Notes to the Combined Financial Statements

For the year ended 31 December 2006

1. General

The Company is incorporated and registered as an exempted company with limited liability on 6 April 2006 under the Companies Law of the Cayman Islands and acts as an investment holding company. Its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the ''Stock Exchange'') on 30 March 2007. Its ultimate holding company is Favor Choice Group Limited, a company which is incorporated in the British Virgin Islands. The addresses of the registered office and principal place of business of the Company are disclosed in the ''Corporate Information'' section of the annual report. The principal activities of its principal subsidiaries are set out in note 42.

2. Group Restructuring and Basis of Preparation of the Combined Financial Statements

Under a group reorganisation (the ''Group Reorganisation'') in preparation for the listing of the Company's shares on the Stock Exchange, the Company has become the holding company of Favor Will Investments Limited (''Favor Will'') and its subsidiaries on 8 March 2007 (collectively referred to as the ''Group'') upon completion of the Group Reorganisation.

Details of the Group Reorganisation are set out in the paragraph headed ''Corporate Reorganisation'' in Appendix VI to the prospectus dated 19 March 2007 issued by the Company (the ''Prospectus'').

Although the Group resulting from the above mentioned Group Reorganisation did not exist until 8 March 2007, the directors of the Company consider that meaningful information as regards to the historical performance of the Group, which includes entities under common control, is provided by treating the Group resulting from the Group Reorganisation as a continuing entity as if the group structure as at 8 March 2007 had been in existence from the beginning of the year ended 31 December 2005. Accordingly, the combined financial statements of the Group have been prepared using the principles of merger accounting in accordance with Accounting Guideline 5 ''Merger accounting for common control combinations'' issued by the Hong Kong Institute of Certified Public Accountants (the ''HKICPA'') as if the group structure under the Group Reorganisation had been in existence throughout each of the two years ended 31 December 2006 or since their respective dates of incorporation or establishment whichever is the shorter period.

The combined income statements, the combined cash flow statements and combined statement of change in equity which are prepared in accordance with the principles of merger accounting, for each of the two years ended 31 December 2006 include the financial information of the companies now comprising the group as if the group structure upon the completion of the Group Reorganisation had been in existence throughout 2005 and 2006 or since their respective dates of incorporation or establishment whichever is the shorter period. The combined balance sheets of the Group as at 31 December 2005 and 31 December 2006 have been prepared in accordance with the principles of merger accounting to present the assets and liabilities of the companies comprising the Group as if the group structure upon the completion of the Group Reorganisation had been in existence as at those dates.

3. New 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 (''HKFSRS''s) and Interpretations (''INT''s) (hereinafter collectively referred to as ''new and revised HKFRS''s) which are effective for accounting periods beginning on or after 1 January 2005, 1 December 2005 and 1 January 2006. For the purposes of preparing and presenting the combined financial statements, the Group has adopted all these new and revised HKFRSs that are effective for accounting periods beginning on or prior to 1 January 2006.

The HKICPA has issued the following Standards, Amendment and Interpretations (''INT''s) that have been issued but are not yet effective. The Group has considered the following Standards, Amendment 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]
HKFRS 8	Operating segment[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	HKFRS 2 — Group and Treasury Share Transactions[6]
HK(IFRIC)-INT 12	Service concession arrangements[7]

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

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

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

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

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

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

7 Effective for annual periods beginning on or after 1 January 2008.

4. Significant Accounting Policies

The combined financial statements have been prepared under the historical cost convention except for certain financial instruments and investment properties which are measured at fair value. In addition, the combined financial statements have been prepared in accordance with accounting policies set out below which conform with HKFRSs issued by the HKICPA and include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and the Hong Kong Companies Ordinance. The principal accounting policies adopted are as follows:

Basis of consolidation

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

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

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority interests in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations

Common control combinations

Business combinations under common control are accounted for in accordance with the Accounting Guideline 5 ''Merger Accounting for Common Control Combinations''. In applying merger accounting, financial statement items of the combining entities or businesses for the reporting period in which the common control combination occurs, and for any comparative periods disclosed, are included in the consolidated financial statements of the combined entity as if the combination had occurred from the date when the combining entities or businesses first came under the control of the controlling party or parties. The combined entity recognises the assets, liabilities and equity of the combining entities or business at the carrying amounts in the consolidated financial statements of the controlling party or parties prior to the common control combinations.

Business combinations other than common control combinations

The acquisitions of subsidiaries under business combination other than common control combinations are accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 ''Business Combinations'' are recognised at their fair values at the acquisition date, which are recognised and measured at fair value less costs to sell.

4. Significant Accounting Policies (Continued)

Business combinations (Continued)

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

A discount on acquisition arising on an acquisition of a subsidiary, an associate or a jointly controlled entity for which an agreement date is on or after 1 January 2005 represents the excess of the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination. Discount on acquisition is recognised immediately in profit or loss.

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 of the relevant subsidiary 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.

Acquisition of additional interest in subsidiaries

Goodwill arising on acquisition of additional interest in subsidiaries represents the excess of the cost of the acquisition over the fair value of the net assets attributable to the additional interest in the subsidiaries.

On acquisition of additional interest in subsidiaries, the difference between the consideration and the goodwill and the carrying values of the underlying assets and liabilities attributable to the additional interests in subsidiaries is debited directly to special reserve.

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 while service revenue (including commission fee) is recognised when the services are provided.

Royalty income and management fee is recognised on an accrued basis in accordance with the substance of the relevant agreements.

4. Significant Accounting Policies (Continued)

Revenue recognition (Continued)

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

4. Significant Accounting Policies (Continued)

Impairment 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, amounts due from related parties/a director/shareholders and bank balances) 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.

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 companies/directors/shareholders, bank loans and bank overdrafts) 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.

4. Significant Accounting Policies (Continued)

Financial instruments (Continued)

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.

Borrowing costs

All borrowing costs are recognised as and included in finance costs in the income statement in the period in which they are incurred.

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years 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 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).

4. Significant Accounting Policies (Continued)

Foreign currencies (Continued)

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 component of that gain or loss is also recognised directly in equity.

For the purpose of presenting the financial statements, the assets and liabilities of the Group's foreign operations are expressed in 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 benefit costs

Payments under defined contribution retirement benefit plans are charged as an expense when employees have rendered service entitling them to the contribution.

Operating leases

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

The Group as lessor

Rental income from operating leases is recognised in the combine income statement on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carry amount of the leased asset and recognised as an expense on a straight line basis over the lease term.

The Group as lessee

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.

5. KEY SOURCES OF ESTIMATION

In the process of applying the Group's accounting policies which are described in note 4, management has made various estimates based on past experience, expectations of the future and other information. The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Estimated impairment of 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. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2006, the carrying amount of goodwill is RMB37,135,000. Details of the recoverable amount calculation are disclosed in note 18.

6. Financial Risk Management Objectives and Policies

Credit risk

The Group's principal financial assets are trade and other receivables, amounts due from related parties 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 Company 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, management monitors interest rate exposure and will consider repaying bank loans when significant interest rate exposure is anticipated.

Price risk

The Group's is exposed to equity securities price risk through its investments in funds which mainly composed of equity investments. Management continues to monitor the quoted price of the funds.

6. Financial Risk Management Objectives and Policies (Continued)

Fair value

The fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices.

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions.

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

7. Geographical and Business Segments

Geographical segments

The Group's operations are located in Mainland China (the ''PRC'') and Hong Kong. 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:

	2006 ***RMB'000***	2005 *RMB'000*
TURNOVER		
PRC		
— external sales	**413,644**	256,121
— inter-segment sales	**87,314**	23,985
	500,958	280,106
Hong Kong		
— external sales	**184,747**	180,357
— inter-segment sales	**65,693**	67,489
	250,440	247,846
Elimination of inter-segment sales	**(153,007)**	(91,474)
	598,391	436,478
RESULTS		
Profit from operations		
— PRC	**100,656**	35,605
— Hong Kong	**49,122**	39,977
	149,778	75,582
Unallocated income	**2,484**	1,126
Unallocated expenses	**(8,065)**	(4,181)
Finance costs	**(1,226)**	(589)
Profit before taxation	**142,971**	71,938
Taxation	**(27,929)**	(16,433)
Profit for the year from continuing operations	**115,042**	55,505

Results from the Group's discontinued aged home business and preserved bean curds trading business which were derived from Hong Kong are disclosed in note 12.

7. Geographical and Business Segments (Continued)

Geographical segments (Continued)

BALANCE SHEET

	2006 *RMB'000*	2005 *RMB'000*
By location of customers which is also where assets locate:		
Segment assets		
PRC	**261,590**	189,536
Hong Kong	**98,816**	66,967
Unallocated	**100,256**	90,262
Total assets	**460,662**	346,765

	2006 *RMB'000*	2005 *RMB'000*
Segment liabilities		
PRC	**83,473**	55,259
Hong Kong	**9,594**	17,745
Unallocated	**199,595**	158,613
Total liabilities	**292,662**	231,617

OTHER INFORMATION

	Depreciation		**Capital additions**	
	2006 *RMB'000*	2005 *RMB'000*	**2006** *RMB'000*	2005 *RMB'000*
PRC	**22,129**	12,709	**64,862**	53,613
Hong Kong	**4,731**	4,645	**10,810**	5,734
	26,860	17,354	**75,672**	59,347

7. Geographical and Business Segments (Continued)

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:

	2006 *RMB'000*	2005 *RMB'000*
TURNOVER		
Operation of restaurants		
— external sales	**529,337**	378,765
Sales of noodles and related products		
— external sales	**69,054**	57,713
— inter-segment sales	**153,007**	91,474
	222,061	149,187
Elimination of inter-segment sales	**(153,007)**	(91,474)
	598,391	436,478

	Capital additions		**Carrying amount of segments assets and unallocated assets**	
	2006 *RMB'000*	2005 *RMB'000*	**2006** *RMB'000*	2005 *RMB'000*
Operation of restaurants	**72,664**	56,183	**200,598**	150,178
Sales of noodles and related products	**3,008**	2,652	**106,940**	112,963
Unallocated	**—**	512	**153,124**	83,624
	75,672	59,347	**460,662**	346,765

Notes to the Combined Financial Statements
For the year ended 31 December 2006

8. Finance Costs

	2006 RMB'000	2005 RMB'000
Interest on bank borrowings		
— wholly repayable within five years	(283)	(490)
— not wholly repayable within five years	(943)	(99)
	(1,226)	(589)

9. Profit before Taxation

	Continuing operations		Discontinued operations		Total	
	2006 RMB'000	2005 RMB'000	2006 RMB'000	2005 RMB'000	2006 RMB'000	2005 RMB'000
Profit before taxation has been arrived at after charging:						
Directors' remuneration (note 10)	966	546	—	—	966	546
Other staff's retirement benefits scheme contributions	1,318	1,378	—	57	1,318	1,435
Other staff costs	63,685	55,282	—	1,105	63,685	56,387
	65,969	57,206	—	1,162	65,969	58,368
Auditor's remuneration	2,300	242	—	—	2,300	242
Depreciation	26,860	17,335	—	19	26,860	17,354
Loss on disposal of property, plant and equipment	2,009	873	—	—	2,009	873
Operating lease rentals in respect of						
— prepaid lease payments	871	527	—	—	871	527
— rented premises	83,829	63,860	—	762	83,829	64,622
and after crediting:						
Commission income	2,610	4,135	—	—	2,610	4,135
Discount on acquisition of a subsidiary	387	—	—	—	387	—
Exchange gain	1,497	719	—	—	1,497	719
Interest income	600	407	—	—	600	407
Management fee income	31,974	—	—	—	31,974	—
Property rental income, net of negligible outgoings	1,027	1,393	—	—	1,027	1,393
Royalty income from sub-franchisee	1,600	1,593	—	—	1,600	1,593

Note: Cost of operation of restaurants of RMB82,865,000 (2005: RMB62,850,000) and RMB141,412,000 (2005: RMB95,508,000) have been included in property rentals and distribution and selling expenses, respectively.

10. Directors' and Employees' Remuneration

The emoluments paid or payable to each of the 8 directors were as follows:

	2006				2005			
	Fees	Salaries and other benefits	Retirement benefits scheme contributions	Total	Fees	Salaries and other benefits	Retirement benefits scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors								
Madam Poon Wai	—	463	13	476	—	464	13	477
Mr. Yin Yibing	—	248	5	253	—	69	—	69
Mr. Poon Ka Man, Jason	—	231	6	237	—	—	—	—
Non-executive directors								
Mr. Wong Hin Sin, Eugene	—	—	—	—	—	—	—	—
Mr. Katsuaki Shigenitsu	—	—	—	—	—	—	—	—
Independent non-executive directors								
Mr. Peter Lo	—	—	—	—	—	—	—	—
Mr. Jen Shek Voon	—	—	—	—	—	—	—	—
Mr. Yan Yu	—	—	—	—	—	—	—	—
	—	942	24	966	—	533	13	546

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

	2006	2005
	RMB'000	*RMB'000*
Employees		
— basic salaries and allowances	1,381	1,430
— retirement benefits scheme contributions	43	49
	1,424	1,479

The emoluments for each of the five highest paid individuals were within HK$1,000,000. During the year, 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 year.

11. Taxation

	2006 RMB'000	2005 RMB'000
Continuing operations:		
Hong Kong Profits Tax	**(5,242)**	(6,021)
PRC income tax	**(22,938)**	(10,885)
	(28,180)	(16,906)
Deferred taxation	**251**	473
	(27,929)	(16,433)
Discontinued operations:		
Hong Kong Profits Tax	**—**	(79)
	(27,929)	(16,512)

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

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, Weiqian Noodle (Shenzhen) Co., Ltd. is entitled to preferential tax relief by reducing the Foreign Enterprise Income Tax rate to 15%, as it operates in Shenzhen Special Economic Zone. Lead Food (Shanghai) Development Co., Ltd., 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.

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11. Taxation (Continued)

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

	Hong Kong				PRC				Total			
	2006		2005		**2006**		2005		**2006**		2005	
	RMB'000	**%**	*RMB'000*	%	***RMB'000***	**%**	*RMB'000*	%	***RMB'000***	**%**	*RMB'000*	%
Profit before taxation												
— continuing operations	**32,814**		36,072		**110,157**		35,866		**142,971**		71,938	
— discontinued operations	**—**		340		**—**		—		**—**		340	
	32,814		36,412		**110,157**		35,866		**142,971**		72,278	
Tax at the applicable income tax rate	**(5,742)**	**(17.5)**	(6,372)	(17.5)	**(36,352)**	**(33.0)**	(11,836)	(33.0)	**(42,094)**	**(29.5)**	(18,208)	(25.2)
Tax effect of expenses not deductible for tax purposes	**—**	**—**	(282)	(0.8)	**(200)**	**(0.2)**	(716)	(2.0)	**(200)**	**(0.1)**	(998)	(1.4)
Tax effect of income not taxable for tax purposes	**568**	**1.7**	151	0.4	**—**	**—**	—	—	**568**	**0.4**	151	0.2
Tax effect of deemed taxable income	**—**	**—**	—	—	**(1,240)**	**(1.1)**	(1,878)	(5.2)	**(1,240)**	**(0.8)**	(1,878)	(2.6)
Effect of tax exemptions granted to PRC subsidiaries	**—**	**—**	—	—	**2,583**	**2.3**	240	0.7	**2,583**	**1.8**	240	0.3
Tax effect of tax losses not recognised	**—**	**—**	—	—	**(335)**	**(0.3)**	(772)	(2.2)	**(335)**	**(0.2)**	(772)	(1.0)
Utilisation of tax losses previously not recognised	**—**	**—**	—	—	**209**	**0.2**	20	0.0	**209**	**0.1**	20	0.0
Income tax at concessionary rate	**—**	**—**	—	—	**12,480**	**11.3**	5,409	15.0	**12,480**	**8.7**	5,409	7.5
Others	**183**	**0.6**	(180)	(0.5)	**(83)**	**0.0**	(296)	(0.8)	**100**	**0.0**	(476)	(0.6)
	(4,991)	**(15.2)**	(6,683)	(18.4)	**(22,938)**	**(20.8)**	(9,829)	(27.5)	**(27,929)**	**(19.6)**	(16,512)	(22.8)

12. Discontinued Operations

On 31 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 Madam Poon Wai, a director of the Company, Mr. 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 year, which have been included in the combined income statement, were as follows:

	2006	2005
	RMB'000	*RMB'000*
Turnover	—	3,118
Cost of sales and other operating expenses	—	(2,778)
Profit before taxation	—	340
Taxation	—	(79)
Profit for the year	—	261

In 2005, the aged home business and the preserved bean curds trading business contributed RMB485,000 to the Group's net operating cash flows and paid RMB692,000 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 35.

13. Dividends

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

	2006 *RMB'000*	2005 *RMB'000*
Billion Rise International Limited	—	1,417
Brilliant China Holdings Limited	**5,250**	682
Colour Wave Development Limited	—	9,502
Ever Victory Investments Limited	—	1,207
Favor Will	**50,000**	—
Forever Dragon (Asia) Limited	—	1,102
Gold Regent Limited	—	2,782
Hong Kong Ajisen Food Company Limited	**1,050**	3,465
Long Wave Limited	—	2,783
Lucky Tide Limited	—	4,673
Nice Concept Limited	—	683
Paracity Developments Limited	—	1,208
Seamax Limited	—	3,843
Shanghai Lead Food & Restaurant Management Co., Ltd.	**40,000**	—
Star Wave Development Limited	—	1,208
Win Faith Limited	—	2,888
Wintle Limited	—	2,678
	96,300	40,121
Less: Dividends to minority owners of subsidiaries	—	15,344
	96,300	24,777

14. Earnings Per Share

From continuing and discontinued operations

The calculation of the basic earnings per share for the year is based on the combined profit attributable to equity holders of the Company for the year and on the weighted average number of 709,278,000 (2005: 647,066,000) shares in issue during the year on the assumption that the Group Reorganisation and the capitalisation issue as more fully described in Appendix VI of the Prospectus have been effective on 1 January 2005.

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:

	2006	2005
	RMB'000	*RMB'000*
Profit for the year attributable to equity holders of the Company	**113,365**	48,950
Less: Profit for the year from discontinued operations	**—**	261
Earnings for the purposes of basic earnings per share from continuing operations	**113,365**	48,689

No diluted earnings per share is presented as there were no potential dilutive shares during the year.

15. Investment Properties

	2006	2005
	RMB'000	*RMB'000*
VALUATION		
At 1 January	**3,068**	2,438
Currency realignment	**(118)**	(46)
Increase in fair value during the year	**—**	676
Disposals	**(2,950)**	—
At 31 December	**—**	3,068

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

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16. Property, Plant and Equipment

	Buildings	Furniture, fixtures and equipment	Leasehold improvements	Motor vehicles	Plant and machinery	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
COST						
At 1 January 2005	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 31 December 2005	44,719	10,960	70,257	5,818	31,959	163,713
Currency realignment	—	(227)	(631)	(50)	(513)	(1,421)
Additions	10,597	6,929	39,573	797	16,861	74,757
Acquisition of a subsidiary	—	798	—	—	117	915
Disposals	—	(413)	(2,794)	(771)	(2,143)	(6,121)
At 31 December 2006	55,316	18,047	106,405	5,794	46,281	231,843
DEPRECIATION						
At 1 January 2005	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 31 December 2005	3,999	6,142	18,001	2,079	12,994	43,215
Currency realignment	—	(174)	(366)	(32)	(326)	(898)
Provided for the year	3,004	1,658	15,161	6	7,031	26,860
Eliminated on disposals	—	(411)	(1,328)	(682)	(1,608)	(4,029)
At 31 December 2006	7,003	7,215	31,468	1,371	18,091	65,148
NET BOOK VALUES						
At 31 December 2006	48,313	10,832	74,937	4,423	28,190	166,695
At 31 December 2005	40,720	4,818	52,256	3,739	18,965	120,498

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 RMB653,000 (2005: RMB7,324,000) to certain banks to secure the credit facilities granted to the Group.

17. Prepaid Lease Payments

	2006 RMB'000	2005 RMB'000
CARRYING VALUE		
At 1 January	7,343	4,755
Additions during the year	449	3,115
Charged to income statement for the year	(871)	(527)
At 31 December	6,921	7,343
Less: Amount to be amortised within one year included in trade and other receivables	(560)	(871)
Non-current portion	6,361	6,472
Prepaid lease payments comprise:		
Land use rights situated in the PRC under medium-term lease	4,686	4,777
Property rentals paid in advance for restaurants	2,235	2,566
	6,921	7,343

18. Goodwill

	RMB'000
COST	
Arising on acquisition of further interest in subsidiaries during the year and balance at 31 December 2006	37,135

Included above, goodwill of RMB35.6 million is allocated to the Cash Generating Units (''CGU'') of certain of the restaurant operations in Hong Kong while the remaining goodwill is in relation to the restaurant operations in PRC.

During the year, management of the Group determines that there was no impairment of any of its CGU 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 year, the Group performed impairment review for goodwill based on cash flow forecasts derived from the most recent financial budgets for the next five years approved by management using 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 cash flows for the remaining 15 years are extrapolated using a declining growth rate of 1% per annum. The growth rates are based on industry growth forecasts. No impairment loss was considered necessary.

19. Deferred Taxation

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

	Difference in depreciation *RMB'000*	**Tax losses** *RMB'000*	**Accrued rentals** *RMB'000*	**Total** *RMB'000*
At 1 January 2005	(202)	481	159	438
(Charge) credit to income statement for the year	(111)	(481)	1,065	473
At 31 December 2005	(313)	—	1,224	911
Credit to income statement for the year	135	—	116	251
At 31 December 2006	(178)	—	1,340	1,162

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:

	2006 *RMB'000*	2005 *RMB'000*
Deferred tax assets	**1,340**	1,224
Deferred tax liabilities	**(178)**	(313)
	1,162	911

The Group has unutilised tax losses of RMB2,724,000 (2005: RMB2,348,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unutilised tax losses due to the unpredictability of future profit streams. The unrecognised tax losses may be carried forward indefinitely except the losses which expire as follows:

	2006 *RMB'000*	2005 *RMB'000*
Year of expiry		
2009	**—**	7
2010	**1,709**	2,341
2011	**1,015**	—
	2,724	2,348

20. Available-for-sale Investments

	2006 RMB'000	2005 RMB'000
Funds quoted in Hong Kong	1,536	—

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

21. Trade and Other Receivables

	2006 RMB'000	2005 RMB'000
Trade receivables		
— related companies	11,475	8,468
— others	13,285	11,824
	24,760	20,292
Rental and utility deposits	29,341	19,125
Property rentals paid in advance for restaurants	3,645	3,950
Advance to suppliers	1,726	2,438
Other receivables and prepayments	5,428	985
	64,900	46,790

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

Payment terms of customers relating to sales of noodles 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 customers relating to sales from operation of restaurants. The following is an aged analysis of trade receivables at the balance sheet date:

	2006 RMB'000	2005 RMB'000
Age		
0 to 30 days	11,808	14,487
31 to 60 days	2,626	3,911
61 to 90 days	1,623	1,109
91 to 180 days	7,972	616
Over 180 days	731	169
	24,760	20,292

22. Amounts due from Related Parties

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

Name of related parties	2006 *RMB'000*	2005 *RMB'000*	Maximum amount outstanding during the year *RMB'000*
Ajisen Ramen Group Limited, a company in which a director of the Company, Madam Poon Wai, has a beneficial interest	—	25,572	25,572
Great Rich Enterprise Limited, a company in which Mr. Gary Ng, spouse of a director of the Company has a beneficial interest	—	151	152
Kind Home Limited, a company in which Mr. Gary Ng has a beneficial interest	—	909	909
Mr. Gary Ng	**3,684**	2,026	3,684
Mr. Wu Xiaobin, a senior management of the Company	**1,287**	—	1,287
Shigemitsu Trading Shanghai Co., Ltd., a company in which a shareholder of the Company Shigemitsu Industry Co., Ltd. has a beneficial interest	—	880	1,087
Weiqian Noodle Food Service Shenzhen Company Limited, a company in which a director of the Company, Madam Poon Wai has a beneficial interest	**35,996**	32,972	42,002
Shanghai Jiacai Ramen Restaurant, a sole proprietor entity held by a cousin of a director of the Company, Poon Wai	**11,114**	15,795	20,720
Well Keen International Ltd, a company in which a director of the Company, Madam Poon Wai has a beneficial interest	**776**	—	776
Shanghai Mai Xian Trading Co., Ltd., a company in which a director of the Company, Madam Poon Wai has a beneficial interest	**316**	—	316
	53,173	78,305	

The amounts were unsecured, interest-free and fully settled subsequent to year end in March 2007.

23. Amount due from A Director

Details of the amount due from a director are as follows:

Name of directors	**2006** *RMB'000*	2005 *RMB'000*	**Maximum amount outstanding during the year** *RMB'000*
Mr. Poon Ka Man, Jason	—	97	97
Mr. Yin Yibing	—	—	551
	—	97	

The amount was unsecured, interest-free and fully settled during the year.

24. Amounts due from Shareholders

Details of the amounts due from shareholders are as follows:

Name of shareholders	**2006** *RMB'000*	2005 *RMB'000*	**Maximum amount outstanding during the year** *RMB'000*
Shigemitsu Industry Company Limited	—	1,360	1,360
Mr. Cheung Wai Tao	—	596	596
	—	1,956	

The amounts were unsecured, interest-free and fully settled during the year.

25. Bank Balances and Cash

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

26. Trade and Other Payables

	2006 *RMB'000*	2005 *RMB'000*
Trade payables		
— related companies	480	4,636
— others	30,374	21,417
	30,854	26,053
Payroll and welfare payables	5,398	5,060
Customers' deposits received	3,856	4,686
Payable for acquisition of property, plant and equipment	6,674	5,504
Payable for property rentals	7,764	4,419
Other tax payable	13,058	11,445
Others	14,796	10,507
	82,400	67,674

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

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

	2006 *RMB'000*	2005 *RMB'000*
Age		
0 to 30 days	25,483	21,116
31 to 60 days	4,496	3,835
61 to 90 days	437	862
91 to 180 days	37	82
Over 180 days	401	158
	30,854	26,053

27. Amounts due to Related Companies

The amounts were unsecured, interest-free and fully repaid subsequent to the year end in March 2007. Either directors of the Company, Madam Poon Wai and Mr. Shigemitsu Katsuaki, has interest in these related companies.

28. Amounts due to Directors

The amounts were unsecured, interest-free and fully repaid subsequent to the year end in March 2007.

29. Amounts due to Shareholders

The amounts were unsecured, interest-free and fully repaid subsequent to the year end in March 2007.

30. Long-term Bank Loans

	2006	2005
	RMB'000	*RMB'000*
Bank loans are repayable:		
Within one year	**1,229**	1,209
Between one to two years	**1,298**	1,323
Between two to five years	**64,351**	4,417
After five years	**7,278**	8,996
	74,156	15,945
Less: Amounts due within one year shown under current liabilities	**1,229**	1,209
Amount due after one year	**72,927**	14,736
Analysed as		
— secured	**14,156**	15,945
— unsecured	**60,000**	—
	74,156	15,945

The carrying amounts of the Group's long-term bank loans are denominated in Hong Kong dollars and RMB which are the respective functional currency of the entities and carry interests at rates ranging from 5.2% to 7.5% (2005: 5.2% to 7.5%) per annum.

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

31. Short-term Bank Loans

	2006 *RMB'000*	2005 *RMB'000*
Short-term bank loans		
— secured	6,000	—
— unsecured	40,000	—
	46,000	—

The carrying amounts of the Group's short-term bank loans are denominated in Hong Kong dollars which are the functional currency of the entities and carry interests at rates ranging 4.81%–5.13% per annum.

The short-term bank loans at 31 December 2006 were secured by bank deposits owned and guarantees given by Madam Poon Wai, a director of the Company.

32. Bank Overdrafts

The bank overdrafts are denominated in Hong Kong dollars unsecured and carry interest at market rates at 8% per annum.

33. Paid-in Capital

The paid-in capital at 31 December 2005 represents the aggregate paid-in capital of the companies held by the existing equity holders of the Company prior to the Group Reorganisation.

The paid-in capital at 31 December 2006 represents the paid-in capital of Favor Will Investments Limited (''Favor Will'') and the Company.

The Company was incorporated on 6 April 2006 with an authorised share capital of HK$380,000 dividend into 3,800,000 shares of HK$0.10 each. On the same date and 31 December 2006, one nil paid share of HK$0.10 was issued.

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34. Purchase of a Subsidiary

On 1 December 2006, the Group completed the acquisition of 51% equity interest in 大連味千餐飲有限公司 (Dalian Weiqian Food Co. Ltd.) (''Dalian Weiqian'') from Mr. Yin Yibing, a director of the Company for a consideration of RMB106,000, resulting in a discount on acquisition of RMB387,000.

The net assets acquired in the transaction and the discount on acquisition arising during the year are as follows:

	Acquiree's carrying amount and fair value
	HK$'000
Net assets acquired:	
Property, plant and equipment	915
Inventories	516
Trade and other receivables	932
Bank balances and cash	5,686
Trade and other payables	(7,082)
	967
Minority interests	(474)
Discount on acquisition	(387)
	106
Total consideration satisfied by:	
Cash	106
Net cash inflow arising on acquisition:	
Cash consideration paid	(106)
Bank balances and cash acquired	5,686
Net inflow of cash and cash equivalents in respect of the acquisition of a subsidiary	5,580

34. Purchase of a Subsidiary (Continued)

Dalian Weiqian contributed less than RMB1,000 to the Group's profit for the year between the date of acquisition and 31 December 2006.

If the acquisition had been completed on 1 January 2006, total revenue for the year would have been RMB613,661,000, and profit for the year would have been RMB116,373,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of Dalian Weiqian that actually would have been achieved had the acquisition been completed on 1 January 2006, nor is it intended to be a projection of future results.

35. 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 in which Mr. Gary Ng has a beneficial interest and an independent third party respectively.

	2005 *RMB'000*
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)
Net assets and total consideration	314
Satisfied by:	
Amounts due from related parties	314
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)

The impact of the discontinued operations on the Group's results and cash flows is disclosed in note 12.

36. Major Non-cash Transaction

In January 2006, as part of the Group Reorganisation, the consideration for the acquisition of minority equity interests in certain subsidiaries operates in Hong Kong, comprised the issue of 180 shares of Favor Will. The fair value of the shares issued is approximately RMB220,685,000 and the fair value of net assets acquired is approximately 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.

37. Operating Lease Arrangements

The Group as lessee

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

	2006	2005
	RMB'000	*RMB'000*
Within one year	**72,316**	56,042
In the second to fifth year inclusive	**179,256**	133,458
After five years	**110,440**	82,118
	362,012	271,618

The leases are negotiated for terms 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 and buildings rented out:

	2006	2005
	RMB'000	*RMB'000*
Within one year	**865**	125
In the second to fifth year inclusive	**865**	99
	1,730	224

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

38. Capital Commitments

	2006	2005
	RMB'000	*RMB'000*
Capital expenditure contracted for but not provided in the financial statements in respect of the acquisition of property, plant and equipment	**1,350**	—

39. Retirement Benefits 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.

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

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40. Related Party Transactions

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

Relationship with related party	**Nature of transaction**	**2006** *RMB'000*	2005 *RMB'000*
Shigemitsu Industry Co., Ltd. (''Shigemitsu Industry''), a company in which Mr. Katsuaki Shigemitsu, a director of the Company has a beneficial interest	Sales of noodles and related products	**243**	336
	Purchase of raw materials	**28,467**	24,600
	Franchise commissions paid	**4,390**	3,182
Companies in which a director of the Company, Madam Poon Wai has a beneficial interest	Sales of noodles and related products	**6,515**	3,558
	Purchase of raw materials	**2,610**	36
	Commissions received	**2,635**	4,135
	Management fee received	**31,974**	*
	Property rentals received	**865**	—
Madam Poon Wai	Proceeds from disposal of investment properties	**2,950**	—
	Securities for the Group's bank loan	**	—
Mr. Yin Yibing	Consideration for acquisition of 51% equity interest in Dalian Weiqian	**106**	—
Companies in which a director of the Company Mr. Poon Ka Man, Jason has a beneficial interest	Decoration expenses paid	**4,642**	1,526

* The Group provided management services for nil consideration to certain companies in which a director of the Company Madam Poon Wai has a beneficial interest. For the year ended 31 December 2006, the management fee is accrued based on a percentage of the turnover of these companies.

** Details of the securities for the Group's bank loans given by Madam Poon Wai are set out in note 31.

41. Post Balance Sheet Events

The following significant events took place subsequent to 31 December 2006:

(a) On 8 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 8 March 2007'' in Appendix VI to the Prospectus, pursuant to which:

(i) The authorised share capital of the Company was increased from HK$380,000 to HK$1,000,000,000 divided into 10,000,000,000 shares of HK$0.10 each.

(ii) On 30 March 2007, 290,722,000 shares of HK$0.10 each of the Company were issued (''New Issue'') at HK$5.47 by way of placing and public offer. On the same date, the Company's shares were listed on the Main Board of the Stock Exchange.

(iii) Subject to the share premium account of the Company being credited as a result of the New Issue, the directors of the Company were authorised to capitalise HK$70,547,800 standing to the credit of the share premium account of the Company by applying such sum in paying up full at par 705,478,000 shares for allotment and issue to the shareholders of the Company on the register of the members of the Company at the close of business on 8 March 2007 in proportion to their then respective existing shareholdings in the Company and the directors allotted and issued such shares as aforesaid and gave effect to the capitalisation issue and the shares allotted and issued rank *pari passu* with all shares then in issue.

(b) On 8 March 2007, the Company took up the entire issued share capital of Favor Will from Madam Poon Wai, Messrs. Cheng Wai Tao and Katsuaki Shigemitsu, Shigemitsu Industry, Sirius Investment Inc. and Sirius Capital Holdings Pte Limited by exchange of its shares through (i) the crediting as fully paid up at par the one nil-paid share registered in the name of Favor Choice and (ii) the allotment and issue of 3,001,999 shares to Favor Choice, credited as fully paid, at the direction of Madam Poon Wai, 418,000 shares to Mr. Cheng Wai Tao, credited as fully paid, 76,000 shares to Shigemitsu Industry, credited as fully paid, 190,000 shares to Mr. Katsuaki Shigemitsu, credited as fully paid, 76,000 shares to Sirius Investment Inc., credited as fully paid and 38,000 Shares to Sirius Capital Holdings Pte Limited, credited as fully paid.

(c) The Group acquired a property for a cash consideration of approximately RMB25 million in March 2007.

(d) Pursuant to the written resolution of the shareholders of the Company on 8 March 2007, the Company has adopted a Pre-IPO Share Option Scheme, details of which have been set out in the sub-section headed ''Share Option Schemes'' in Appendix VI to 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 HK$4.6495 per share, representing 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 the shares of the Company on the Stock Exchange.

(e) On 10 April 2007, an over-allotment option was exercised and a further 45,000,000 shares of HK$0.10 each were issued at HK$5.47 per share.

Notes to the Combined Financial Statements

For the year ended 31 December 2006

42. Principal Subsidiaries

Details of the Favor Will's principal subsidiaries at 31 December 2006 prior to the Group Reorganisation are as follows:

Name of subsidiary	Place of incorporation/ establishment/ operations	Nominal value of issued and fully paid share capital/ registered capital	Attributable proportion of nominal value of issued share capital/registered capital held	Principal activities
Brilliant China Holdings Limited	Hong Kong	HK$10,000	100%	Operating the Group's Hong Kong office and food processing Ajisen factory
Fortune Choice Limited	Hong Kong	HK$10,000	100%	Holding company of Shenzhen factory and trading of noodles
Hong Kong Ajisen Food Company Limited	Hong Kong	HK$10,000	100%	Operating an Ajisen chain restaurants
Seamax Limited	Hong Kong	HK$10,000	100%	Operating Ajisen chain restaurants
Win Victory Limited	Hong Kong	HK$10,000	100%	Provision of financing services for group companies
領先食品(上海)發展有限公司 (Lead Food (Shanghai) Development Co. Ltd.)	PRC wholly foreign owned enterprise	US$1,200,000	100%	Operating a noodle factory in Shanghai, the PRC
上海領先餐飲管理有限公司 (Shanghai Lead Food & Restaurant Management Co. Ltd.)	PRC wholly foreign owned enterprise	US$3,000,000	100%	Investment holding and operating Ajisen chain restaurants in Shanghai, the PRC
味千拉麵深圳有限公司 Weiqian Noodle (Shenzhen) Co. Ltd.	PRC wholly foreign owned enterprise	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.	PRC sino-foreign equity joint venture	RMB500,000	100%	Operating Ajisen chain restaurants in Hangzhou, the PRC

42. Principal Subsidiaries (Continued)

Name of subsidiary	Place of incorporation/ establishment/ operations	Nominal value of issued and fully paid share capital/ registered capital	Attributable proportion of nominal value of issued share capital/registered capital held	Principal activities
南京味千餐飲有限公司 Nanjing Weiqian Food & Restaurant Management Co. Ltd.	PRC sino-foreign equity joint venture	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.	PRC limited liability enterprise	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.	PRC sino-foreign equity joint venture	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.	PRC limited liability enterprise	RMB1,500,000	100%	Operating Ajisen chain restaurants in Chongqing, the PRC
Dalian Weiqian	PRC limited liability enterprise	RMB500,000	51%	Operating Ajisen chain restaurants in Dalian, the PRC

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

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