

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants to the Company:



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19th March 2007

The Directors
Ajisen (China) Holdings Limited
Cazenove Asia Limited

Dear Sirs,

We set out below our report on the financial information (the “Financial Information”) regarding Ajisen (China) Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) for each of the three years ended 31st December 2005 and nine months ended 30th September 2006 (the “Relevant Periods”) for inclusion in the prospectus of the Company dated 19th March 2007 (the “Prospectus”).

The Company was incorporated and registered as an exempted company in the Cayman Islands under the Companies Law of the Cayman Islands on 6th April 2006. Through a group reorganisation as more fully explained in the paragraph headed “Corporate reorganisation” in Appendix VI to the Prospectus (the “Group Reorganisation”), the Company has since 8th March 2007 become the holding company of the Group.

As at the date of this report, the Company has the following subsidiaries:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group	Principal activity
Ejumbo Trading Limited (“Ejumbo”)	British Virgin Islands (“BVI”) 15th December 2000	Shares – US\$1	100%	Provision of marketing support services
Favor Will Investments Limited (“Favor Will”)*	BVI 6th December 2005	Shares – US\$1	100%	Investment holding
Fine Fit Profits Limited (“Fine Fit”)	BVI 5th December 2005	Shares – US\$1	100%	Investment holding
Festive Profits Limited (“Festive Profits”)	BVI 5th December 2005	Shares – US\$1	100%	Investment holding and holding of franchise

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group	Principal activity
Union Impact Limited ("Union Impact")	BVI 12th June 2002	Shares – US\$1	100%	Provision of marketing support services
Billion Rise International Limited ("Billion Rise")	Hong Kong 10th October 2001	Ordinary shares – HK\$10,000	100%	Operating an Ajisen chain restaurant
Brilliant China Holdings Limited ("Brilliant China")	Hong Kong 14th November 1997	Ordinary shares – HK\$10,000	100%	Operating the Group's Hong Kong office and food processing factory
Colour Wave Development Limited ("Colour Wave")	Hong Kong 18th June 1997	Ordinary shares – HK\$10,000	100%	Operating an Ajisen chain restaurant
Ever Victory Investments Limited ("Ever Victory")	Hong Kong 29th December 2003	Ordinary shares – HK\$500,000	100%	Operating an Ajisen chain restaurant
Forever Dragon (Asia) Limited ("Forever Dragon")	Hong Kong 16th January 2004	Ordinary shares – HK\$10,000	100%	Operating an Ajisen chain restaurants
Fortune Choice Limited ("Fortune Choice")	Hong Kong 17th June 1993	Ordinary shares – HK\$10,000	100%	Holding company of Shenzhen factory and trading
Gold Regent Limited ("Gold Regent")	Hong Kong 25th March 2003	Ordinary shares – HK\$10,000	100%	Operating an Ajisen chain restaurant
Hong Kong Ajisen Food Company Limited ("HK Ajisen")	Hong Kong 14th May 1996	Ordinary shares – HK\$10,000	100%	Operating an Ajisen chain restaurant
Long Wave Limited ("Long Wave")	Hong Kong 20th October 1997	Ordinary shares – HK\$10,000	100%	Operating an Ajisen chain restaurant
Lucky Tide Limited ("Lucky Tide")	Hong Kong 16th September 1998	Ordinary shares – HK\$10,000	100%	Operating an Ajisen chain restaurant
Nice Concept Limited ("Nice Concept")	Hong Kong 28th July 2004	Ordinary shares – HK\$10,000	100%	Operating an Ajisen chain restaurant

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group	Principal activity
Ocean Talent Limited ("Ocean Talent")	Hong Kong 28th July 2005	Ordinary shares – HK\$10,000	100%	Operating an Ajisen chain restaurant
Paracity Developments Limited ("Paracity")	Hong Kong 4th April 1997	Ordinary shares – HK\$10,000	100%	Operating an Ajisen chain restaurant
Seamax Limited ("Seamax")	Hong Kong 16th March 2001	Ordinary shares – HK\$10,000	100%	Operating an Ajisen chain restaurant
Star Wave Development Limited ("Star Wave")	Hong Kong 2nd June 1997	Ordinary shares – HK\$10,000	100%	Operating an Ajisen chain restaurant
Sunny Pearl Investment Limited ("Sunny Pearl")	Hong Kong 24th July 2006	Ordinary shares – HK\$10,000	100%	Operating an Ajisen chain restaurant
United Asian Limited ("United Asian")	Hong Kong 30th August 2006	Ordinary shares – HK\$10,000	100%	Operating an Ajisen chain restaurant
Win Faith Limited ("Win Faith")	Hong Kong 5th September 2003	Ordinary shares – HK\$10,000	100%	Operating an Ajisen chain restaurant
Wintle Limited ("Wintle")	Hong Kong 14th August 1998	Ordinary shares – HK\$10,000	100%	Operating an Ajisen chain restaurant
Victory Capital Limited	Hong Kong 30th August 2006	Ordinary shares – HK\$10,000	100%	Establishing an Ajisen chain restaurant
Win Victory Limited	Hong Kong 21st October 2006	Ordinary shares – HK\$10,000	100%	Provision of financing services for group companies
Lucky Target Limited	Hong Kong 21st October 2006	Ordinary shares – HK\$10,000	100%	Establishing an Ajisen chain restaurant
領先食品(上海)發展有限公司 (Lead Food (Shanghai) Development Co. Ltd.) ("Lead Food Shanghai")	Mainland China (the "PRC") 22nd March 2001 as a wholly-foreign owned enterprise for a term of 10 years	Registered capital – US\$1,200,000	100%	Operating a noodle factory in Shanghai, the PRC
上海領先餐飲管理有限公司 (Shanghai Lead Food & Restaurant Management Co. Ltd.) ("Lead Food & Restaurant")	PRC 24th June 2003 as a wholly-foreign owned enterprise for a term of 20 years	Registered capital – US\$3,000,000	100%	Investment holding and operating Ajisen chain restaurants in Shanghai, the PRC

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group	Principal activity
味千拉麵深圳有限公司 Weiqian Noodle (Shenzhen) Co. Ltd. ("Shenzhen Weiqian")	PRC 25th December 1995 as a wholly-foreign owned enterprise for a term of 15 years	Registered capital – RMB2,000,000	100%	Operating a noodle factory in Shenzhen, the PRC
杭州味千餐飲有限公司 Hangzhou Weiqian Food & Restaurant Management Co. Ltd. ("Hangzhou Weiqian")	PRC 24th November 2003 as a sino-foreign equity joint venture for a term of 20 years	Registered capital – RMB500,000	100%	Operating Ajisen chain restaurants in Hangzhou, the PRC
南京味千餐飲有限公司 Nanjing Weiqian Food & Restaurant Management Co. Ltd. ("Nanjing Weiqian")	PRC 11th February 2004 as a sino-foreign equity joint venture for a term of 20 years	Registered capital – RMB1,000,000	100%	Operating Ajisen chain restaurants in Nanjing, the PRC
山東味千餐飲管理有限公司 Shandong Weiqian Food & Restaurant Management Co. Ltd. ("Shandong Weiqian")	PRC 2nd August 2004 as a limited liability enterprise for a term from 2nd August 2004 to 25th March 2008	Registered capital – RMB3,000,000	55%	Operating Ajisen chain restaurants in Shandong, the PRC
北京味千餐飲有限公司 Beijing Weiqian Food & Restaurant Management Co. Ltd. ("Beijing Weiqian")	PRC 27th December 2004 as a sino-foreign equity joint venture for a term of 20 years	Registered capital – RMB1,000,000	55%	Operating Ajisen chain restaurants and food processing centre in Beijing, the PRC
重慶味千餐飲管理有限公司 Chongqing Weiqian Food & Restaurant Management Co. Ltd. ("Chongqing Weiqian")	PRC 5th July 2005 as a limited liability enterprise for a term from 5th July 2005 to 3rd November 2024	Registered capital – RMB1,500,000	100%	Operating Ajisen chain restaurants in Chongqing, the PRC
大連味千餐飲有限公司 Dalian Weiqian Food Co. Ltd. ("Dalian Weiqian")	PRC 27th November 2002 as a limited liability enterprise for a term from 27th November 2002 to 26th November 2012	Registered capital – RMB500,000	51%	Operating Ajisen chain restaurants in Dalian, the PRC

* *Directly held by the Company.*

The statutory financial statements of the following subsidiaries were prepared in accordance with the relevant accounting principles and financial regulations applicable to their respective jurisdictions and were audited by the following certified public accountants registered in that jurisdiction:

Name of subsidiary	Financial period	Auditors
Billion Rise	Each of the three years ended 31st March 2005 From 1st April 2005 to 31st December 2005	Fung Chi Keung & Company Deloitte Touche Tohmatsu
Brilliant China	Each of the three years ended 31st March 2005 From 1st April 2005 to 31st December 2005	Fung Chi Keung & Company Deloitte Touche Tohmatsu
Colour Wave	Each of the three years ended 31st March 2005 From 1st April 2005 to 31st December 2005	Fung Chi Keung & Company Deloitte Touche Tohmatsu
Ever Victory	From 29th December 2003 (date of incorporation) to 31st March 2005 From 1st April 2005 to 31st December 2005	Fung Chi Keung & Company Deloitte Touche Tohmatsu
Forever Dragon	From 16th January 2004 (date of incorporation) to 31st March 2005 From 1st April 2005 to 31st December 2005	Fung Chi Keung & Company Deloitte Touche Tohmatsu
Fortune Choice	Each of the two years ended 31st December 2004 Year ended 31st December 2005	H F Chow & Co Deloitte Touche Tohmatsu
Gold Regent	From 25th March 2003 (date of incorporation) to 31st March 2004 and year ended 31st March 2005 From 1st April 2005 to 31st December 2005	Fung Chi Keung & Company Deloitte Touche Tohmatsu
HK Ajisen	Each of the three years ended 31st March 2005 From 1st April 2005 to 31st December 2005	Fung Chi Keung & Company Deloitte Touche Tohmatsu
Long Wave	Each of the three years ended 31st March 2005 From 1st April 2005 to 31st December 2005	Fung Chi Keung & Company Deloitte Touche Tohmatsu
Lucky Tide	Each of the three years ended 31st March 2005 From 1st April 2005 to 31st December 2005	Fung Chi Keung & Company Deloitte Touche Tohmatsu
Nice Concept	From 28th July 2004 (date of incorporation) to 31st December 2005	Deloitte Touche Tohmatsu
Ocean Talent	From 28th July 2005 (date of incorporation) to 31st December 2005	Deloitte Touche Tohmatsu

Name of subsidiary	Financial period	Auditors
Paracity	Each of the three years ended 31st March 2005 From 1st April 2005 to 31st December 2005	Fung Chi Keung & Company Deloitte Touche Tohmatsu
Seamax	Each of the three years ended 31st March 2005 From 1st April 2005 to 31st December 2005	Fung Chi Keung & Company Deloitte Touche Tohmatsu
Star Wave	Each of the three years ended 31st March 2005 From 1st April 2005 to 31st December 2005	Fung Chi Keung & Company Deloitte Touche Tohmatsu
Win Faith	From 5th September 2003 (date of incorporation) to 31st March 2004 and year ended 31st March 2005 From 1st April 2005 to 31st December 2005	Fung Chi Keung & Company Deloitte Touche Tohmatsu
Wintle	Each of the three years ended 31st March 2005 From 1st April 2005 to 31st December 2005	Fung Chi Keung & Company Deloitte Touche Tohmatsu
Lead Food Shanghai	Each of the three years ended 31st December 2005	上海銘瑞會計師事務所 (Shanghai Ming Rui Certified Public Accountants)
Lead Food & Restaurant	From 24th June 2003 (date of establishment) to 31st December 2003 and each of the two years ended 31st December 2005	上海銘瑞會計師事務所 (Shanghai Ming Rui Certified Public Accountants)
Shenzhen Weiqian	Each of the three years ended 31st December 2005	深圳岳華會計師事務所有限公司 (Yuehua Certified Public Accountants Co. Ltd. Shenzhen)
Hangzhou Weiqian	From 24th November 2003 (date of establishment) to 31st December 2003 and each of the two years ended 31st December 2005	浙江中誠會計師事務所 (Zhejiang Zhongcheng Certified Public Accounts)
Nanjing Weiqian	From 11th February 2004 (date of establishment) to 31st December 2004 and year ended 31st December 2005	江蘇鼎信會計師事務所 (Jiansu Dingxin Certified Public Accountants)
Shandong Weiqian	From 2nd August 2004 (date of establishment) to 31st December 2005	山東華信會計師事務所 (Shandong Huaxin Certified Public Accountants)

Name of subsidiary	Financial period	Auditors
Beijing Weiqian	From 27th December 2004 (date of establishment) to 31st December 2005	中勤萬信會計師事務所有限公司 (Zhangqin Wanxin Certified Public Accountants Co., Ltd.)
Chongqing Weiqian	From 5th July 2005 (date of establishment) to 31st December 2005	重慶渝証會計師事務所 (Chongqing Yuzheng Certified Public Accountants)

No audited financial statements have been prepared for Ejumbo, Fine Fit, Festive Profits and Union Impact because they are incorporated in a country where there is no statutory audit requirement.

We have acted as the auditors of the Company since its date of incorporation. No audited financial statements have been prepared for the Company as it has not carried on any business up to 30th September 2006. We have, however, reviewed all relevant transactions of the Company since its date of incorporation and carried out such procedures as we considered necessary for inclusion of the financial information relating to the Company.

We have audited the consolidated financial statements of Favor Will for the Relevant Periods which are prepared in accordance with Hong Kong Financial Reporting Standards with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and examined the audited consolidated financial statements of Favor Will (the "Underlying Financial Statements") for the Relevant Periods in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The combined balance sheets of the Group as at 31st December 2003, 31st December 2004, 31st December 2005 and 30th September 2006 and the combined income statements and cash flow statements of the Group for the Relevant Periods have been prepared from the Underlying Financial Statements on the basis set out in Note 1 to Section E below for the purpose of preparing our report for inclusion in the Prospectus. No adjustments are considered necessary to adjust the Underlying Financial Statements in the preparation of this report for inclusion in the Prospectus.

The Underlying Financial Statements are the responsibility of the directors of Favor Will who approved their issue. The directors of the Company are responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of preparation set out in Note 1 of Section E below, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Company as at 30th September 2006 and of the Group as at 31st December 2003, 31st December 2004, 31st December 2005 and 30th September 2006 and of the combined profits and cash flows of the Group for the Relevant Periods.

The comparative combined income statement, cash flow statement and statement of changes in equity of the Group for the nine months ended 30th September 2005 together with the notes thereon have been extracted from the Group's combined financial information for the same period (the "30th September 2005 Financial Information") which was prepared by the directors of the Company solely for the purpose of this report. We have reviewed the 30th September 2005 Financial Information in accordance with the Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the HKICPA. Our review consisted principally of making enquires of group management and applying analytical procedures to the 30th September 2005 Financial Information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the 30th September 2005 Financial Information. On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the 30th September 2005 Financial Information.

A. COMBINED INCOME STATEMENTS

	Section E Notes	Year ended 31st December			Nine months ended 30th September	
		2003 RMB'000	2004 RMB'000	2005 RMB'000	2005 RMB'000 (unaudited)	2006 RMB'000
Continuing operations						
Turnover	6	133,809	298,187	436,478	305,502	437,735
Cost of sales		<u>(49,364)</u>	<u>(119,881)</u>	<u>(175,588)</u>	<u>(119,393)</u>	<u>(162,362)</u>
Gross profit		84,445	178,306	260,890	186,109	275,373
Other income		4,187	11,741	9,482	6,881	31,003
Property rentals		(19,619)	(42,738)	(63,860)	(44,613)	(60,300)
Distribution and selling expenses		(39,739)	(76,429)	(110,337)	(79,829)	(113,914)
Administrative expenses		(6,901)	(13,470)	(24,324)	(17,461)	(26,392)
(Decrease) increase in fair value of investment properties		(191)	636	676	–	–
Finance costs	7	<u>(89)</u>	<u>(100)</u>	<u>(589)</u>	<u>(348)</u>	<u>(815)</u>
Profit before taxation	8	22,093	57,946	71,938	50,739	104,955
Taxation	10	<u>(4,419)</u>	<u>(11,534)</u>	<u>(16,433)</u>	<u>(9,228)</u>	<u>(19,846)</u>
Profit for the year/period from continuing operations		17,674	46,412	55,505	41,511	85,109
Discontinued operations						
Profit for the year/period from discontinued operations	11	<u>790</u>	<u>289</u>	<u>261</u>	<u>140</u>	<u>–</u>
Profit for the year/period		<u>18,464</u>	<u>46,701</u>	<u>55,766</u>	<u>41,651</u>	<u>85,109</u>
Attributable to:						
Equity holders of the Company		11,518	37,189	48,950	36,961	83,615
Minority interests		6,946	9,512	6,816	4,690	1,494
		<u>18,464</u>	<u>46,701</u>	<u>55,766</u>	<u>41,651</u>	<u>85,109</u>
Dividends to						
Equity holders of the Company	12	6,018	9,854	24,777	11,817	40,000
Minority interests		3,840	6,046	15,344	7,304	–
		<u>9,858</u>	<u>15,900</u>	<u>40,121</u>	<u>19,121</u>	<u>40,000</u>
From continuing and discontinued operations:						
Earnings per share – Basic	13	<u>6.6 cents</u>	<u>16.1 cents</u>	<u>7.6 cents</u>	<u>5.8 cents</u>	<u>11.8 cents</u>
From continuing operations:						
Earnings per share – Basic	13	<u>6.1 cents</u>	<u>16.0 cents</u>	<u>7.5 cents</u>	<u>6.4 cents</u>	<u>11.8 cents</u>

B. COMBINED BALANCE SHEETS

	Section E Notes	THE GROUP				THE COMPANY
		At 31st December			At 30th September	At 30th September
		2003 RMB'000	2004 RMB'000	2005 RMB'000	2006 RMB'000	2006 RMB'000
Non-current assets						
Investment properties	14	1,802	2,438	3,068	3,068	–
Property, plant and equipment	15	28,925	79,586	120,498	147,799	–
Prepaid lease payment	16	4,584	4,462	6,472	5,811	–
Goodwill	17	–	–	–	37,135	–
Deferred tax assets	18	812	438	1,224	1,340	–
Available-for-sale investments	19	–	–	–	1,648	–
		<u>36,123</u>	<u>86,924</u>	<u>131,262</u>	<u>196,801</u>	<u>–</u>
Current assets						
Inventories		8,507	14,463	15,041	18,562	–
Trade and other receivables	20	14,314	30,830	46,790	61,728	–
Amounts due from related parties	21	30,110	36,368	78,305	48,821	–
Amounts due from directors	22	1,768	3,581	97	551	–
Amounts due from shareholders	23	8,949	10,749	1,956	–	–
Taxation recoverable		–	–	193	634	–
Bank balances and cash	24	39,894	55,537	73,121	55,600	–
		<u>103,542</u>	<u>151,528</u>	<u>215,503</u>	<u>185,896</u>	<u>–</u>
Current liabilities						
Trade and other payables	25	17,369	38,380	67,674	72,170	–
Amounts due to related companies	26	39,045	43,298	5,330	7,614	–
Amounts due to directors	27	39,398	46,531	105,060	57,483	–
Amounts due to shareholders	28	–	–	–	4,521	–
Dividend payable	29	3,922	15,900	20,800	–	–
Taxation payable		4,646	9,449	16,495	23,669	–
Secured short-term bank loans	30	–	12,720	1,209	7,528	–
		<u>104,380</u>	<u>166,278</u>	<u>216,568</u>	<u>172,985</u>	<u>–</u>
Net current (liabilities) assets		<u>(838)</u>	<u>(14,750)</u>	<u>(1,065)</u>	<u>12,911</u>	<u>–</u>
Total assets less current liabilities		<u>35,285</u>	<u>72,174</u>	<u>130,197</u>	<u>209,712</u>	<u>–</u>
Non-current liabilities						
Secured long-term bank loans	31	516	481	14,736	13,723	–
Deferred tax liabilities	18	–	–	313	357	–
		<u>516</u>	<u>481</u>	<u>15,049</u>	<u>14,080</u>	<u>–</u>
Net assets		<u>34,769</u>	<u>71,693</u>	<u>115,148</u>	<u>195,632</u>	<u>–</u>
Capital and reserves						
Paid-in capital	32	12,199	16,657	41,086	8	–
Reserves		9,497	36,837	60,755	190,261	–
Equity attributable to equity holders of the Company		<u>21,696</u>	<u>53,494</u>	<u>101,841</u>	<u>190,269</u>	<u>–</u>
Minority interests		<u>13,073</u>	<u>18,199</u>	<u>13,307</u>	<u>5,363</u>	<u>–</u>
Total equity		<u>34,769</u>	<u>71,693</u>	<u>115,148</u>	<u>195,632</u>	<u>–</u>

C. COMBINED STATEMENT OF CHANGES IN EQUITY

	Paid-in capital	Special reserve	Statutory surplus reserve fund	Translation reserve	Capital reserve	Retained profits	Attributable to equity holders of the Company	Minority interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1st January 2003	7,448	-	-	-	54	3,943	11,445	9,908	21,353
Profit for the year	-	-	-	-	-	11,518	11,518	6,946	18,464
Capital contributions	4,751	-	-	-	-	-	4,751	59	4,810
Dividends	-	-	-	-	-	(6,018)	(6,018)	(3,840)	(9,858)
At 31st December 2003	12,199	-	-	-	54	9,443	21,696	13,073	34,769
Profit for the year	-	-	-	-	-	37,189	37,189	9,512	46,701
Capital contributions	4,458	-	-	-	5	-	4,463	1,660	6,123
Dividends	-	-	-	-	-	(9,854)	(9,854)	(6,046)	(15,900)
At 31st December 2004	16,657	-	-	-	59	36,778	53,494	18,199	71,693
Exchange differences arising on translation of financial statements of foreign operations	-	-	-	(255)	-	-	(255)	(248)	(503)
Profit for the year	-	-	-	-	-	48,950	48,950	6,816	55,766
Total (expenses) income recognised for the year	-	-	-	(255)	-	48,950	48,695	6,568	55,263
Capital contributions	24,429	-	-	-	-	-	24,429	3,884	28,313
Dividends	-	-	-	-	-	(24,777)	(24,777)	(15,344)	(40,121)
Transfers	-	-	4,536	-	-	(4,536)	-	-	-
	24,429	-	4,536	-	-	(29,313)	(348)	(11,460)	(11,808)
At 31st December 2005	41,086	-	4,536	(255)	59	56,415	101,841	13,307	115,148
Exchange differences arising on translation of financial statements of foreign operations	-	-	-	(269)	-	-	(269)	-	(269)
Profit for the period	-	-	-	-	-	83,615	83,615	1,494	85,109
Total (expenses) income recognised for the period	-	-	-	(269)	-	83,615	83,346	1,494	84,840
Issue of shares of a subsidiary Arising on Group Reorganisation	9	-	-	-	-	-	9	-	9
Acquisition of additional interests in subsidiaries	(41,088)	41,088	-	-	-	-	-	-	-
Dividends	1	45,072	-	-	-	-	45,073	(9,438)	35,635
	-	-	-	-	-	(40,000)	(40,000)	-	(40,000)
	(41,078)	86,160	-	-	-	(40,000)	5,082	(9,438)	(4,356)
At 30th September 2006	8	86,160	4,536	(524)	59	100,030	190,269	5,363	195,632
At 1st January 2005	16,657	-	-	-	59	36,778	53,494	18,199	71,693
Exchange differences arising on translation of financial statements of foreign operations	-	-	-	(284)	-	-	(284)	-	(284)
Profit for the period	-	-	-	-	-	36,961	36,961	4,690	41,651
Total (expenses) income recognised for the period	-	-	-	(284)	-	36,961	36,677	4,690	41,367
Capital contributions	24,429	-	-	-	-	-	24,429	3,884	28,313
Dividends	-	-	-	-	-	(11,817)	(11,817)	(7,304)	(19,121)
	24,429	-	-	-	-	(11,817)	12,612	(3,420)	9,192
At 30th September 2005 (unaudited)	41,086	-	-	(284)	59	61,922	102,783	19,469	122,252

The special reserve represents the aggregate of:

- (a) The difference between the paid-up capital of Ejumbo, Fine Fit, Festive Profits, Union Impact, Billion Rise, Brilliant China, Colour Wave, Ever Victory, Forever Dragon, Fortune Choice, Gold Regent, HK Ajisen, Long Wave, Lucky Tide, Nice Concept, Ocean Talent, Paracity, Seamax, Star Wave, Win Faith, Wintle, Lead Food Shanghai, Lead Food & Restaurant, Shenzhen Weiqian, Hangzhou Weiqian, Nanjing Weiqian, Shandong Weiqian, Beijing Weiqian and Chongqing Weiqian and the nominal value of issued shares of Favor Will.
- (b) The difference between (i) the share premium resulted from the issue of shares of Favor Will, measured at fair value, to acquire additional interests in subsidiaries less the resulting goodwill and (ii) the carrying values of the underlying net assets attributable to those additional interests in subsidiaries.

As stipulated by the relevant laws and regulations for foreign investment enterprises in the PRC, the Company's PRC subsidiaries are required to maintain a statutory surplus reserve fund which is non-distributable. Appropriations to such reserve is made out of net profit after taxation of the statutory financial statements of the PRC subsidiaries while the amounts and allocation basis are decided by their board of directors annually. The statutory surplus reserve fund can be used to make up prior year losses, if any, and can be applied in conversion into capital by means of capitalisation issue.

Capital Reserve represents the difference between the actual amount contributed and the registered paid-in capital of Shenzhen Weiqian and Hangzhou Weiqian.

D. COMBINED CASH FLOW STATEMENTS

	Section E Note	Year ended 31st December			Nine months ended 30th September	
		2003 RMB'000	2004 RMB'000	2005 RMB'000	2005 RMB'000 (unaudited)	2006 RMB'000
Operating activities						
Profit before taxation		22,093	57,946	71,938	50,739	104,955
Adjustments for:						
Profit from discontinued operations		790	289	261	140	–
Interest income		(37)	(272)	(407)	(256)	(496)
Interest expenses		89	100	589	348	815
Depreciation		4,382	7,934	17,354	9,868	16,906
Operating lease rentals in respect of prepaid lease payment		–	122	527	220	672
Loss on disposal of investment properties		299	–	–	–	–
Loss on disposal of property, plant and equipment		119	1,253	873	–	156
Decrease (increase) in fair value of investment properties		191	(636)	(676)	46	–
Operating cash flows before movements in working capital		27,926	66,736	90,459	61,105	123,008
Decrease (increase) in inventories		1,161	(5,956)	(593)	(257)	(3,521)
Decrease (increase) in trade and other receivables		14,721	(16,516)	(15,533)	(22,788)	(14,949)
Increase in trade and other payables		7,891	16,694	28,244	3,748	4,441
Cash from operations		51,699	60,958	102,577	41,808	108,979
Taxation paid		(2,342)	(6,357)	(10,053)	(9,231)	(13,185)
Net cash from operating activities		49,357	54,601	92,524	32,577	95,794
Investing activities						
Interest received		37	272	407	256	496
Proceeds from disposal of investment properties		3,252	–	–	–	–
Prepaid lease payments		(4,877)	–	(3,115)	–	–
Purchase of property, plant and equipment		(9,874)	(55,631)	(58,160)	(42,290)	(44,455)
Proceeds from disposal of property, plant and equipment		–	100	2	–	83
Purchase of available-for-sale investments		–	–	–	–	(1,648)
Purchase of additional interests in subsidiaries		–	–	–	–	(1,500)
(Advances made to) repayment from related parties		(30,110)	(6,258)	(41,623)	(15,030)	29,484
(Advances made to) repayment from directors		(237)	(1,813)	3,484	3,484	(454)
Advances made to shareholders		(930)	(1,800)	(2,756)	–	–
Repayment from shareholders		–	–	11,549	10,749	1,956
Net cash outflow from the disposal of discontinued operations	33	–	–	(190)	–	–
Net cash used in investing activities		(42,739)	(65,130)	(90,402)	(42,831)	(16,038)

	Year ended 31st December			Nine months ended 30th September	
	2003	2004	2005	2005	2006
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Financing activities					
Dividends paid	(9,858)	(3,922)	(35,221)	(35,478)	(60,800)
Interest paid	(89)	(100)	(589)	(348)	(815)
Proceeds from issue of shares of subsidiaries	–	–	–	–	9
Capital contributions to subsidiaries	4,810	6,123	28,313	28,313	–
(Repayment to) borrowings from related companies	(3,863)	4,253	(37,968)	(17,722)	2,284
Borrowings from (repayment to) directors	26,505	7,133	58,529	49,834	(47,577)
Borrowings from shareholders	–	–	–	484	4,521
Bank loans raised	5,378	12,720	15,600	–	11,440
Repayment of bank loans	(6,744)	(35)	(12,856)	(27)	(6,134)
	<u>16,139</u>	<u>26,172</u>	<u>15,808</u>	<u>25,056</u>	<u>(97,072)</u>
Net cash from (used in) financing activities					
Increase in cash and cash equivalents	22,757	15,643	17,930	14,802	(17,316)
Cash and cash equivalents at 1st January	17,137	39,894	55,537	55,537	73,121
Effect of foreign exchange rate changes	–	–	(346)	(524)	(205)
	<u>39,894</u>	<u>55,537</u>	<u>73,121</u>	<u>69,815</u>	<u>55,600</u>
Cash and cash equivalents at the end of the period					
Analysis of the balances of cash and cash equivalents					
Bank balances and cash	<u>39,894</u>	<u>55,537</u>	<u>73,121</u>	<u>69,815</u>	<u>55,600</u>

E. NOTES TO THE FINANCIAL INFORMATION

1. GROUP REORGANISATION AND BASIS OF PRESENTATION OF FINANCIAL INFORMATION

In preparation of listing of the Company's shares on The Stock Exchange of Hong Kong Limited, the Company underwent the Group Reorganisation. The Group Reorganisation principally involved (i) the disposal of the aged home business and preserved bean curbs trading business by Fortune Choice in October 2005 (the "Disposal"); (ii) the acquisition of equity interest of the subsidiaries owned by Poon Wai, the single controlling party of the Group by Favor Will through Fine Fit and Festive Profits; (iii) the acquisition of minority equity interests in Hangzhou Weiqian, Nanjing Weiqian and Chongqing Weiqian not owned by Poon Wai by Lead Food & Restaurant; ("Acquisition 1"); and (iv) the acquisition of the minority equity interests in Billion Rise, Brilliant China, Colour Wave, Ever Victory, Forever Dragon, Gold Regent, HK Ajisen, Long Wave, Lucky Tide, Nice Concept, Ocean Talent, Paracity, Seamax, Star Wave, Win Faith, Wintle (the "Hong Kong Subsidiaries") not owned by Poon Wai, by Favor Will through Fine Fit in January 2006 (the "Acquisition 2"). Billion Rise, Brilliant China, Colour Wave, Ever Victory, Fortune Choice, Forever Dragon, Gold Regent, HK Ajisen, Long Wave, Lucky Tide, Nice Concept, Ocean Talent, Paracity, Seamax, Star Wave, Win Faith, Wintle, Hangzhou Weiqian, Nanjing Weiqian and Chongqing Weiqian became wholly-owned subsidiaries of Favor Will upon completion of Acquisition 1 and Acquisition 2. (v) The Company acquired the entire share capital of Favor Will from the shareholders of Favor Will by the allotment and issue of shares of the Company. The Group Reorganisation was completed on 8th March 2007.

The combined income statements and the combined cash flow statements for the Relevant Periods in this report have been prepared by applying the principles of merger accounting, which is consistent with the principle as stated in Accounting Guideline 5 "Merger Accounting under Common Control Combination" issued by the HKICPA, as if the current group structure had been in existence throughout the Relevant Periods or since their respective dates of incorporation or establishment where this is a shorter period in accordance with the respective equity interests in the individual companies attributable to Poon Wai as at those periods except for Acquisition 1 and Acquisition 2 during the relevant period. The combined balance sheets of the Group as at 31st December 2003, 31st December 2004, 31st December 2005 and 30th September 2006 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure as at 30th September 2006 had been in existence as at these dates and in accordance with the respective equity interests in the individual companies attributable to Poon Wai as at those dates, except for Acquisition 1 and Acquisition 2 during the Relevant Periods. Acquisition 1 and Acquisition 2 are accounted for from the respective effective date of acquisition by the purchase method.

All significant intra-group transactions, balances, income and expenses are eliminated on combination.

2. EARLY ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

Since 2004, the HKICPA issued a number of new or revised Hong Kong Accounting Standards ("HKAS"s), Hong Kong Financial Reporting Standards ("HKFRS"s) and Interpretations ("INT"s) (hereinafter collectively referred to as "new HKFRS"s) which are effective for accounting periods beginning on or after 1st January 2005, 1st December 2005 and 1st January 2006. For the purposes of preparing and presenting financial information of the Relevant Periods, the Group has early adopted all these new and revised HKFRSs.

The HKICPA has issued the following Standards, amendments and INTs that are not yet effective. The Group has considered the following Standards, amendments and INTs but does not expect they will have a material effect on how the results of operations and financial position of the Group are prepared and presented.

HKAS 1 (Amendment)	Capital disclosures ¹
HKFRS 7	Financial instruments: Disclosures ¹
HK(IFRIC)-INT 7	Applying the restatement approach under HKAS 29 "Financial Reporting in Hyperinflationary Economies" ²
HK(IFRIC)-INT 8	Scope of HKFRS 2 ³
HK(IFRIC)-INT 9	Reassessment of embedded derivatives ⁴
HK(IFRIC)-INT 10	Interim Financial Reporting and Impairment ⁵
HK(IFRIC)-INT 11	Group and Treasury Share Transactions ⁶

¹ Effective for annual periods beginning on or after 1st January 2007.

² Effective for annual periods beginning on or after 1st March 2006.

³ Effective for annual periods beginning on or after 1st May 2006.

⁴ Effective for annual periods beginning on or after 1st June 2006.

⁵ Effective for annual periods beginning on or after 1st November 2006.

⁶ Effective for annual periods beginning on or after 1st March 2007.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with the accounting policies set out below which conform with the new HKFRSs issued by the HKICPA. The principal accounting policies adopted are as follows:

Basis of combination

The combined financial statements incorporate the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest. The combined income statement includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the combined financial statements are presented as if the entities or businesses had been combined at the previous balance sheet date or when they first came under common control, whichever is shorter.

On acquisition of additional interest in subsidiaries, the difference between the fair value of the consideration and the goodwill and the carrying values of the underlying assets and liabilities attributable to the additional interests in subsidiaries are recognised directly to special reserve. On subsequent disposal of a subsidiary, the attributable special reserve is transferred to accumulated profits.

Goodwill

Goodwill arising on an acquisition of a subsidiary or acquisition of additional interest in subsidiaries represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities acquired at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses and is presented separately in the balance sheet.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a subsidiary the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Revenue recognition

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

Sales of goods are recognised when goods are delivered and title has passed.

Service revenue is recognised when the services are provided.

Royalty income is recognised on an accrual basis in accordance with the substance of the relevant agreements.

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

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

Investment properties

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

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

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation and any identified impairment loss at the balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefit is expected to arise from the continue use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period in which the item is derecognised.

The cost of buildings is depreciated over 20 years using the straight line method.

The cost of leasehold improvements is depreciated on a straight line basis over the period of the respective leases.

Depreciation is provided to write off the cost of other property, plant and equipment over their estimated useful lives, using the straight line method, at the following rates per annum:

Furniture, fixtures and equipment	15% – 20%
Motor vehicles	20%
Plant and machinery	15% – 20%

Inventories

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

Impairment of assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Loans and receivables

Loans and receivables (including trade and other receivables and amounts due from related parties/directors/shareholders) are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are initially measured at fair value, and are subsequently measured at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as any of the other categories. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment losses on available-for-sale financial assets are recognised in profit or loss. Impairment losses on available-for-sale equity investments will not reverse through profit or loss in subsequent periods.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent periods.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Financial liabilities

Financial liabilities including trade and other payables, amounts due to related parties/directors/shareholders and bank loans are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Group are recorded as the proceeds received, net of direct issue costs.

Derecognition

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

For financial liabilities, they are removed from the Group's balance sheet (i.e. when the obligation specified in the relevant contract is discharged, cancelled or expires). The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes income statement items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the combined financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency).

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currency) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences arising on the settlement of monetary items, and on the re-translation of monetary items, are included in profit or loss for the period. Exchange differences arising on the re-translation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the re-translation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange gain or loss is also recognised directly in equity.

For the purpose of presenting the Financial Information, the assets and liabilities of the Group's foreign operations are expressed in the Company's Functional Currency, Renminbi ("RMB") using exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during the period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Retirement benefits costs

Payments to the Mandatory Provident Fund Scheme and state-managed retirement benefit schemes are charged as an expense as they fall due.

Operating leases

Rentals payable under operating leases are charged to profit or loss on a straight line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight line basis. Contingent rentals, if any, are charged to income statement in the accounting period in which they are incurred.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY**Estimated impairment of goodwill**

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**Credit risk**

The Group's principal financial assets are trade and other receivables, amounts due from related parties, amounts due from directors and shareholders and bank balances and cash, which represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group's credit risk is primarily attributable to its trade receivables and amounts due from related parties. The credit risk on trade receivables is concentrated on the trade receivables from related companies which attributable to a significant portion of the trade receivables of the Group. The amounts presented in the balance sheet are net of allowances for doubtful receivables, if any, estimated by the Group's management based on prior experience and their assessment of the current economic environment. The Group reviews the recoverable amount of each individual trade debtor at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Group consider the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because majority of the counterparties are banks with high credit-ratings assigned by international credit-rating agencies and state owned banks with good reputation.

Interest rate risk

The Group has exposed to both fair value interest rate risk and cash flows interest rate risk through fixed interest rate bank loans and floating interest rate bank loans respectively.

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider repaying bank loans when significant interest rate exposure is anticipated.

Price risk

The Group is exposed to equity security price risk through its investments in the fund which mainly composed of equity investments. The management continues to monitor the quoted price of the fund.

6. GEOGRAPHICAL AND BUSINESS SEGMENTS

Geographical segments

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

	Year ended 31st December			Nine months ended 30th September	
	2003 RMB'000	2004 RMB'000	2005 RMB'000	2005 RMB'000	2006 RMB'000
				(unaudited)	
Turnover					
PRC					
– External sales	18,669	138,486	256,121	174,996	294,772
– Inter-segment sales	5,898	18,333	23,985	18,188	30,115
	<u>24,567</u>	<u>156,819</u>	<u>280,106</u>	<u>193,184</u>	<u>324,887</u>
Hong Kong					
– External sales	115,140	159,701	180,357	130,506	142,963
– Inter-segment sales	39,356	61,424	67,489	52,851	51,097
	<u>154,496</u>	<u>221,125</u>	<u>247,846</u>	<u>183,357</u>	<u>194,060</u>
Elimination	<u>(45,254)</u>	<u>(79,757)</u>	<u>(91,474)</u>	<u>(71,039)</u>	<u>(81,212)</u>
	<u>133,809</u>	<u>298,187</u>	<u>436,478</u>	<u>305,502</u>	<u>437,735</u>
Results					
Profit from operations					
– PRC	970	24,680	35,789	25,126	73,420
– Hong Kong	21,212	33,366	36,738	25,961	32,350
	<u>22,182</u>	<u>58,046</u>	<u>72,527</u>	<u>51,087</u>	<u>105,770</u>
Finance costs	<u>(89)</u>	<u>(100)</u>	<u>(589)</u>	<u>(348)</u>	<u>(815)</u>
Profit before taxation	22,093	57,946	71,938	50,739	104,955
Taxation	<u>(4,419)</u>	<u>(11,534)</u>	<u>(16,433)</u>	<u>(9,228)</u>	<u>(19,846)</u>
Profit for the period from continuing operations	<u>17,674</u>	<u>46,412</u>	<u>55,505</u>	<u>41,511</u>	<u>85,109</u>

Results from the Group's discontinued aged home business and the preserved bean curds trading business were derived from Hong Kong and are disclosed in note 11 of Section E.

	At 31st December			At 30th
	2003	2004	2005	September
	RMB'000	RMB'000	RMB'000	2006
				RMB'000
Balance sheet				
<i>Segment assets (by location of customers and by location of assets)</i>				
PRC	74,434	162,906	248,245	264,883
Hong Kong	64,419	75,108	97,103	115,840
Unallocated	812	438	1,417	1,974
	<u>139,665</u>	<u>238,452</u>	<u>346,765</u>	<u>382,697</u>
<i>Segment liabilities</i>				
PRC	42,761	61,615	98,878	97,267
Hong Kong	57,697	76,043	95,661	68,190
Unallocated	4,438	29,101	37,078	21,608
	<u>104,896</u>	<u>166,759</u>	<u>231,617</u>	<u>187,065</u>
	Year ended 31st December		Nine months ended	
	2003	2004	2005	30th September
	RMB'000	RMB'000	RMB'000	2005
				2006
				(unaudited)
Other information				
<i>Capital additions</i>				
PRC	3,352	56,143	53,613	38,851
Hong Kong	6,522	3,805	5,734	3,439
	<u>9,874</u>	<u>59,948</u>	<u>59,347</u>	<u>42,290</u>
	<u>9,874</u>	<u>59,948</u>	<u>59,347</u>	<u>42,290</u>
	<u>9,874</u>	<u>59,948</u>	<u>59,347</u>	<u>42,290</u>
<i>Depreciation</i>				
PRC	1,470	4,006	12,709	6,843
Hong Kong	2,912	3,928	4,645	3,025
	<u>4,382</u>	<u>7,934</u>	<u>17,354</u>	<u>9,868</u>
	<u>4,382</u>	<u>7,934</u>	<u>17,354</u>	<u>9,868</u>
	<u>4,382</u>	<u>7,934</u>	<u>17,354</u>	<u>9,868</u>
<i>Loss on disposal of property, plant and equipment</i>				
PRC	–	1,363	–	–
Hong Kong	119	–	357	–
	<u>119</u>	<u>1,363</u>	<u>357</u>	<u>–</u>
	<u>119</u>	<u>1,363</u>	<u>357</u>	<u>–</u>
	<u>119</u>	<u>1,363</u>	<u>357</u>	<u>–</u>

Business segments

The Group is currently organised into two operating divisions namely operation of restaurants and the manufacture and sales of noodle and related products.

The following table provides an analysis of the Group's turnover from external customers, the carrying amount of segment assets and capital additions by business segments:

	Year ended 31st December			Nine months ended 30th September	
	2003 RMB'000	2004 RMB'000	2005 RMB'000	2005 RMB'000 (unaudited)	2006 RMB'000
Turnover					
Operation of restaurants					
– external sales	105,538	258,437	378,765	270,546	380,236
Sales of noodles and related products					
– external sales	28,271	39,750	57,713	34,956	57,499
– intersegment sales	45,254	79,757	91,474	71,039	81,212
	73,525	119,507	149,187	105,995	138,711
Elimination	(45,254)	(79,757)	(91,474)	(71,039)	(81,212)
	<u>133,809</u>	<u>298,187</u>	<u>436,478</u>	<u>305,502</u>	<u>437,735</u>
Capital additions					
Operation of restaurants	7,666	57,664	56,183	40,500	43,173
Sales of noodles and related products	2,203	2,102	2,652	1,258	1,329
Unallocated	5	182	512	532	8
	<u>9,874</u>	<u>59,948</u>	<u>59,347</u>	<u>42,290</u>	<u>44,510</u>
					At 30th September 2006
					2006
					RMB'000
Carrying amount of segments assets					
Operation of restaurants	64,971	97,149	150,178	178,348	
Sales of noodles and related products	14,728	58,549	112,963	93,382	
Unallocated assets	59,966	82,754	83,624	110,967	
	<u>139,665</u>	<u>238,452</u>	<u>346,765</u>	<u>382,697</u>	

7. FINANCE COSTS

	Year ended 31st December			Nine months ended 30th September	
	2003 RMB'000	2004 RMB'000	2005 RMB'000	2005 RMB'000 (unaudited)	2006 RMB'000
Interest on bank borrowings					
– wholly repayable within five years	(36)	(80)	(490)	(326)	(160)
– not wholly repayable within five years	(53)	(20)	(99)	(22)	(655)
	<u>(89)</u>	<u>(100)</u>	<u>(589)</u>	<u>(348)</u>	<u>(815)</u>

8. PROFIT BEFORE TAXATION

	Continuing operations						Discontinued operations						Total						
	Year ended 31st December			Nine months ended			Year ended 31st December			Nine months ended			Year ended 31st December			Nine months ended			
	2003	2004	2005	2005	2005	2006	2003	2004	2005	2005	2005	2006	2003	2004	2005	2005	2005	2006	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
				(unaudited)														(unaudited)	
Profit before taxation has been arrived at after charging:																			
Directors' remuneration (Note 9)	569	635	546	527	650	650	12	11	-	-	-	-	581	646	546	527	650		
Other staff's retirement benefits scheme contributions	1,017	1,302	1,378	1,046	1,036	1,036	96	90	57	48	-	-	1,113	1,392	1,435	1,094	1,036		
Other staff costs	22,486	39,989	55,282	41,490	52,676	52,676	1,217	1,325	1,105	980	-	-	23,703	41,314	56,387	42,470	52,676		
	24,072	41,926	57,206	43,063	54,362	54,362	1,325	1,426	1,162	1,028	-	-	25,397	43,352	58,368	44,091	54,362		
Depreciation	4,363	7,915	17,335	9,854	16,906	16,906	19	19	19	14	-	-	4,382	7,934	17,354	9,868	16,906		
Loss on disposal of investment properties	299	-	-	-	-	-	-	-	-	-	-	-	299	-	-	-	-		
Loss on disposal of property, plant and equipment	119	1,253	873	-	156	-	-	-	-	-	-	-	119	1,253	873	-	156		
Operating lease rentals in respect of																			
- prepaid lease payment	-	122	527	220	672	672	-	-	-	-	-	-	-	122	527	220	672		
- rented premises	19,619	42,738	63,860	44,613	60,300	60,300	1,164	1,170	762	571	-	-	20,783	43,908	64,622	45,184	60,300		
and after crediting:																			
Commission income	1,591	6,651	4,135	3,777	2,227	2,227	-	-	-	-	-	-	1,591	6,651	4,135	3,777	2,227		
Exchange gain	414	1,061	719	35	1,172	1,172	-	-	-	-	-	-	414	1,061	719	35	1,172		
Interest income	37	272	407	256	496	496	-	-	-	-	-	-	37	272	407	256	496		
Management fee	-	-	-	-	23,299	-	-	-	-	-	-	-	-	-	-	-	-	23,299	
Property rental income, net of negligible outgoings	471	440	1,393	724	979	979	-	-	-	-	-	-	471	440	1,541	724	979		
Royalty income from sub-franchisee	903	1,483	1,593	1,197	1,909	1,909	-	-	-	-	-	-	903	1,483	1,593	1,197	1,909		

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

	Year ended 31st December			Nine months ended 30th September	
	2003 RMB'000	2004 RMB'000	2005 RMB'000	2005 RMB'000 (unaudited)	2006 RMB'000
Non-executive directors	–	–	–	–	–
Independent non-executive directors	–	–	–	–	–
Executive directors					
– fees	–	–	–	–	–
– retirement benefits scheme contributions	13	13	13	11	13
– other emoluments	568	633	533	516	637
	<u>581</u>	<u>646</u>	<u>546</u>	<u>527</u>	<u>650</u>

The five highest paid individuals included one director during the Relevant Periods, details of whose emoluments are set out above. The emoluments of the remaining four highest paid individuals during the Relevant Periods are as follows:

	Year ended 31st December			Nine months ended 30th September	
	2003 RMB'000	2004 RMB'000	2005 RMB'000	2005 RMB'000 (unaudited)	2006 RMB'000
Employees					
– basic salaries and allowances	1,518	1,518	1,430	1,185	1,220
– retirement benefits scheme contributions	49	49	49	42	44
	<u>1,567</u>	<u>1,567</u>	<u>1,479</u>	<u>1,227</u>	<u>1,264</u>

During the Relevant Periods, no emoluments were paid by the Group to the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during the Relevant Periods. All of their emoluments were within HK\$1,000,000.

10. TAXATION

	Year ended 31st December			Nine months ended 30th September	
	2003 RMB'000	2004 RMB'000	2005 RMB'000	2005 RMB'000 (unaudited)	2006 RMB'000
Continuing operations:					
Hong Kong Profits Tax	(4,112)	(5,417)	(6,021)	(3,421)	(6,435)
PRC income tax	(643)	(5,743)	(10,885)	(5,537)	(13,483)
	<u>(4,755)</u>	<u>(11,160)</u>	<u>(16,906)</u>	<u>(8,958)</u>	<u>(19,918)</u>
Deferred taxation	336	(374)	473	(270)	72
	<u>(4,419)</u>	<u>(11,534)</u>	<u>(16,433)</u>	<u>(9,228)</u>	<u>(19,846)</u>
Discontinued operation					
Hong Kong Profits Tax	-	-	(79)	-	-
	<u>(4,419)</u>	<u>(11,534)</u>	<u>(16,512)</u>	<u>(9,228)</u>	<u>(19,846)</u>

Hong Kong Profits Tax is calculated at 17.5% on the estimated assessable profit for the Relevant Periods.

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

Pursuant to the Income Tax Law for the Foreign Investment Enterprises and Foreign Enterprises of the PRC, Shenzhen Weiqian is entitled to preferential tax relief by reducing the FEIT rate to 15%, as operating in Shenzhen Special Economic Zone. Lead Food Shanghai, being qualified as Production Enterprises, is entitled to exemption from PRC corporate income tax for two years commencing from its first profit making year in 2005, followed by 50% tax rate reduction for PRC corporate income tax for the subsequent three years. In accordance with prevailing practice at Pudong Shanghai of the PRC, Lead Food & Restaurant has been taxed at a reduced tax rate of 15% for corporate income tax.

11. DISCONTINUED OPERATIONS

On 31st October 2005, the Group disposed of certain assets and liabilities in connection with the aged home business and the preserved bean curds trading business to a related company in which the spouse of Poon Wai, a director of the Company, Gary Ng has a beneficial interest. The disposal was effected to focus on the core businesses of the Group.

The results of the aged home business and the preserved bean curds trading business for the Relevant Periods, which have been included in the combined income statements, were as follows:

	Year ended 31st December			Nine months ended 30th September
	2003	2004	2005	2005
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Turnover	4,225	4,085	3,118	2,640
Cost of sales and other operating expenses	(3,435)	(3,796)	(2,778)	(2,500)
Profit before taxation	790	289	340	140
Taxation	–	–	(79)	–
Profit for the period	<u>790</u>	<u>289</u>	<u>261</u>	<u>140</u>

During each of the three years ended 31st December 2005 and nine months ended 30th September 2005, the aged home business and the preserved bean curds trading business used to (consume) contribute (RMB323,000), RMB183,000, RMB485,000 and RMB259,000 (unaudited) respectively to the Group's net operating cash flows, received RMB56,000, RMB113,000 and paid RMB692,000 and RMB221,000 (unaudited) respectively in respect of financing activities.

The carrying amounts of the assets and liabilities of the aged home business and the preserved bean curds trading business at the date of disposal are disclosed in note 33 of Section E.

12. DIVIDENDS

No dividends have been paid or declared by the Company since its incorporation. However, during the Relevant Periods, the following companies distributed dividends to their owners prior to the Group Reorganisation:

Name of company	Year ended 31st December			Nine months ended 30th September	
	2003 RMB'000	2004 RMB'000	2005 RMB'000	2005 RMB'000 (unaudited)	2006 RMB'000
Billion Rise	530	636	1,417	735	–
Brilliant China	–	–	682	–	–
Colour Wave	4,240	3,286	9,502	6,720	–
Ever Victory	–	–	1,207	–	–
Forever Dragon	–	–	1,102	–	–
Gold Regent	–	–	2,782	1,575	–
HK Ajisen	–	1,272	3,465	2,415	–
Long Wave	–	2,968	2,783	525	–
Lucky Tide	3,286	3,286	4,673	2,415	–
Nice Concept	–	–	683	–	–
Paracity	1,802	1,484	1,208	–	–
Seamax	–	424	3,843	1,586	–
Star Wave	–	848	1,208	525	–
Win Faith	–	–	2,888	1,575	–
Wintle	–	1,696	2,678	1,050	–
Lead Food & Restaurant	–	–	–	–	40,000
	9,858	15,900	40,121	19,121	40,000
Less: Dividends to minority owners of subsidiaries	3,840	6,046	15,344	7,304	–
	<u>6,018</u>	<u>9,854</u>	<u>24,777</u>	<u>11,817</u>	<u>40,000</u>

At 1st November 2006, the following companies distributed dividends to their owners prior to the Group Reorganisation:

Name of company	RMB'000
Brilliant China	5,000
HK Ajisen	1,000
Favor Will	50,000
	<u>56,000</u>

The rates of dividends and the number of shares ranking for dividends are not presented as such information is not meaningful having regard to the purpose of this report.

13. EARNINGS PER SHARE

From continuing and discontinued operations

The calculation of the basic earnings per share for the Relevant Periods is based on the combined profit attributable to equity holders of the Company for each of the Relevant Periods and on the weighted average number of 175,101,000, 230,587,000, 647,066,000, 625,847,000, 709,278,000 shares for the years ended 31st December 2003, 31st December 2004, 31st December 2005 and nine months ended 30th September 2005 and the nine months ended 30th September 2006 respectively.

From continuing operations

The earning figures for calculation of the basic earnings per share from continuing operations attributable to the equity holders of the Company is based on the following data:

	Year ended 31st December			Nine months ended 30th September	
	2003 RMB'000	2004 RMB'000	2005 RMB'000	2005 RMB'000 (unaudited)	2006 RMB'000
Profit for the period attributable to equity holders of the Company	11,518	37,189	48,950	36,961	83,615
Less:					
Profit for the period from discontinued operations	790	289	261	140	–
Earnings for the purposes of basic earnings per share from continuing operations	<u>10,728</u>	<u>36,900</u>	<u>48,689</u>	<u>36,821</u>	<u>83,615</u>

Diluted earnings per share are not presented for the Relevant Periods as there were no potential ordinary shares outstanding.

14. INVESTMENT PROPERTIES**THE GROUP**

	At 31st December			At 30th September
	2003 RMB'000	2004 RMB'000	2005 RMB'000	2006 RMB'000
VALUATION				
At 1st January	5,544	1,802	2,438	3,068
Currency realignment	–	–	(46)	–
(Decrease) increase in fair value during the period	(191)	636	676	–
Disposal	(3,551)	–	–	–
At the end of the period	<u>1,802</u>	<u>2,438</u>	<u>3,068</u>	<u>3,068</u>

The fair value of the Group's investment properties has been arrived at based on valuation carried out by CB Richard Ellis Limited, independent valuers. The valuation, which conforms to Hong Kong Institute of Surveyors Valuation Standards on Properties, was determined by reference to recent market prices for similar properties.

The investment properties which are rented out under operating leases are situated in Hong Kong and are held under long leases.

15. PROPERTY, PLANT AND EQUIPMENT

THE GROUP	Buildings <i>RMB'000</i>	Furniture, fixtures and equipment <i>RMB'000</i>	Leasehold improvements <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Plant and machinery <i>RMB'000</i>	Total <i>RMB'000</i>
COST						
At 1st January 2003	11,459	6,571	11,674	2,035	12,211	43,950
Additions	–	521	6,537	–	2,816	9,874
Disposals	–	(1,409)	(3,016)	–	(446)	(4,871)
At 31st December 2003	11,459	5,683	15,195	2,035	14,581	48,953
Additions	30,573	2,133	17,382	931	8,929	59,948
Disposals	–	(7)	–	(344)	(1,461)	(1,812)
At 31st December 2004	42,032	7,809	32,577	2,622	22,049	107,089
Currency realignment	–	(101)	(189)	(17)	(154)	(461)
Additions	3,580	3,413	38,712	3,215	10,427	59,347
Disposals	(893)	(161)	(843)	(2)	(363)	(2,262)
At 31st December 2005	44,719	10,960	70,257	5,818	31,959	163,713
Currency realignment	–	(60)	(104)	(12)	(94)	(270)
Additions	2,482	8,491	22,860	878	9,799	44,510
Disposals	–	(214)	(1,670)	(90)	(783)	(2,757)
At 30th September 2006	47,201	19,177	91,343	6,594	40,881	205,196
DEPRECIATION						
At 1st January 2003	627	5,908	5,355	1,748	6,760	20,398
Provided for the year	567	429	1,958	83	1,345	4,382
Eliminated on disposals	–	(1,368)	(2,978)	–	(406)	(4,752)
At 31st December 2003	1,194	4,969	4,335	1,831	7,699	20,028
Provided for the year	843	464	4,140	140	2,347	7,934
Eliminated on disposals	–	(5)	–	(344)	(110)	(459)
At 31st December 2004	2,037	5,428	8,475	1,627	9,936	27,503
Currency realignment	–	(91)	(129)	(8)	(122)	(350)
Provided for the year	2,073	933	10,403	461	3,484	17,354
Eliminated on disposals	(111)	(128)	(748)	(1)	(304)	(1,292)
At 31st December 2005	3,999	6,142	18,001	2,079	12,994	43,215
Currency realignment	–	(46)	(82)	(5)	(73)	(206)
Provided for the period	1,728	1,208	9,348	437	4,185	16,906
Eliminated on disposals	–	(212)	(1,670)	–	(636)	(2,518)
At 30th September 2006	5,727	7,092	25,597	2,511	16,470	57,397
NET BOOK VALUES						
At 31st December 2003	10,265	714	10,860	204	6,882	28,925
At 31st December 2004	39,995	2,381	24,102	995	12,113	79,586
At 31st December 2005	40,720	4,818	52,256	3,739	18,965	120,498
At 30th September 2006	41,474	12,085	65,746	4,083	24,411	147,799

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

The Group has pledged certain of its buildings with an aggregate net book value of RMB3,624,000, RMB7,772,000, RMB7,324,000 and RMB7,137,000 as at 31st December 2003, 31st December 2004 and 31st December 2005 and 30th September 2006 respectively to certain banks to secure the credit facilities granted to the Group.

16. PREPAID LEASE PAYMENT

THE GROUP	At 31st December			At 30th September
	2003 RMB'000	2004 RMB'000	2005 RMB'000	2006 RMB'000
CARRYING VALUE				
At 1st January	–	4,877	4,755	7,343
Additions during the period	4,877	–	3,115	–
Charged to income statement for the period	–	(122)	(527)	(672)
At the end of the period	4,877	4,755	7,343	6,671
Less: Amount to be amortised within one year included in trade and other receivables	(293)	(293)	(871)	(860)
Non-current portion	<u>4,584</u>	<u>4,462</u>	<u>6,472</u>	<u>5,811</u>
Prepaid lease payment comprises:				
Land use rights situated in the PRC under medium-term lease	4,877	4,755	4,777	4,524
Property rentals paid in advance for restaurants	–	–	2,566	2,147
	<u>4,877</u>	<u>4,755</u>	<u>7,343</u>	<u>6,671</u>

17. GOODWILL

THE GROUP	RMB'000
COST	
Arising on acquisition of further interests in subsidiaries during the nine months ended 30th September 2006 and balance as at 30th September 2006	<u>37,135</u>

The goodwill of HK\$1.5 million is allocated to the Cash Generating Units ("CGU") of certain of the restaurant operations in PRC, the remaining goodwill is allocated to the CGU of the restaurant operation and sales of noodles and related products in Hong Kong.

During the nine months period ended 30th September 2006, management of the Group determines that there was no impairment of any of its cash generating units containing goodwill.

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

growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

During the period, the Group performed impairment review for goodwill based on cash flow forecasts derived from the most recent financial budgets for the next five years approved by management using the same discount rate of 10% which reflects current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts. No impairment loss was considered necessary.

18. DEFERRED TAXATION

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

THE GROUP	Difference in depreciation <i>RMB'000</i>	Tax losses <i>RMB'000</i>	Accrued rentals <i>RMB'000</i>	Total <i>RMB'000</i>
At 1st January 2003	(184)	660	–	476
Credit to income statement for the year	121	215	–	336
At 31st December 2003	(63)	875	–	812
(Charge) credit to income statement for the year	(139)	(394)	159	(374)
At 31st December 2004	(202)	481	159	438
(Charge) credit to income statement for the year	(111)	(481)	1,065	473
At 31st December 2005	(313)	–	1,224	911
Charge to income statement for the period	(44)	–	116	72
At 30th September 2006	<u>(357)</u>	<u>–</u>	<u>1,340</u>	<u>983</u>

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

	THE GROUP			
	At 31st December			At 30th
	2003	2004	2005	September
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2006 <i>RMB'000</i>
Deferred tax assets	812	438	1,224	1,340
Deferred tax liabilities	–	–	(313)	(357)
	<u>812</u>	<u>438</u>	<u>911</u>	<u>983</u>

The Group has unutilised tax losses of RMB5,882,000 and RMB2,819,000, RMB2,348,000 and RMB2,549,000 as at 31st December 2003, 31st December 2004, 31st December 2005 and 30th September 2006 respectively available for offset against future profits. A deferred tax asset has been recognised in respect of RMB5,000,000 and RMB2,750,000 of such losses as at 31st December 2003 and 31st December 2004. No deferred tax asset has been recognised in respect of the remaining RMB882,000, RMB69,000, RMB2,348,000 and RMB2,549,000 as at 31st

December 2003 and 31st December 2004, 31st December 2005 and 30th September 2006 respectively, due to the unpredictability of future profit streams. The unrecognised tax losses may be carried forward indefinitely except the losses which expire as follows:

	THE GROUP			
	At 31st December			At 30th
	2003	2004	2005	September
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2006
				<i>RMB'000</i>
Year of expiry				
2008	882	–	–	–
2009	–	69	7	7
2010	–	–	2,341	1,239
2011	–	–	–	1,303
	<u>882</u>	<u>69</u>	<u>2,348</u>	<u>2,549</u>

19. AVAILABLE-FOR-SALE INVESTMENTS

	THE GROUP			
	At 31st December			At 30th
	2003	2004	2005	September
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2006
				<i>RMB'000</i>
Funds quoted in Hong Kong	–	–	–	1,648
	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,648</u>

As at the balance sheet date, all available-for-sale investments are stated at fair value with reference to bid prices quoted in active markets.

Other than the available-for-sale investment set out above, the Group has an investment in Fuzhou Ajisen Food, Co., Ltd. ("Fuzhou Weiqian"), a limited liability company established in the PRC. The investment represents a 60% of the registered capital of Fuzhou Weiqian. Fuzhou Weiqian is not regarded as a subsidiary or a jointly controlled entity or an associate of the Group because the Group has less than one-fifth of the voting power of Fuzhou Weiqian under arrangements with other investor. The total investment HK\$300,000 has been fully impaired during the year 2003.

20. TRADE AND OTHER RECEIVABLES

	THE GROUP			
	At 31st December			At 30th
	2003	2004	2005	September
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2006
				<i>RMB'000</i>
Trade receivables				
– related companies	–	5,570	8,468	12,992
– others	5,267	9,345	11,824	16,407
	<u>5,267</u>	<u>14,915</u>	<u>20,292</u>	<u>29,399</u>
Rental and utility deposits	7,612	11,533	19,125	23,989
Property rentals paid in advance				
for restaurants	449	1,358	3,950	3,533
Advance to suppliers	544	2,051	2,438	805
Other receivables and prepayments	442	973	985	4,002
	<u>14,314</u>	<u>30,830</u>	<u>46,790</u>	<u>61,728</u>

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

Payment terms with customers for sales of noodle and related products are mainly on credit after receiving deposits. Customers are normally granted 60 to 90 days credit period upon issuance of invoices, except for certain well established customers for which the credit terms are up to 180 days. There was no credit period for sales from operation of restaurants. The following is an aged analysis of trade receivables at the balance sheet date:

Age	THE GROUP			
	At 31st December			At 30th
	2003	2004	2005	September
	RMB'000	RMB'000	RMB'000	2006
				RMB'000
0 to 30 days	3,384	11,094	14,487	19,838
31 to 60 days	1,448	2,425	3,911	6,178
61 to 90 days	303	906	1,109	1,005
91 to 180 days	132	490	616	2,083
Over 180 days	–	–	169	295
	<u>5,267</u>	<u>14,915</u>	<u>20,292</u>	<u>29,399</u>

The directors consider the carrying amount of trade and other receivables approximates its fair value.

21. AMOUNTS DUE FROM RELATED PARTIES

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

Name of related parties	THE GROUP							
	At 31st December				Maximum amount outstanding during the period			
	2003	2004	2005	At 30th September 2006	Year ended 31st December		Nine months ended 30th September	
	RMB'000	RMB'000	RMB'000	RMB'000	2003	2004	2005	2006
					RMB'000	RMB'000	RMB'000	RMB'000
Ajisen Ramen Group Limited, a company in which a director of the Group, Poon Wai, has a beneficial interest	11	11	25,572	5,376	11	11	25,572	25,572
Great Rich Enterprise Limited, a company in which Gary Ng, spouse of a director of the Company has a beneficial interest	–	–	151	30	–	–	151	152
Gary Ng	7,323	9,734	2,026	2,026	7,323	9,734	9,734	2,026
Kind Home Limited, a company in which Gary Ng has a beneficial interest	–	–	909	816	–	–	909	909
Wu Xiaobin, a senior management of the Company	–	54	–	434	–	54	–	434
Garden Rainbow Properties Limited, a company in which Poon Wai, has a beneficial interest	–	–	–	197	–	–	–	197
Shigemitsu Trading Shanghai Co., Ltd. which a shareholder of the Company Shigemitsu Industry Co., Ltd. has a beneficial interest	–	–	880	–	–	–	880	1,087
Weiqian Noodle Food Service Shenzhen Company Limited, which a director of the Group, Poon Wai, has a beneficial interest	22,776	18,671	32,972	20,509	22,776	22,776	32,972	42,002
Shanghai Jiakai Ramen Restaurant, a sole proprietor held by a cousin of a director of the Group, Poon Wai	–	7,898	15,795	19,429	–	7,898	15,795	20,720
Concord Investment Holding Company Ltd. which a shareholder of the Company Shigemitsu Industry Co., Ltd. has a beneficial interest	–	–	–	4	–	–	–	4
	<u>30,110</u>	<u>36,368</u>	<u>78,305</u>	<u>48,821</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

The amounts were unsecured, interest-free and were fully settled in March 2007. The directors consider the carrying amount of amounts due from related parties approximates its fair value.

22. AMOUNTS DUE FROM DIRECTORS

Details of the amounts due from directors are as follows:

Name of directors	THE GROUP							
	At 31st December				Maximum amount outstanding during the period			
	2003		2004		Year ended 31st December 2003		September 2006	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Poon Ka Man, Jason	1,768	3,309	97	-	2,303	3,309	3,309	97
Katsuaki Shigemitsu	-	272	-	-	626	1,915	2,006	-
Yin Yibing	-	-	-	551	-	-	-	551
	<u>1,768</u>	<u>3,581</u>	<u>97</u>	<u>551</u>				

The amounts were unsecured, interest-free and were fully settled subsequent to 31st December 2006. The directors consider the carrying amount of amounts due from directors approximates its fair value.

23. AMOUNTS DUE FROM SHAREHOLDERS

Details of the amounts due from shareholders are as follows:

Name of shareholders	THE GROUP							
	At 31st December				Maximum amount outstanding during the period			
	2003		2004		Year ended 31st December 2003		September 2006	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Shigemitsu Industry Co., Ltd.	4,295	4,355	1,360	-	5,378	4,843	4,953	1,360
Mr. Cheng Wai Tao	4,654	6,394	596	-	5,962	7,374	6,566	595
	<u>8,949</u>	<u>10,749</u>	<u>1,956</u>	<u>-</u>				

The amounts were unsecured, interest-free and were fully settled during the nine months ended 30th September 2006. The directors consider the carrying amount of amounts due from shareholders approximates its fair value.

24. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less which carry interest at market rates which ranging from 2.5% to 3%.

Certain bank balances and cash of RMB15,532,000, RMB19,296,000, RMB34,358,000 and RMB53,389,000 at 31st December 2003, 31st December 2004 and 31st December 2005 and 30th September 2006 respectively were denominated in RMB which is not a freely convertible currency in the international market. The exchange rate of RMB is determined by the Government of the PRC and the remittance of these funds out of the PRC is subject to exchange restrictions imposed by the Government of the PRC.

The directors consider the amount of bank balances and cash approximates its fair value.

The Group's objective is to maintain a balance between continuity of funding and flexibility through raising bank borrowings. In the opinion of the directors, most of the borrowings that mature within one year are able to revolve and the Group expects to have adequate source of funding to finance the Group and manage the liquidity position.

25. TRADE AND OTHER PAYABLES

	THE GROUP			
	At 31st December			At 30th
	2003	2004	2005	September
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables				
– related companies	1,066	4,671	4,636	1,623
– others	4,156	14,541	21,417	36,600
	<u>5,222</u>	<u>19,212</u>	<u>26,053</u>	<u>38,223</u>
Payable for acquisition of land use right	4,576	–	–	–
Payroll and welfare payables	1,032	2,649	5,060	5,611
Customers' deposits received	1,105	2,048	4,686	2,105
Payable for acquisition of property, plant and equipment	–	4,317	5,504	5,559
Payable for property rentals	357	1,940	4,419	6,218
Other tax payable	1,165	4,446	11,445	9,152
Others	3,912	3,768	10,507	5,302
	<u>17,369</u>	<u>38,380</u>	<u>67,674</u>	<u>72,170</u>

The related companies are companies in which a director of the Company, Katsuaki Shigemitsu has a beneficial interest.

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

	THE GROUP			
	At 31st December			At 30th
	2003	2004	2005	September
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Age				
0 to 30 days	4,921	14,766	21,116	21,471
31 to 60 days	175	3,891	3,835	14,804
61 to 90 days	31	254	862	232
91 to 180 days	95	301	82	207
Over 180 days	–	–	158	1,509
	<u>5,222</u>	<u>19,212</u>	<u>26,053</u>	<u>38,223</u>

The directors consider the carrying amount of trade and other payables approximates its fair value.

26. AMOUNTS DUE TO RELATED COMPANIES

The amounts were unsecured, interest-free and were fully repaid subsequent to 30th September 2006. Either directors of the Company, Poon Wai and Mr. Katsuaki Shigemitsu, has interest in these related companies. The directors consider the carrying amount of amounts due to related companies approximates its fair value.

27. AMOUNTS DUE TO DIRECTORS

The amounts were unsecured, interest-free and were fully repaid subsequent to 30th September 2006. The directors consider the carrying amount of amounts due to directors approximates its fair value.

28. AMOUNTS DUE TO SHAREHOLDERS

The amounts were unsecured, interest-free and were fully repaid subsequent to 30th September 2006. The directors consider the carrying amount of amounts due to shareholders approximates its fair value.

29. DIVIDEND PAYABLE

The directors consider the carrying amount of dividend payable approximates its fair value. The amount was fully settled during the nine months period ended 30th September 2006.

30. SECURED SHORT-TERM BANK LOANS

The short-term bank loans at 31st December 2004 are denominated in Hong Kong dollar and are secured by certain buildings of the Group and carry floating interest rates at Hong Kong prime rate minus 2.5%.

The short-term bank loans at 31st December 2005 and 30th September 2006 were secured by a property owned by and guarantees given by Poon Wai and Gary Ng. These securities and guarantees will be released upon the listing of the shares of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and will be replaced by guarantees to be provided by the Company.

The directors consider the carrying amount of the short-term bank loans approximates its fair value.

31. SECURED LONG-TERM BANK LOANS

The carrying amounts of the Group's long-term bank loans are denominated in Hong Kong dollars.

THE GROUP

	At 31st December			At 30th
	2003	2004	2005	September
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Bank loans are repayable:				
Between one to two years	44	45	1,323	1,313
Between two to five years	132	134	4,417	4,424
After five years	340	302	8,996	7,986
	<u>516</u>	<u>481</u>	<u>14,736</u>	<u>13,723</u>

The carrying amounts of the Group's bank loans are denominated in Hong Kong dollars and RMB which is the respective functional currency of the entities, and carry interests at rates ranging from 5.8% to 6.2%.

The bank loans were secured by a property owned by Poon Wai and Gary Ng. In addition, Poon Wai and Gary Ng have also given a personal guarantee to the extent of HK\$15,000,000 for the bank loans. These securities and guarantees will be released upon the listing of the shares of the Company on the Stock Exchange and will be replaced by guarantees to be provided by the Company.

The directors consider the carrying amounts of long-term bank loans approximates their fair values.

32. PAID-IN CAPITAL

The paid-in capital of the Group at 31st December 2003 represents the aggregate paid-in capital of Ejumbo, Union Impact, Billion Rise, Brilliant China, Colour Wave, Ever Victory, Fortune Choice, Gold Regent, HK Ajisen, Long Wave, Lucky Tide, Paracity, Seamax, Star Wave, Win Faith, Wintle, Lead Food Shanghai, Lead Food & Restaurant, Shenzhen Weiqian and Hangzhou Weiqian held by the existing equity holders of the Company.

The paid-in capital of the Group at 31st December 2004 represents the aggregate paid-in capital of Ejumbo, Union Impact, Billion Rise, Brilliant China, Colour Wave, Ever Victory, Forever Dragon, Fortune Choice, Gold Regent, HK Ajisen, Long Wave, Lucky Tide, Nice Concept, Paracity, Seamax, Star Wave, Win Faith, Wintle, Lead Food Shanghai, Lead Food & Restaurant, Shenzhen Weiqian, Hangzhou Weiqian, Nanjing Weiqian, Shandong Weiqian and Beijing Weiqian held by the existing equity holders of the Company.

The paid-in capital of the Group at 31st December 2005 represents the aggregate paid-in capital of Ejumbo, Favor Will, Fine Fit, Festive Profits, Union Impact, Billion Rise, Brilliant China, Colour Wave, Ever Victory, Forever Dragon, Fortune Choice, Gold Regent, HK Ajisen, Long Wave, Lucky Tide, Nice Concept, Ocean Talent, Paracity, Seamax, Star Wave, Win Faith, Wintle, Lead Food Shanghai, Lead Food & Restaurant, Shenzhen Weiqian, Hangzhou Weiqian, Nanjing Weiqian, Shandong Weiqian, Beijing Weiqian and Chongqing Weiqian held by the existing equity holders of the Company.

The paid-in capital of the Group at 30th September 2006 represents the paid-in capital of Favor Will and the Company.

The Company was incorporated on 6th April 2006 with an authorised share capital of HK\$380,000 divided into 3,800,000 shares of HK\$0.10 each. On 6th April 2006, one nil paid share was issued.

33. DISPOSAL OF DISCONTINUED OPERATIONS

In 2005, the Group disposed of all the assets and liabilities in connection with the aged home business and the preserved bean curbs trading business to a related company.

	2005
	<i>RMB'000</i>
Net assets disposed of:	
Property, plant and equipment	95
Inventories	15
Trade and other receivables	151
Bank balances and cash	190
Trade and other payables	(137)
	<hr/>
Net assets and total consideration	314
	<hr/> <hr/>
Satisfied by:	
Amount due from a related party	314
	<hr/> <hr/>
Analysis of the net outflow of cash and cash equivalents in connection with the disposal of operations:	
Bank balances and cash of the operation disposed of	(190)
	<hr/> <hr/>

The impact of the discontinued operations on the Group's results and cash flow is disclosed in note 11 of Section E.

34. MAJOR NON-CASH TRANSACTION

During January 2006, the consideration for the Acquisition as mentioned in note 1 of Section E, comprised the issue of 180 shares of Favor Will. The fair value of the shares issued is RMB220,685,000 and the fair value of net assets acquired in the Acquisition is RMB185,050,000. Both of them are determined with reference to the valuation of the Group's business carried out on the date of acquisition by CB Richards Ellis Limited, an independent valuer. The valuation, which conforms to Hong Kong Institute of Surveyors Valuation Standards on Trade-related Business Assets and Business Enterprises and The Hong Kong Business Valuation Forum Business Valuation Standards, was determined by reference to the Income Approach using the Discounted cash flow method.

35. OPERATING LEASE ARRANGEMENTS

The Group as lessee

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

	THE GROUP			
	At 31st December			At 30th
	2003	2004	2005	September
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	22,231	45,333	56,042	70,122
In the second to fifth year inclusive	23,799	83,019	133,458	179,614
After five years	–	28,481	82,118	110,440
	<u>46,030</u>	<u>156,833</u>	<u>271,618</u>	<u>360,176</u>

The leases are generally negotiated for an average term from two to seven years.

In respect of certain leases, the Group is committed to pay a fixed rental payment plus additional rent whenever the Group's sales achieved certain prescribed percentage.

The Group as lessor

At each balance sheet date, the Group had contracted with tenants for the following future minimum lease payments in respect of investment properties rented out:

	THE GROUP			
	At 31st December			At 30th
	2003	2004	2005	September
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	98	–	125	126
In the second to fifth year inclusive	–	–	99	5
	<u>98</u>	<u>–</u>	<u>224</u>	<u>131</u>

The leases are generally negotiated for an average term from one to two years.

The Company has no significant operating lease arrangement at the balance sheet date.

36. CAPITAL COMMITMENTS

	THE GROUP			
	At 31st December			At 30th
	2003	2004	2005	September
	RMB'000	RMB'000	RMB'000	2006
Capital expenditure contracted for but not provided in the financial statements in respect of the acquisition of property, plant and equipment	-	-	-	1,438

The Company has no significant capital commitments at the balance sheet date.

37. CONTINGENT LIABILITIES

The Group and the Company had no significant contingent liabilities at each of the balance sheet date.

38. RETIREMENT BENEFITS SCHEME

The Group's qualifying employees in Hong Kong participate the Mandatory Provident Fund (the "MPF") in Hong Kong. The assets of the MPF are held separately from those of the Group in funds under the control of trustee. The Group and each of the employees make monthly mandatory contributions to the MPF scheme.

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

39. RELATED PARTY TRANSACTIONS

During the Relevant Periods, the Group has the following significant transactions with related companies:

Relationship with related company	Nature of transactions	THE GROUP				
		At 31st December			At 30th September	
		2003	2004	2005	2005	2006
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Shigemitsu Industry Co., Ltd., a shareholder of the Company	Sales of noodles and related products	493	696	336	209	167
	Purchase of raw materials	15,710	28,586	24,600	17,318	23,549
	Franchise commissions paid	1,088	2,072	3,182	2,098	3,071
Companies in which a director of the Company Poon Wai has a beneficial interest	Sales of noodles and related products	352	2,579	3,558	1,605	3,809
	Purchase of raw materials	-	-	36	-	1,181
	Commissions received	1,591	6,651	4,135	3,777	2,227
	Management fee received	*	*	*	*	23,299
	Property rentals received	-	-	-	-	648
Companies in which a director of the Company Poon Ka Man, Jason has a beneficial interest	Decoration expenses paid	3,484	1,645	1,526	1,512	2,806

* In addition, the Group provided management services for free to certain companies in which a director of the Company Poon Wai has a beneficial interest during the period.

The directors represented to us that they consider the above transactions were carried out in the Group's ordinary and usual course of business and in accordance with the terms of the agreements governing these transactions. All of the above transactions will continue in the future.

F. ULTIMATE HOLDING COMPANY

The Company's ultimate holding company is Favor Choice Group Limited, a company which is incorporated in the British Virgin Islands.

G. DIRECTORS' REMUNERATION

Save as disclosed herein, no remuneration has been paid or is payable to the Company's directors by the Company or any of its subsidiaries during the Relevant Periods.

Under the arrangements presently in force, the aggregate remuneration of the Company's directors for the year ended 31st December 2006 was RMB965,000.

H. SUBSEQUENT EVENTS

The following significant events took place subsequent to 30th September 2006:

- (a) On 8th March 2007, shareholder's resolutions were passed to approve the matters set out in the paragraph headed "Written resolutions of the shareholders of the Company passed on 8th March 2007" in Appendix VII to the Prospectus.
- (b) The Group acquired a property for a consideration of approximately RMB25 million in March 2007.
- (c) Pursuant to the written resolution of the shareholders of the Company on 8th March 2007, the Company has adopted a Pre-IPO Share Option Scheme, details of which have been set out in sub-section headed "Share Option Schemes" in Appendix VI of the Prospectus. Up to the date of this report, 20,000,000 options were granted under the Pre-IPO Share Option Scheme to subscribe shares in the Company at 85% of the final offer price to the public, and remained outstanding as at the date of this report. These options are exercisable over a period of 10 years commencing from and including the date falling twelve months after the date of listing of shares of the Company on the Stock Exchange.

I. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to 30th September 2006.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong