Ajisen restaurant business is a cash business where our customers settle their bills at the end of their meals, there is no necessity for us to implement credit terms or a credit control policy in respect of our restaurant business.

In respect of our packaged food operations, we usually extend credit terms ranging from 60 to 90 days to our distributors. Upon expiry of the credit terms, our sales department will contact our distributors to chase for any outstanding receivables. Each sales executive would be responsible for maintaining his own customer accounts to ensure that orders are fulfilled and outstanding receivables are paid.

13. BRAND MANAGEMENT AND MARKETING

We consider brand management a combined effort of:

- network development;
- product and service quality;
- innovative recipes and menus;
- dining environment; and
- marketing and promotion.

Brand awareness

All our chain restaurants and packaged noodle products are marketed under the “Ajisen” brand and “” logo. Our marketing department is responsible for the advertising and promotion of our Ajisen chain restaurants and packaged noodle products. Since the F&B industry is a highly competitive industry, we recognise the importance of developing public awareness of our brand and corporate image of our Ajisen chain restaurants and packaged food products, and to cultivate loyalty of our customers. We believe these factors are crucial for us to maintain our competitive edge. We have sought to create a reputation for our food products as healthy, authentic and delicious. We have been recognised as a “Famous F&B Brand Enterprise” for 2004/2005 by the Shanghai Restaurants Association. We will strive to strengthen our brand by continuing to develop new products and recipes to meet the ever-changing taste preferences and demands of our customers.

Currently, we market ourselves through periodic television advertisements. We also advertise in lifestyle magazines. We maintain two websites: <http://www.ajisen.com.hk> for our customers in Hong Kong and <http://www.ajisen.com.cn> for our PRC customers.

For each of the three financial years ended 31st December 2005 and the nine months ended 30th September 2006, our marketing and promotion expenses were approximately RMB3.2 million, RMB6.6 million, RMB6.9 million and RMB7.5 million, respectively representing approximately 8.0%, 8.6%, 6.2% and 6.6%, respectively of our distribution and selling expenses for those periods. To increase the brand awareness of our Group, we intend to concentrate some of our resources and seek more advertising channels to improve the public’s awareness of our brand.

Customer loyalty

We believe that the following are some of the ways to cultivate and maintain customer loyalty:

- **Quality of food products:** As previously mentioned, we pride ourselves on providing quality food products and services. We have put in place a quality control system which ensures that our food products and services are of a consistent high quality.
- **Variety of food product offering and constant update of our menu:** Our menu offers more than 60 kinds of food. We also, from time to time, update our menu and introduce new dishes in our Ajisen chain restaurants.
- **Loyalty program:** We have introduced a customer loyalty programme in Shanghai and Hong Kong where we issue VIP cards to customers who dine at our Ajisen chain restaurants. Our customers have to apply for our VIP card and pay a one-off membership fee before they are issued with a card. Our VIP customer scheme operates on a point-crediting system where customers are entitled to 1 VIP point for every RMB1/HK\$1 spent. Upon accumulation of certain number of points, our VIP customers would be able to redeem them for different category of gifts, depending on the points accumulated. Such gifts include cups, picture frames, and computer mouse. We have been advised by our PRC legal counsel that our VIP scheme in Shanghai does not violate any PRC laws and regulations presently in force.

Additionally, in Hong Kong, we waive the 10% service charge for our VIP customers. There is no expiry date to our VIP cards. Presently, we have approximately 6,000 VIP customers in Shanghai and 70,000 VIP customers in Hong Kong. Due to different market environments, there is a slight difference in our accounting treatment for the VIP cards in Shanghai and Hong Kong. For Shanghai, the amounts received from the one-off membership fees of VIP cards to customers are initially recorded in the Group's accounts as receipt in advance and upon expiry of the cards, the initial receipt from that VIP cards will be refunded to the customers. In Hong Kong, the amount received from the one-off membership fees of VIP cards to customers are recorded in the Group's accounts as other income since there is no expiry date for VIP cards in Hong Kong.

We have been advised by our PRC legal counsel that our VIP customer scheme complies with the relevant PRC rules and regulations.

14. PRODUCT DEVELOPMENT

We believe that by constantly introducing new dishes in our Ajisen chain restaurants, we will be able to attract more customers and retain more recurrent customers. Hence, we revamp our menus periodically. We have employed a Japanese national for our product development department to assist us. Our product development executive has been working in the F&B industry since 2002 when he was with an Italian chain restaurant, Saizeriya, both in Japan and China, and involved in product development. He has been with our Group since 2004. We believe that his experience in the F&B industry, his knowledge of Japanese cuisine combined with our knowledge of local tastes and preferences would allow us to cooperate effectively and create new recipes which suit the local tastes without deviating away from the original taste and presentation of these dishes. In addition, our executive Directors, Poon Wai and Yin Yibing, take a keen interest in our product development efforts and actively contribute to the development of new recipes for our chain restaurants. Once the new recipes have been developed, we will work towards standardising the details of each dish, including the composition of ingredients and the pricing of each dish so that our quality standards will be maintained throughout our chain restaurants and food manufacturing and processing facilities. For each of the financial years ended 31st December 2004 and 2005, and the nine months ended 30th September 2006, we spent RMB11,798, RMB6,243 and RMB15,688 respectively on product development. We did not incur any product development costs for the financial year ended 31st December 2003.



15. STAFF TRAINING AND DEVELOPMENT



As our business is largely service-oriented, staff training is essential as we place a heavy emphasis on enhancing our quality of service. Our training policy is to ensure that our employees are equipped with the appropriate skills to meet the job requirements. We regard staff training as our investment in our staff, which provides our staff with a spring-board for promotion and prepares them for the next level of responsibility. Apart from orientating them on our policies and procedures when new employees join us, our new staff are required to undergo an orientation programme where they familiarise themselves with our general working environment, our products and services as well as our quality requirements. During the orientation programme, each new staff is also informed of his or her scope of responsibility. We also provide our chain restaurants staff with on-the-job training to ensure that they are well equipped to handle our customers professionally and courteously. Our restaurant staff trainees are closely monitored and supervised by our restaurant supervisors to ensure that they maintain a high level of customer service. Applicants for senior management positions are screened and interviewed by our Directors.

All our staff undergo an annual performance appraisal. This yearly appraisal provides us an opportunity to ascertain each individual staff's strengths and weaknesses, thereby enabling us to effectively train and develop each staff member.

The amount of expenditure incurred in relation to staff training, as a percentage of our total turnover for the three financial years ended 31st December 2005 and the nine months ended 30th September 2006 are approximately 0.3%, 0.4%, 0.6% and 0.1%, respectively.

16. INTELLECTUAL PROPERTY RIGHTS

We have been licensed by our Franchisor to use the trademarks of “AJISEN”, “味千”, “” and “” in Hong Kong, Macao and the PRC.

An application was submitted on 20th April 2005 for the registration of our “” and “” trademarks with the Trademark Office. Our application is currently pending and awaiting acceptance by the Trademark Office. We have received the 註冊申請受理通知書 (Notice of Receipt of Trade Mark Application) (the “Notice”) from the Trademark Office acknowledging our application on 4th July 2005 and expect the Trademark Office to accept our application within 15 to 18 months from the date of the Notice. Objections may be raised by the Trademark Office on the basis that (a) the mark is in conflict with a prior identical or similar mark applied for or registered in respect of the same or similar services; or (b) that the mark is not sufficiently distinctive to qualify for registration. As at the Latest Practicable date, we are still waiting for the Trademark office to approve our application and we are not aware of any legal impediment which may prevent us from obtaining such approval.

We have obtained a patent for the design of our signboards. The patent was initially registered under the name of Feng Hanming (the general manager of Beijing Ajisen), Shanghai Lead Food entered into a patent transfer agreement with Feng Hanming on 13th February 2007 for the transfer of the patent rights from Feng Hanming to Shanghai Lead Food at nil consideration. Pending completion of the transfer registration process with the PRC Trademark Office, Shanghai Lead Food and its associated companies will be allowed to use the patent free of charge.

As at the Latest Practicable Date, as far as the Directors are aware, there was no outstanding incident of infringement of the Group’s intellectual property rights in China or Hong Kong.

Further details of our intellectual property rights are set out in the paragraph headed “Intellectual Property Rights” in Appendix VI to this prospectus.

17. PROPERTIES

Property interests owned and rented by us in Hong Kong

As at the Latest Practicable Date, we do not own any property in Hong Kong.

We operate our business out of leased properties. The properties have a total gross floor area of 4,219.84 sqm and are occupied by us for office, restaurant and food manufacturing and processing purposes. Most of our tenancies in Hong Kong have lease terms of an average of 2 to 3 years with some granting us an option to renew for another 2 to 3 years.

Our usage of the premises set out in items 14 and 22 in Appendix IV to this prospectus for restaurant use does not comply with the domestic use as permitted in the occupation permit applicable to such premises. The Hong Kong government, the Building Authority, or the building manager or the owners' committee of such premises can require us to use such premises only in the manner as allowed in the occupation permit.

In practice, it is seldom that the authority would take the enforcement on these premises as they have already complied with the planning laws and the lease clauses. The company will employ Building Surveyor/Architect to assess the premises based on different factors including structural stability and safety and to certify the building plans of these premises that are in compliance with the requirements set out by the authority related to this issue.

Should the relevant authority require us to vacate or Building Surveyor/Architect opine the premises are not suitable for restaurant use, we believe alternative locations are relatively easy to find.

For each of the three financial years ended 31st December 2005 and nine months ended 30th September 2006, the aggregate revenue generated from these two properties amounted to approximately RMB19.0 million (representing 14.2% of the total turnover of our Group), approximately RMB25.1 million (representing 8.4% of the total turnover of our Group), approximately RMB23.4 million (representing 5.4% of the total turnover of our Group) and approximately RMB17.5 million (representing 4.0% of the total turnover of our Group) respectively, while the aggregate profit generated from these two properties amounted approximately RMB2.5 million (representing 13.3% of the total profit of our Group), approximately RMB3.9 million (representing 8.4% of the total profit of our Group), approximately RMB2.9 million (representing 5.2% of the total profit of our Group) and approximately RMB3.0 million (representing 3.5% of the total profit of our Group) respectively. We will vacate the premises should the relevant authority require us to do so and will have to secure other suitable premises and will incur additional costs in reinstating the premises and/or compensating the landlord as a result of early termination of the relevant tenancy agreement, thereby adversely affecting our business operations and financial performance. Our Controlling Shareholder, Poon Wai has undertaken to indemnify us against any fines, expenses, penalties, losses and damages suffered as a result of this event.

One of the premises set out in item 17 in Appendix IV to this prospectus for restaurant use is subject to a mortgage in favour of certain financial institutions (the "Mortgagee"). The landlord of this property has not obtained the written consent from the Mortgagee for the leasing of this property to the Group. The landlord of this property may be in breach of the terms of the relevant mortgage without such consent, thereby entitling the Mortgagee to exercise certain rights which include requiring us to vacate this property forthwith. We will vacate from this property if the Mortgagee exercises this right and will incur additional costs in relocating our restaurant to another suitable location, thereby affecting our business operations

and financial performance. This restaurant was opened during 2005. For the year ended 31st December 2005 and nine months ended 30th September 2006, the aggregate revenue generated from this property amounted to approximately RMB3.2 million (representing 0.7% of the total turnover of our Group) and approximately RMB10.3 million (representing 2.3% of the total turnover of our Group) respectively, while the aggregate profit generated from these two properties amounted to approximately RMB0.2 million (representing 0.3% of the total profit of our Group) and approximately RMB1.4 million (representing 1.7% of the total profit of our Group) respectively. Our Controlling Shareholder, Poon Wai has undertaken to indemnify us against any fines, expenses, penalties, losses and damages suffered as a result of this event.

Property interests owned and rented by us in the PRC

We own and lease properties in the PRC. We currently own five residential units, one retail unit and eight office units in Shenzhen, and one office unit and seven buildings in Shanghai. These properties have a total floor area of 11,816.10 sqm. The office and retail units are occupied by us for office and restaurant purposes while the residential units are occupied by us for dormitory purposes.

We have also leased 83 properties in 11 provinces in the PRC for our operations, namely to house our restaurant operations, offices and food manufacturing and processing facilities. These properties have a total gross floor area of 35,528.98 sqm. Most of our tenancies in the PRC have leases terms ranging from a period of 6 to 10 years.

Among these 83 leased properties, 40 lease agreements of which have been registered to the relevant authorities, representing 47% of the total leased properties, while the remaining properties have not been registered with details as follows:

- (a) As the major landlord decided to re-design the layout of the Changshou Road Restaurant in Shanghai, we have ceased operations accordingly. In addition, we have also ceased operations of Hongqiao Road Restaurant and Jufengyuan Road Restaurant in Shanghai.
- (b) Our Beijige Restaurant in Nanjing has also ceased its operations temporarily due to the construction of public transport lines by the PRC local government and the liquidation of our landlord. The new landlord will only be able to occupy the premises and enter into a new lease with us after the completion of the public transport lines. Thus we will only resume operations of our Beijige Restaurant after we have entered into a new lease agreement with the new landlord. Thereafter, we will apply for registration of this new lease agreement.

- (c) Yongan Road Restaurant, Fuqingyifo Road Restaurant and Ruifeng Lou Restaurant all belong to Fuzhou Weiqian, over which we do not have management control. Please refer to the paragraph headed “Restaurant Management” under this section for further details on Fuzhou Weiqian.
- (d) As the staff quarters in Beijing has no profit contribution to our Group, and we will have no difficulties in sourcing for similar properties to lease, it will not have any material effect on our Group.
- (e) As at the Listing Date, we had not registered 18 of our leased properties, comprising North Tongtai Road Restaurant, Hunan Road Restaurant, Lujiazui Ring Road Restaurant in Shanghai, Xinmate Restaurant in Dalian, Dikang Restaurant, Humen Restaurant, Changsha New World Time Square Restaurant, Wuhan New World Centre Restaurant, Dongguan Tianhe Restaurant, the 8 Ajisen restaurants under Beijing Weiqian and our Beijing food processing centre. For the nine months ended 30th September 2006, these 18 properties contributed to approximately 5.3% of our total profit. In respect of Hunan Road Restaurant and Lujiazui Ring Road Restaurant, we undertake to complete the lease registrations within a year after the Listing Date, failing which, we will close those restaurants within a year thereafter. With regards to the remaining 16 properties, we undertake to complete the lease registrations of these 16 properties within 6 months after the Listing Date, failing which, we will close the respective restaurants within a year thereafter.

In respect of the other remaining 19 leased properties without registration, the Company undertakes to complete the registration of those leased properties prior to the listing. If the Company fails to complete the registrations, the Company will close those restaurants within 6 months after the Listing Date.

In addition, Poon Wai has undertaken that if any subsidiary of domestic listing company has to pay penalty or suffers from other losses resulting from unregistered or purportedly invalid lease agreement or otherwise such as third parties rights, he will personally be held liable for any shortfall if the compensation given by the landlord is unable to cover the loss suffered by the relevant subsidiary.

For further details of the property interests owned and/or leased by us, please refer to the “Property Valuation” section in Appendix IV to this prospectus. Save as disclosed above and in the property valuation report set out in Appendix IV to this prospectus, we are not aware of any defects in title in any of the property which is the subject matter of the said report.

For the new food manufacturing and processing facilities we intend to establish by applying part of the net proceeds of the Global Offering, we are still exploring appropriate sites for our new food manufacturing and processing facilities. As at the Latest Practicable Date, no definite agreement has been concluded.

18. INSURANCE

We maintain insurance for employees' compensation liability for personal injury and illnesses, public liability to cover ourselves against any claims of illnesses, injuries or damage to personal property by our customers, cash policy for loss of money in our business premises, fidelity guarantee, fire insurance, and insurance for our properties, plant and equipment. Our Directors consider that our Group's insurance coverage is sufficient and in line with the normal commercial practice in Hong Kong and the PRC.

19. LABOUR AND SAFETY

We regard labour and safety matters as one of our important social responsibilities. We must comply with the 中華人民共和國勞動法 (*PRC Labour Law*), the 工傷保險條例 (*Regulations on Work Injury Insurance*), the 社會保險費徵繳暫行條例 (*Provisional Regulations on Collection of Social Insurance Premiums*) and the 特種設備安全監察條例 (*Regulations on Safety Supervision over Special Equipment*). Save for our previous oversight in social security payments which we have been progressively repaying the PRC labour and social security authorities, we have complied with the applicable labour and safety regulations. To the best of our knowledge and belief, none of our employees have suffered from any major injuries during their course of employment with us.

For each of the three financial years ended 31st December 2005 and the nine months ended 30th September 2006, we incurred approximately RMB1.4 million, RMB2.4 million, RMB3.1 million and RMB5.2 million respectively on labour and safety matters.

20. HONG KONG AND PRC REGULATORY COMPLIANCE

Hong Kong

In respect of our restaurants in Hong Kong, as at the Latest Practicable Date, we have not obtained restaurant licences for two of our Ajisen restaurant. Under the Hong Kong Public Health and Municipal Services Ordinance and Food Business Regulations (Chapter 13 of the Laws of Hong Kong), a restaurant operator is required to obtain a restaurant licence from the FEHD before they can commence operations. Any restaurant operating without a restaurant licence may be subject to a closure order by the FEHD. We are in the process of applying for restaurant licences for our two restaurants, and are confident that we will obtain them prior to the Listing Date. In the event that we are unable to obtain these restaurant licences by the Listing Date, we will immediately cease operation of these two restaurants.

PRC

In respect of our restaurants in the PRC, as at the Latest Practicable Date, we have not obtained business licences for two of our Ajisen restaurants. These two restaurants have only commenced operations recently in October and November 2006 and we have already applied to the PRC authorities for the business licenses. As the revenue generated by these two Ajisen restaurants is not material, their

profit contribution to our revenue in the PRC is minimal. The Group has also failed to obtain fire safety approvals for 11 of our Ajisen restaurants and environmental protection approvals of our 12 Ajisen restaurants.

In respect of our food manufacturing and processing facilities, save for the fire safety approval for our Beijing food processing centre, and the environmental protection approvals for our Beijing food processing centre, the Shanghai Factory and the Shenzhen Factory, we have obtained all relevant and valid approvals, permits, licences and certificates to operate our food manufacturing and processing facilities from the relevant PRC authorities. Failure in obtaining such approvals may render the factories subject to potential fines. We are in the process of applying for such approvals for the Beijing food, processing centre and the Shenzhen Factory. We do not intend to apply for the environmental protection approval for the Shanghai Factory as we will be relocating to our new site at Songjiang Industrial Zone.

Although it is not currently a legal requirement in the PRC, we have taken out fire insurances for all our Ajisen restaurants (excluding those belonging to Fuzhou Weiqian) in the PRC to insure ourselves against any losses or damages which we may incur in the event of fire. We have been advised by our PRC legal counsel that should a fire occur in any of the 11 properties for which we have not obtained fire safety approvals, we may be liable for any damages to property or injuries to persons, the quantum of which would depend on the outcome of findings of a PRC court. Owners of the buildings which have not obtained a fire safety licence may also be likewise liable.

We have identified a new 46,667 sqm site at Songjiang Industrial Zone in Shanghai on which to build our new factory and entered into an agreement on 7th July 2006 with the Management Committee of the Songjiang Industrial Estate for the land use rights to relocate the Shanghai Factory there. The period of our land use rights is for 50 years and runs from the date of the agreement. We intend to relocate to this site, or another suitable site within 12 to 18 months after the Listing Date. As the Shanghai Factory is a food manufacturing and processing company and does not require specially designed facilities, we do not foresee any difficulties in obtaining alternative sites. We estimate the cost of relocating the production facilities of the Shanghai Factory (including the cost of construction of the new factory) to be approximately RMB50.2 million. We intend to use part of the proceeds of the Global Offering to finance our relocation.

For details of the potential risks faced by these factories, please refer to the paragraphs headed “Fire Safety Approvals” and “Environmental Protection Approvals” under the section “Risk Factors”. In order to prevent future breaches, we have implemented internal guidelines in respect of the opening of new restaurants in the PRC. Please refer to the paragraph headed “Restaurant Opening and Site Selection” under the section headed “Business” for more information on these internal guidelines.

PRC Environmental Matters

We are subject to the PRC national and local environmental laws and regulations. We must comply with the PRC Environmental Protection Law and the “*Administrative Rules on Environments Protection with respect to Construction Projects*” (建設項目環境保護管理條例) and other relevant environmental protection laws and regulations concerning the disposal of wastes. Under the applicable PRC environmental laws and regulations, we are required to submit the environmental impact registration to SEPA for approval for each of our Ajisen restaurants and food manufacturing and processing facilities before we commence business. We are required to ensure that all equipment installed in our premises and all renovations are in compliance with the PRC environmental laws and regulations. We are required to use contractors which are approved by SEPA. Within three months of commencement of operations of a new Ajisen restaurant or food manufacturing and processing facility, we are required to apply to SEPA for an inspection of the property. A failure to submit the environmental impact registration to SEPA for approval or apply for an inspection within the three-month period carries a fine of not more than RMB10,000 and RMB5,000 respectively. Additionally, the PRC environmental protection authorities may order us to cease operations of any restaurant or food manufacturing and processing facility which is in breach of the PRC environmental laws and regulations. We are also subject to annual inspections by the regulatory authorities for compliance with these laws and regulations. Our waste products do not contain materials which are hazardous to the environment. Our waste products are collected by waste disposal trucks for disposal at government-designated waste disposal areas. We have ensured that the equipment and renovations of all new Ajisen restaurants comply with the relevant PRC environmental protection laws and regulations. For each of the three financial years ended 31st December 2003, 2004 and 2005 and the nine months ended 30th September 2006, the environmental protection expenses incurred by us were approximately RMB409,000, RMB819,000, RMB756,000 and RMB515,000, respectively.

As at the Latest Practicable Date, we have not obtained the environmental protection approvals for 12 of our Ajisen restaurants in the PRC, our Beijing food processing centre, Shanghai Factory and Shenzhen Factory. We are in the process of applying for such licences, and have not received any notices of non-compliance from the PRC authorities. Save as disclosed in this prospectus, our Directors confirm that we have complied with all applicable environmental laws and regulations during the Track Record Period.

For further details regarding the applicable PRC environmental laws and regulations, please refer to the paragraph entitled “Regulatory Framework” under the “Industry Overview” section of this prospectus.

21. LITIGATION

As at the Latest Practicable Date, we were not involved in any litigation or arbitration proceedings pending or, to our knowledge, threatened against our Group or any of the Directors which could have a material adverse effect on our business or operations.