AJISEN RAMEN
味千拉麵

Interim Report 2007

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

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 538

Contents

Corporate Profile

Ajisen (China) Holdings Limited (stock code: 538) ("Ajisen (China)" or the "Company", together with its subsidiaries, the "Group") is one of the leading fast casual restaurant ("FCR") chain operators in the People's Republic of China ("PRC") and Hong Kong. Since its establishment in December 1995, the Group has been a fast-growing FCR chain operator that combines fast food and traditional restaurant elements, selling Japanese ramen and Japanese-style dishes under the Ajisen brand in the PRC and Hong Kong.

Since the Company's listing on the Main Board of the Hong Kong Stock Exchange on 30 March 2007, the Group's business has been expanding rapidly with its nationwide network increasing from 120 restaurants as at the end of 2006 to 167 restaurants as at the date of this report. The chain restaurants with the eye-catching Ajisen logo cover the major PRC cities and prime locations in Hong Kong, among which Shanghai has the largest number of restaurants, being 42, followed by 18 in Shenzhen and 13 in Beijing, together with the other 73 restaurants in other coastal and inner cities of the PRC. In Hong Kong, Ajisen has 21 restaurants covering major business centers. Moreover, the Group is supported by its own food manufacturing and processing centers located in Shanghai, Shenzhen, Beijing, Qingdao, Chengdu and Hong Kong.

Corporate Information

Board of Directors

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

NON-EXECUTIVE DIRECTORS
Mr. Katsuaki Shigemitsu
Mr. Wong Hin Sun, Eugene

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. Lo Peter
Mr. Jen Shek Voon
Mr. Yan Yu

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Authorised Representatives

Ms. Poon Wai
Mr. Lau Ka Ho, Robert

Qualified Accountant

Mr. Lau Ka Ho, Robert *(CPA)*

Company Secretary

Mr. Ngai Wai Fung *(FCS, FCIS)*

Head Office and Principal Place of Business in Hong Kong

Room 1301, 13th Floor
Top Glory Tower
262 Gloucester Road
Causeway Bay
Hong Kong

Registered Office

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

Principal Share Registrar and Transfer Office

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

Hong Kong Branch Share Registrar and Transfer Office

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

Corporate Information (Continued)

Principal Bankers

Hang Seng Bank
HSBC
Standard Chartered Bank
Industrial and Commercial Bank of China
Bank of Shanghai

Compliance Adviser

Cazenove Asia Limited

Hong Kong Legal Advisers

Fairbairn Catley Low & Kong
Winnie Mak, Chan & Yeung

Auditor

Deloitte Touche Tohmatsu

Investor and Media Relations Consultant

iPR Ogilvy Ltd

Investor Relations Contact

Alan Zheng, CFO
Ajisen (China) Holdings Limited
31/F Jinzhong Plaza
No. 98 Huaihai Zhong Road
Shanghai, PRC
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Company Websites

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

Stock Code

538

Financial Highlights

For the six months ended 30 June (unaudited)	2007	2006	% +/-
Turnover (RMB'000)	**390,875**	276,056	41.6
Gross profit (RMB'000)	**266,268**	173,589	53.4
Profit before taxation (RMB'000)	**130,701**	69,649	87.7
Profit attributable to equity holders of the Company (RMB'000)	**106,958**	56,122	90.6
Earnings per share - basic (RMB cents)	**12.17**	7.91	53.9

Management Discussion and Analysis

Operating Environment

During the first half of 2007, the Chinese economy continued its high growth momentum and its GDP reached 11.5%. The contribution of consumer expenditure to the economy is increasing. Food and beverage ("F&B") are an important part of consumption and FCR have especially become popular among middle-class consumers. Both the increasingly prosperous retail market and rising consumer spending power provide the Group with an excellent opportunity for further development.

In the long run, it is believed that fast food chain restaurants have great business potential. According to JP Morgan's Report, the market share held by China's top 5 fast food chain restaurants operators is only 3% in comparison with 15% held by their US counterparts, which indicates a great development potential for reputable fast food chain restaurants such as Ajisen. The management of the Group is determined to take advantage of this opportunity to develop Ajisen into a chain restaurant brand with scale advantage and F&B management experience.

Business Review

During the reporting period, the results of the Group recorded tremendous growth. For the six months ended 30 June 2007, turnover reached RMB390,875,000, representing a 41.6% increase compared with the same period last year; gross profit and net profit were RMB266,268,000 and RMB106,958,000, representing a 53.4% and 90.6% increase from the corresponding period respectively. The tremendous growth of the Group was primarily attributed to the rapid expansion of the Group's restaurant network that had expanded to 150 restaurants in the reporting period, growing by 112% year-on-year on average. Ajisen's distribution network is located throughout the eastern, southern, northern and central parts of China. The average traffic flow per restaurant in the above four areas and the per capita spending were approximately 18,600 persons per month and RMB35 respectively.

The Group's own food manufacturing and processing facilities in Shanghai and Shenzhen have been expanding their production lines to support the rapid growth of our chain restaurants. The facilities apply advanced Japanese technology to produce and distribute ramen as well as sauces, finished products and semi-finished products for Ajisen distribution network. Currently the number of production lines in the Shanghai and Shenzhen factories are 15 and 5 respectively. The Shanghai factory is planning to add 5 more production lines this year, which will increase 50% of the existing production capacity. The Group plans to add one more factory in Shanghai in 2008.

Ajisen (China) was successfully listed on the Mainboard of the Hong Kong Stock Exchange on 30 March 2007. The listing proceeds provided stable capital support for the Group's rapid expansion. In less than half a year after listing, Ajisen (China) has also been included as a constituent of the 200-stock Hang Seng Composite Index ("HSCI") and Hang Seng Freefloat Composite Index Series since 10 September 2007. This honor fully represents the recognition of Ajisen (China)'s leading role in the industry, as well as the confidence from Hong Kong and oversea investors in Ajisen (China).

Ajisen enjoys high brand name awareness in both the PRC and Hong Kong. The Group was ranked fifth in terms of revenue in China's FCR sector in 2005 according to "China's Top 100 F&B Enterprises" survey, and was recognized as one of the largest Japanese style FCR chain operators in China by the China Cuisine Association. In February 2006, Ajisen (China) secured perpetual franchise rights for the Ajisen franchise business in the PRC, Hong Kong and Macau. As Ajisen's brand name gains stronger recognition and reputation, Ajisen (China) will strive to become the number one fast casual chain restaurant operator in China.

For the six months ended 30 June 2007, cost of sales at of total revenue of the Company decreased from 37.1% to 31.9% of the same period last year, representing a decrease of 5.2%. The decrease, despite an increase in the number of chain restaurants, was primarily due to the economies of scale of the Group's procurement, which resulted in a relative decrease in material prices, and local procurement of white soup base, one of the main materials, as well as an increase in some of the food prices in the restaurants.

In 2007, starting with pork, most of the foods in China have experienced an increase in price of different extents, which had an adverse effect of approximately 5% on our gross profit margin. In view of this, the Group took timely measures to raise food prices in the restaurants by about 9%. Market reacted calmly to the adjustment, with traffic flow increasing afterward. Compared to a significant price adjustment of other fast food restaurants, our price increase was relatively muted, which ensured a good profit margin.

Management Discussion and Analysis (Continued)

During the first half of this year, the increase in the price level within the real estate market of mainland China did not dampen our profit. Most of our restaurants have lease terms over 7 years, the rentals for restaurants remained unchanged despite the increase of real estate prices; and in respect of some leases, the Group pays rentals at certain percentages of turnovers, which holds the rental cost constant in spite of the fluctuations in real estate prices.

RETAIL CHAIN RESTAURANTS

In 2007, our major business and primary source of income continued to be our retail chain restaurants. During the first half of 2007, our restaurant business contributed RMB361,074,000, or 92.4%, to the Group's total revenue.

As at 30 June 2007, the Group had a restaurant portfolio totaling 150 Ajisen chain restaurants, comprising the following:

	31 December 2006	**30 June 2007**	+/-
By type:			
Owned and managed	93	**123**	30
Managed but not owned	24	**24**	0
Owned but not managed	3	**3**	0
Total	120	**150**	30
By province:			
Shanghai	33	**42**	9
Beijing	8	**11**	3
Guangdong (excluding Shenzhen)	12	**15**	3
Shenzhen	11	**16**	5
Jiangsu	12	**13**	1
Zhejiang	3	**3**	0
Sichuan	3	**5**	2
Chongqing	4	**4**	0
Fujian	3	**5**	2
Hunan	0	**1**	1
Hubei	3	**3**	0
Liaoning	4	**4**	0
Shandong	9	**9**	0
Hong Kong	15	**19**	4
Total	120	**150**	30
By region:			
Northern China	21	**24**	3
Eastern China	48	**58**	10
Southern China	41	**55**	14
Central China	10	**13**	3
Total	120	**150**	30
Total saleable area	34,329 sq meter	**40,620 sq meter**	6,291 sq meter

Note: During the reporting period, the Group expanded its restaurant network to Xiamen, Fujian and Mianyang, Sichuan.

The following table illustrates our restaurant breakdown by format:

	31 December 2006	**30 June 2007**	+/-
By format:			
Flagship	16	**17**	1
Standard	94	**123**	29
Economy	10	**10**	0
Total	120	**150**	30

Our menu is designed to suit the diversity of tastes of our customers from different regions in the PRC and Hong Kong. Combining Japanese-style dishes with Chinese food culture and dining habits, our menu offers more than 110 food products, which is updated twice a year.

Packaged food products

Packaged noodles under the Ajisen brand name is part of our product diversification strategy. All packaged noodles are manufactured in the Group's own food manufacturing and processing facilities located in Shanghai, Shenzhen and Hong Kong, which cover a total area of over 17,900 square meters, with well-recognized advanced Japanese technology.

For the six months ended 30 June 2007, sales of packaged food products recorded RMB24,295,000, accounting for 6.2% of the Group' s total turnover.

Our packaged noodle products are not only supplied to our Ajisen chain restaurants, but also to other third-party restaurant operators, supermarkets, as well as to countries such as Australia, Canada, Philippines, Singapore and the United States etc. Our extensive distribution network currently comprises approximately 6,000 points-of-sale in the PRC and Hong Kong. Our major clients include Wal-Mart, Carrefour, Lianhua Supermarket, City Supermarket, JUSCO and Wellcome. By selling our noodles through these well-known retailers, we are able to leverage on brand gearing effect.

Management Discussion and Analysis (Continued)

Financial Review

TURNOVER

Turnover from restaurant operations increased by approximately RMB114,819,000 or 41.6%, from approximately RMB276,056,000 for the six months ended 30 June 2006, to approximately RMB390,875,000 for the same period in 2007. Such increase was mainly due to an increase in the number of chain restaurants from 120 as at 31 December 2006 to 150 as at 30 June 2007.

COST OF SALES

Cost of sales of the Group increased by approximately RMB22,140,000, or 21.6%, from approximately RMB102,467,000 for the six months ended 30 June 2006, to approximately RMB124,607,000 for the same period in 2007, which was less than the growth of our turnover. This was mainly due to the increase in prices of food products offered in our chain restaurants and effective cost control, and the proportion of cost of sales to turnover decreased in the first half of 2007, representing approximately 31.9% of the turnover, as compared to 37.1% for the same period in 2006.

GROSS PROFIT

As a result of the above, gross profit of the Group increased by approximately RMB92,679,000, or 53.4%, from approximately RMB173,589,000 for the six months ended 30 June 2006, to approximately RMB266,268,000 for the same period in 2007. The gross profit margin increased to 68.1% in the first six months of 2007, as compared to 62.9% for the same period in 2006, due to the following five reasons: high traffic flow, high unit price, locally purchased food materials, significant economy of scale, and enhanced efficiency.

OTHER INCOME

Other income of the Group increased by approximately RMB42,906,000, from approximately RMB17,996,000 for the six months ended 30 June 2006, to approximately RMB60,902,000 for the same period in 2007, primarily due to: (i) the management fees received from restaurants operated under Shenzhen Weiqian increased by approximately RMB4,000,000, and (ii) interest from bank deposit of the Company increased significantly by approximately RMB37,605,000, including IPO over-subscription interest income and term deposit income from unused proceeds.

DISTRIBUTION AND SELLING EXPENSES

Distribution and selling expenses of the Group increased by approximately RMB38,542,000, or 56.2%, from approximately RMB68,636,000 for the six months ended 30 June 2006, to approximately RMB107,178,000 for the same period in 2007, primarily attributed to the increase in salary and welfare expenses of restaurant staffs, utility charges, costs of consumables and utensils and depreciation costs incurred in connection with the increase in the number of chain restaurants operated by the Company. For the first six months of 2007, distribution and selling expenses as a percentage of our turnover were approximately 27.4%, compared to approximately 24.9% for the same period in 2006.

ADMINISTRATIVE EXPENSES

Administrative expenses of the Group increased by approximately RMB17,719,000, or 113.9%, from approximately RMB15,554,000 for the six months ended 30 June 2006, to approximately RMB33,273,000 for the same period in 2007, primarily due to an increase in administrative staff salaries and directors' welfare and expenses incurred in relation to the listing on the Stock Exchange on 30 March 2007. For the six months ended 30 June 2006 and 2007, administrative expenses as a percentage of our turnover were 5.6% and 8.5%, respectively.

PROFIT BEFORE TAXATION

Profit before taxation increased by approximately RMB61,052,000, or 87.7%, from approximately RMB69,649,000 for the six months ended 30 June 2006, to approximately RMB130,701,000 for the same period in 2007, as a result of the cumulative effect of the foregoing factors.

ASSETS AND LIABILITIES

As at 30 June 2007, net current assets were approximately RMB1,744,576,000 with a current ratio of 14.0. As we are primarily engaged in the restaurant business, most of our sales are in cash. As a result, we are able to maintain a relatively high current ratio to achieve better use of our working capital.

Management Discussion and Analysis (Continued)

CASHFLOW

Net cash inflow from operations for the six months ended 30 June 2007 was approximately RMB122,312,000, while our profit before taxation for the same period was approximately RMB130,701,000. The Directors recognized that there was an event in April 2007 which involved a subsidiary of the Company applying approximately HK$206.2 million (from its internal working capital of HK$20.7 million and a bridged loan from bank amounting to HK$185.5 million) for subscription of new shares offered by an independent third party to be listed on the Stock Exchange. The subsidiary was allotted HK$1,676,041 worth of shares and such shares were all sold off in late April 2007 with a total net gain of HK$773,093. The subsidiary of the Company did not involve in any further securities dealings thereafter. In this regard, the Directors have conducted a detailed review of the event and resolved that the Company should not engage in any securities dealings in the future without the full board's prior approval. The difference was also due to the increase in inventories and the increase in trade and other payables, partially offset by an increase in trade and other payables. The increase in inventories and trade and other payables was primarily due to the increased purchase of raw materials and other goods from suppliers as a result of the increase in the number of chain restaurants managed and owned by the Group during the period. The increase in trade and other receivables was primarily due to the higher sales volume in the sale of noodles and related products and an increase in rental deposits resulting from the increase in the number of chain restaurants managed and owned by us during the period.

CAPITAL EXPENDITURE

Capital expenditures were approximately RMB91,039,000 for the six months ended 30 June 2007, which was primarily related to our purchase of property, plant and equipment and opening of new restaurants.

KEY FINANCIAL RATIOS FOR RESTAURANT OPERATIONS

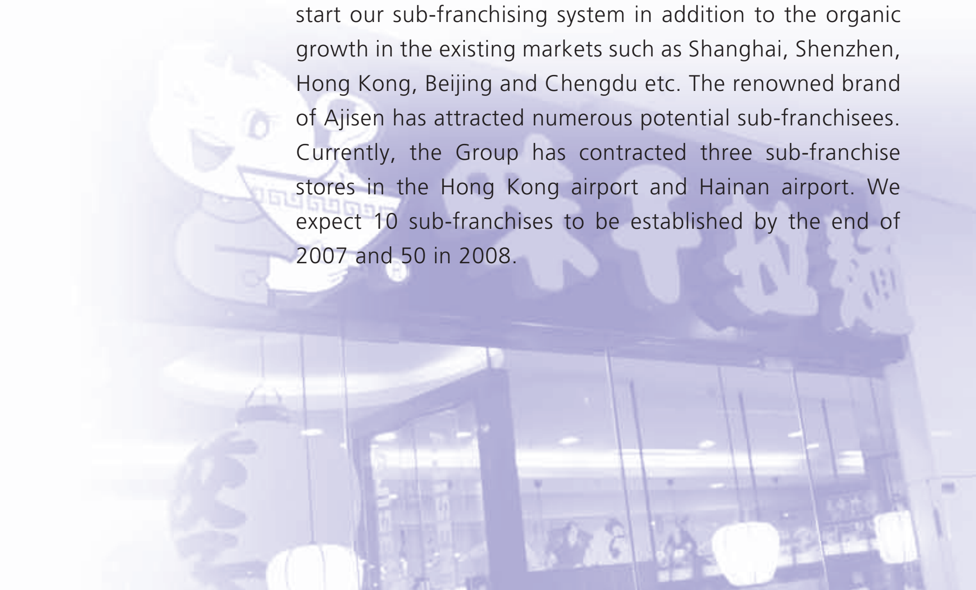
		Hong Kong	PRC
Comparable restaurant sales growth	:	1.9%	5.8%
Turnover per GFA	:	HK$289/day	HK$53/day
Turnover per day per restaurant	:	HK$17,747/ restaurant/day	HK$16,800/ restaurant/day
Traffic flow per day	:	510 persons/ restaurant/day	620 persons/ restaurant/day
Per capita spending	:	HK$54	HK$33
Table turnover per day	:	8/day	6/day

OUTLOOK FOR THE SECOND HALF OF 2007 AND BEYOND

It is the goal of Ajisen (China) to be the number one FCR chain operator in the PRC. In the future, the Group will take full advantage of our renowned brand to accelerate the expansion of restaurant network, and promote the standardized production procedure with professional management team, as well as to further segment the market and implement our multi-brand strategy.

Accelerate the expansion of FCR network and ensure the quality of operation and management. Chain restaurant operations are the prime and major business of the Group. It is the foundation for the Group to sustain an integrated operation of FCR in a rapidly expanding manner. On the basis of strong management, standardization and quality control measures, the Group will be able to boost its standardized production to provide uniform products for all of its restaurants. Meanwhile, standardized production will ensure consistent quality, realize economies of scale, speed up business expansion, and also enhance responsiveness to the market needs.

Continue to expand new network on the premise of high quality operation and management. By the end of 2007 and 2008, we aim to have over 200 restaurants and 320 restaurants respectively. To achieve this goal, we plan to start our sub-franchising system in addition to the organic growth in the existing markets such as Shanghai, Shenzhen, Hong Kong, Beijing and Chengdu etc. The renowned brand of Ajisen has attracted numerous potential sub-franchisees. Currently, the Group has contracted three sub-franchise stores in the Hong Kong airport and Hainan airport. We expect 10 sub-franchises to be established by the end of 2007 and 50 in 2008.



Management Discussion and Analysis (Continued)

Maintain the diversification of our products and increase the market share. The management believes that with the matured development of FCR, the customers will be more diversified with different and distinct demands. The Group will continuously innovate and develop extensive range of food products as well as introduce a wider variety of packaged food products, to meet the various taste buds of our growing customer base. Furthermore, we will launch other products, such as tableware and condiments for noodles. We will leverage on our know-how in Japanese food and Japanese food production technology to expand our customer base and reach new consumer segments in the casual dining value chain. Currently, the "Ajisen" brand is targeted at the mass market with an average spending of around HK$54 per head in Hong Kong and around RMB33 in mainland China.

Implement a multi-brand strategy within the FCR business. We intend to capture potential business opportunities in the fast-growing FCR market in the PRC and Hong Kong by implementing a multi-brand strategy. In addition to strengthening and leading the development of FCR in PRC, we will look for other emerging business models and explore the possibility of mergers and acquisitions, as well as the opportunity for Ajisen to establish multi brands in FCR business, so as to maintain our leading position in the market. We expect plenty of room for future expansion and healthy pace of growth in the year and beyond. We will seek the possibilities of having strategic alliances with other overseas brands as well.

Condensed Consolidated Income Statement

For the six months ended 30 June 2007

		Six months ended 30 June	
	Notes	**2007 RMB'000 (unaudited)**	2006 RMB'000 (audited)
TURNOVER	*4*	**390,875**	276,056
Cost of sales		**(124,607)**	(102,467)
GROSS PROFIT		**266,268**	173,589
Other income		**60,902**	17,996
Property rentals		**(54,139)**	(37,217)
Distribution and selling expenses		**(107,178)**	(68,636)
Administrative expenses		**(33,273)**	(15,554)
Finance costs	*5*	**(1,879)**	(529)
PROFIT BEFORE TAXATION	*6*	**130,701**	69,649
Taxation	*7*	**(21,033)**	(12,754)
PROFIT FOR THE PERIOD		**109,668**	56,895
ATTRIBUTABLE TO:			
Equity holders of the Company		**106,958**	56,122
Minority interests		**2,710**	773
		109,668	56,895
		RMB cents	RMB cents
EARNINGS PER SHARE	*9*		
— Basic		**12.17**	7.91
— Diluted		**12.11**	N/A

Condensed Consolidated Balance Sheet

At 30 June 2007

	Notes	30 June 2007 RMB'000 (unaudited)	31 December 2006 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	234,238	166,695
Prepaid lease payments		6,162	6,361
Goodwill		37,135	37,135
Deferred tax assets		1,340	1,340
Available-for-sale investments		1,536	1,536
		280,411	213,067
CURRENT ASSETS			
Inventories		20,848	21,376
Trade and other receivables	11	62,441	64,900
Amounts due from related parties	12	46,672	53,173
Taxation recoverable		373	673
Bank balances and cash		1,748,642	107,473
		1,878,976	247,595
CURRENT LIABILITIES			
Trade and other payables	13	91,835	82,400
Amounts due to related companies	14	563	10,670
Amounts due to directors	14	1,172	36,507
Amount due to a shareholder	14	2,572	3,906
Amount due to a minority shareholder	14	2,900	—
Dividend payable		—	11,220
Taxation payable		34,256	26,230
Current portion of long-term bank loans	15	43	1,229
Short-term bank loans	16	—	46,000
Bank overdrafts		1,059	1,395
		134,400	219,557
NET CURRENT ASSETS		1,744,576	28,038
Total assets less current liabilities		2,024,987	241,105
NON-CURRENT LIABILITIES			
Long-term bank loans	15	342	72,927
Deferred tax liabilities		178	178
		520	73,105
		2,024,467	168,000
CAPITAL AND RESERVES			
Paid-in capital	17	104,500	8
Reserves		1,908,087	161,972
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		2,012,587	161,980
Minority interests		11,880	6,020
Total equity		2,024,467	168,000

Condensed Consolidated Statement Of Changes In Equity

For the six months ended 30 June 2007

	Attributable to equity holders of the Company										
	Paid-in capital RMB'000	**Share premium** RMB'000	**Special reserve** RMB'000	**Share options reserve** RMB'000	**Capital reserve** RMB'000	**Translation reserve** RMB'000	**Statutory surplus reserve fund** RMB'000	**Retained profits** RMB'000	**Total** RMB'000	**Minority interests** RMB'000	**Total** RMB'000
At 1 January 2006	41,086	—	—	—	59	(255)	4,536	56,415	101,841	13,307	115,148
Exchange differences arising on translation of financial statements of foreign operations	—	—	—	—	—	(2,008)	—	—	(2,008)	—	(2,008)
Profit for the year	—	—	—	—	—	—	—	113,365	113,365	1,677	115,042
Total recognised income and expense for the year	—	—	—	—	—	(2,008)	—	113,365	111,357	1,677	113,034
Issue of shares of a subsidiary	9	—	—	—	—	—	—	—	9	—	9
Arising on group reorganisation	(41,088)	—	41,088	—	—	—	—	—	—	—	—
Acquisition of additional interests in subsidiaries	1	—	45,072	—	—	—	—	—	45,073	(9,438)	35,635
Acquisition of a subsidiary	—	—	—	—	—	—	—	—	—	474	474
Dividends	—	—	—	—	—	—	—	(96,300)	(96,300)	—	(96,300)
	(41,078)	—	86,160	—	—	—	—	(96,300)	(51,218)	(8,964)	(60,182)
At 31 December 2006 and 1 January 2007 (audited)	**8**	**—**	**86,160**	**—**	**59**	**(2,263)**	**4,536**	**73,480**	**161,980**	**6,020**	**168,000**
Exchange differences arising on translation of financial statements of foreign operations	**—**	**—**	**—**	**—**	**—**	**(438)**	**—**	**—**	**(438)**	**—**	**(438)**
Profit for the period	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**106,958**	**106,958**	**2,710**	**109,668**
Total recognised income and expense for the period	**—**	**—**	**—**	**—**	**—**	**(438)**	**—**	**106,958**	**106,520**	**2,710**	**109,230**
Issue of shares as consideration for the acquisition of a subsidiary pursuant to the Group Reorganisation (see note 2)	**380**	**—**	**(380)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Arising on the Group Reorganisation (see note 2)	**(8)**	**—**	**8**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Capitalisation issue of shares	**70,548**	**(70,548)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Issue of new shares by the Company	**33,572**	**1,802,827**	**—**	**—**	**—**	**—**	**—**	**—**	**1,836,399**	**—**	**1,836,399**
Transaction costs attributable to issue of new shares	**—**	**(93,100)**	**—**	**—**	**—**	**—**	**—**	**—**	**(93,100)**	**—**	**(93,100)**
Capital contribution from minority shareholders	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**3,150**	**3,150**
Recognition of equity-settled share-based payments	**—**	**—**	**—**	**788**	**—**	**—**	**—**	**—**	**788**	**—**	**788**
	104,492	**1,639,179**	**(372)**	**788**	**—**	**—**	**—**	**—**	**1,744,087**	**3,150**	**1,747,237**
At 30 June 2007 (unaudited)	**104,500**	**1,639,179**	**85,788**	**788**	**59**	**(2,701)**	**4,536**	**180,438**	**2,012,587**	**11,880**	**2,024,467**
At 1 January 2006	41,086	—	—	—	59	(255)	4,536	56,415	101,841	13,307	115,148
Exchange differences arising on translation of financial statements of foreign operations	—	—	—	—	—	(1,730)	—	—	(1,730)	—	(1,730)
Profit for the period	—	—	—	—	—	—	—	56,122	56,122	773	56,895
Total recognised income and expense for the period	—	—	—	—	—	(1,730)	—	56,122	54,392	773	55,165
Issue of shares of a subsidiary	9	—	—	—	—	—	—	—	9	—	9
Arising on group reorganisation	(41,088)	—	41,088	—	—	—	—	—	—	—	—
Acquisition of additional interests in subsidiaries	1	—	45,072	—	—	—	—	—	45,073	(9,438)	35,635
Dividends	—	—	—	—	—	—	—	(40,000)	(40,000)	—	(40,000)
	(41,078)	—	86,160	—	—	—	—	(40,000)	5,082	(9,438)	(4,356)
At 30 June 2006 (unaudited)	8	—	86,160	—	59	(1,985)	4,536	72,537	161,315	4,642	165,957

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2007

	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
	(unaudited)	(unaudited)
NET CASH GENERATED FROM OPERATING ACTIVITIES	**122,312**	64,421
INVESTING ACTIVITIES		
Interest received	**37,877**	272
Purchase of property, plant and equipment	**(91,039)**	(26,217)
Application for subscription of shares of a new listing applicant on the Stock Exchange (the "Share Subscription")	**(206,058)**	—
Refund of unsuccessful application monies in respect of the Share Subscription	**204,382**	—
Proceeds on disposal of shares allotted under the Share Subscription	**2,638**	—
Cash flows from other investing activities	**11,463**	(14,934)
NET CASH USED IN INVESTING ACTIVITIES	**(40,737)**	(40,879)
FINANCING ACTIVITIES		
Dividend paid	**(11,220)**	(15,223)
Interest paid	**(1,690)**	(529)
Proceeds from issue of shares	**1,836,399**	9
Payment of transaction costs attributable to issue of new shares	**(102,624)**	(3,072)
Capital contributions from minority shareholders	**3,150**	—
Repayment to related companies	**(10,107)**	(5,330)
Repayment to directors	**(35,335)**	(5,770)
(Repayment to) advance from shareholders	**(1,334)**	2,158
Advance from a minority shareholder	**2,900**	496
Bank loans raised	**187,953**	5,000
Repayment of bank loans	**(307,724)**	(590)
NET CASH GENERATED FROM (USED IN) FINANCING ACTIVITIES	**1,560,368**	(22,851)
Increase in cash and cash equivalents	**1,641,943**	691
Cash and cash equivalents at 1 January	**106,078**	73,121
Effect of foreign exchange rate changes	**(438)**	(1,871)
Cash and cash equivalents at 30 June	**1,747,583**	71,941
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	**1,748,642**	75,352
Bank overdrafts	**(1,059)**	(3,411)
	1,747,583	71,941

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2007

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 address of the registered office of the Company is Clifton House, 75 Fort Street, P.O. Box 1350 GT, George Town, Grand Cayman, Cayman Islands. The address of the Company's principal place of business in Hong Kong is Room 1301, 13th Floor, Top Glory Tower, 262 Gloucester Road, Causeway Bay, Hong Kong.

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and with Hong Kong Accounting Standard 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

2. Group Restructuring and Basis of Preparation of the Condensed Consolidated 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 (together with the Company 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 2006. Accordingly, the condensed consolidated 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 HKICPA as if the group structure under the Group Reorganisation had been in existence throughout the year ended 31 December 2006 and the six months ended 30 June 2007 or since their respective dates of incorporation or establishment whichever is the shorter period.

The condensed consolidated income statements, condensed consolidated cash flow statements and condensed consolidated statement of changes in equity which are prepared in accordance with the principles of merger accounting, for each of the six months ended 30 June 2006 and 2007 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 the year ended 31 December 2006 and the six months ended 30 June 2007 or since their respective dates of incorporation or establishment whichever is the shorter period. The condensed consolidated balance sheet of the Group as at 31 December 2006 has 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 that date.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2007

3. Principal Accounting Policies

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's combined financial statements for the year ended 31 December 2006, which are set out on pages 47 to 90 of the Company's 2006 annual report. In the current interim period, the Company has adopted a Pre-IPO Share Option Scheme and 20,000,000 options were granted (see note 18). The accounting policies in respect of the share-based payment transactions are as follows:

SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

Share options granted to suppliers/consultants

Share options issued in exchange for goods or services are measured at the fair values of the goods or services received. The fair values of the goods or services received are recognised as expenses immediately, unless the goods or services qualify for recognition as assets. Corresponding adjustment has been made to equity (share options reserve).

3. Principal Accounting Policies (Continued)

In the current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA which are effective for the Group's financial period beginning 1 January 2007.

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]

[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.

The adoption of these new HKFRSs has had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new/revised standards or interpretations that have been issued but are not yet effective.

HKAS 23 (Revised)	Borrowing costs [6]
HKFRS 8	Operating segments [6]
HK(IFRIC)-INT 11	HKFRS 2 — Group and treasury share transactions [7]
HK(IFRIC)-INT 12	Service concession arrangements [8]

[6] Effective for annual periods beginning on or after 1 January 2009.
[7] Effective for annual periods beginning on or after 1 March 2007.
[8] Effective for annual periods beginning on or after 1 January 2008.

The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and financial position of the Group.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2007

4. 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:

	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
TURNOVER		
PRC		
— external sales	**295,644**	177,812
— inter-segment sales	**44,432**	45,725
	340,076	223,537
Hong Kong		
— external sales	**95,231**	98,244
— inter-segment sales	**24,170**	31,253
	119,401	129,497
Elimination of inter-segment sales	**(68,602)**	(76,978)
	390,875	276,056
RESULTS		
Profit from operations		
— PRC	**86,440**	48,510
— Hong Kong	**23,807**	24,102
	110,247	72,612
Unallocated income	**38,418**	1,697
Unallocated expenses	**(16,085)**	(4,131)
Finance costs	**(1,879)**	(529)
Profit before taxation	**130,701**	69,649
Taxation	**(21,033)**	(12,754)
Profit for the period	**109,668**	56,895

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2007

4. 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 noodles and related products.

The following table provides an analysis of the Group's turnover from external customers by business segments:

	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
TURNOVER		
Operation of restaurants — external sales	**361,074**	236,927
Sales of noodles and related products		
— external sales	**29,801**	39,129
— inter-segment sales	**68,602**	76,978
	98,403	116,107
Elimination of inter-segment sales	**(68,602)**	(76,978)
	390,875	276,056

5. Finance Costs

	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
Interest on bank borrowings:		
— wholly repayable within five years	**1,770**	338
— not wholly repayable within five years	**109**	191
	1,879	529

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2007

6. Profit Before Taxation

	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
Profit before taxation has been arrived at after charging:		
Depreciation	**17,782**	10,884
Exchange loss	**276**	—
Loss on disposal of property, plant and equipment	**749**	42
Operating lease rentals in respect of		
— prepaid lease payments	**199**	327
— rented premises	**53,940**	36,890
Share issue expenses	**9,524**	3,072
and after crediting:		
Dividend income	**92**	—
Exchange gain	**—**	1,127
Gain on disposal of investments	**962**	—
Interest income		
— on monies received for application of new shares	**37,442**	—
— others	**435**	272
Management fee income	**18,133**	13,927
Property rental income, net of negligible outgoings	**1,201**	495
Royalty income from sub-franchisee	**892**	818

Note: Cost of operation of restaurants of RMB53,452,000 (2006: RMB36,239,000) and RMB100,689,000 (2006: RMB61,702,000) have been included in property rentals and distribution and selling expenses, respectively.

7. Taxation

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

On 16 March 2007, the Enterprise Income Tax Law (the "new EIT law") was passed at the Fifth Session of the Tenth National People's Congress of the People's Republic of China. The new EIT law will be effective as of 1 January 2008. However, the detailed implementation rules regarding the new EIT law have not yet been issued and therefore it is premature for the Group to determine whether the Company's PRC subsidiaries will still be entitled to the tax relief above.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2007

7. Taxation (Continued)

Since November 2006, a subsidiary established in Shanghai, the PRC (the "Shanghai Subsidiary") has relocated its business registration to the Huangpu District of Shanghai Puxi. Its business had been registered as operating at Shanghai Pudong New Area and its net profits were taxed at 15% before. Effective from 28 November 2006, the date of relocation to the Huangpu District, the Shanghai Subsidiary shall be assessed to Corporate Income Tax at 33% of its profits. During the "Intervening Period", hereinafter referred to as the period between the date of relocation aforementioned and the date of registering with Huangpu tax bureau, i.e. 26 July 2007, the Shanghai Subsidiary continued to report and pay its Corporate Income Tax to Pudong tax bureau, as if it were remaining as its tax bureau in-charge. Huangpu tax bureau should be the in-charge commencing 28 November 2006, including the Intervening Period. At the date of this report, the Company is in the process of obtaining the official written confirmation from Huangpu tax bureau of not charging Corporate Income Tax of the Shanghai Subsidiary's profits for the Intervening Period, and the directors of the Company are confident that Huangpu tax bureau will issue this confirmation soon. Accordingly, Corporate Income Tax of the Shanghai Subsidiary up to 30 June 2007 is provided in the condensed consolidated financial statements at 15%. As at 30 June 2007, the shortfall of the Corporate Income Tax already paid to Pudong tax bureau, compared with the estimated tax liabilities calculated at the rate of 33%, amounted to approximately RMB12.5 million (31 December 2006: RMB3.2 million).

8. Dividends

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

	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
Shanghai Lead Food & Restaurant Management Co., Ltd.	**—**	40,000

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.

The directors do not recommend the payment of an interim dividend.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2007

9. Earnings Per Share

The calculation of the basic and diluted earnings per share attributable to the equity holders of the Company is based on the following data:

	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
Earnings for the purposes of basic and diluted earnings per share, being profit for the period attributable to equity holders of the Company	**106,958**	56,122

	Number of shares	
Weighted average number of ordinary shares for the purposes of calculating basic earnings per share	**879,041,238**	709,278,000
Effect of dilutive potential ordinary shares relating to:		
— outstanding share options	**4,488,240**	
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**883,529,478**	

In calculating the weighted average number of ordinary shares for the purposes of calculating basic earnings per share, the shares that were issued prior to the listing of the Company's shares on the Stock Exchange and pursuant to the Group Reorganisation are treated as if they had been in issue throughout both periods.

10. Additions to Property, Plant and Equipment

During the period, the Group spent RMB91,039,000 (June 2006: RMB26,217,000) on acquisition of property, plant and equipment.

11. Trade and Other Receivables

	30 June 2007 RMB'000	31 December 2006 RMB'000
Trade receivables		
— related companies	**5,247**	11,475
— others	**13,494**	13,285
	18,741	24,760
Rental and utility deposits	**32,018**	29,341
Property rentals paid in advance for restaurants	**5,439**	3,645
Advance to suppliers	**3,596**	1,726
Other receivables and prepayments	**2,647**	5,428
	62,441	64,900

11. Trade and Other Receivables (Continued)

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 reporting date:

	30 June 2007 RMB'000	31 December 2006 RMB'000
0 to 30 days	**12,293**	11,808
31 to 60 days	**3,218**	2,626
61 to 90 days	**1,102**	1,623
91 to 180 days	**1,689**	7,972
Over 180 days	**439**	731
	18,741	24,760

12. Amounts Due from Related Parties

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

	30 June 2007 RMB'000	31 December 2006 RMB'000
Weiqian Noodle Food Service Shenzhen Company Limited, a company in which Madam Poon Wai has a beneficial interest	**37,230**	35,996
Shanghai Jiacai Ramen Restaurant, a sole proprietor entity held by a cousin of Madam Poon Wai	**8,657**	11,114
Well Kean International Ltd, a company in which Madam Poon Wai has a beneficial interest	**785**	776
Mr. Gary Ng, spouse of Madam Poon Wai	**—**	3,684
Mr. Wu Xiaobin, a senior management of the Company	**—**	1,287
Shanghai Mai Xian Trading Co., Ltd. a company in which Madam Poon Wai has a beneficial interest	**—**	316
	46,672	53,173

Madam Poon Wai is a director and a substantial shareholder of the Company.

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

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2007

13. Trade and Other Payables

	30 June 2007 RMB'000	31 December 2006 RMB'000
Trade payables		
— related companies	**1,675**	480
— others	**38,506**	30,374
	40,181	30,854
Payroll and welfare payables	**9,018**	5,398
Customers' deposits received	**2,763**	3,856
Payable for acquisition of property, plant and equipment	**3,352**	6,674
Payable for property rentals	**9,614**	7,764
Other taxes payable	**10,369**	13,058
Others	**16,538**	14,796
	91,835	82,400

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

	30 June 2007 RMB'000	31 December 2006 RMB'000
0 to 30 days	**33,517**	25,483
31 to 60 days	**4,846**	4,496
61 to 90 days	**1,204**	437
91 to 180 days	**172**	37
Over 180 days	**442**	401
	40,181	30,854

14. Amounts Due to Related Companies/Directors/a Shareholder/a Minority Shareholder

The amounts due to related companies/directors/a shareholder/a minority shareholder were unsecured, interest-free and repayable on demand.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2007

15. Long-term Bank Loans

	30 June 2007 RMB'000	31 December 2006 RMB'000
Long-term bank loans		
— secured	**385**	14,156
— unsecured	**—**	60,000
	385	74,156
Less: Amounts due within one year shown under current liabilities	**43**	1,229
Amount due after one year	**342**	72,927

The carrying amounts of the Group's long-term bank loans are denominated in RMB which is the functional currency of the entities and carry interest at 6.2% (2006: ranging from 5.2% to 7.5%) per annum.

The bank loan at 30 June 2007 was secured by a property owned by the Group. The bank loans at 31 December 2006 were also secured by a property owned by Madam Poon Wai and Mr. Gary Ng. In addition, Madam Poon Wai and Mr. Gary Ng have given personal guarantees to the extent of HK$15,000,000 (equivalent to RMB15,000,000) for the bank loans. These securities and guarantees were released in April 2007 upon the listing of the Company's shares on the Stock Exchange and was replaced by guarantees provided by the Company.

The Group did not obtain any new long-term bank loans during the current period.

16. Short-term Bank Loans

	30 June 2007 RMB'000	31 December 2006 RMB'000
Short-term bank loans		
— secured	**—**	6,000
— unsecured	**—**	40,000
	—	46,000

During the current period, the Group obtained new short-term bank loans amounting to RMB187,953,000. All short-term bank loans were repaid in full during the current period.

17. Paid-in Capital

	Notes	Number of shares	Share capital HK$'000
Authorised:			
Ordinary shares of HK$0.10 each			
On incorporation and balance at 1 January 2007	*(a)*	3,800,000	380
Increase during the period	*(b)(i)*	9,996,200,000	999,620
At 30 June 2007		10,000,000,000	1,000,000

	Notes	Number of shares	RMB'000
Issued and fully paid:			
On incorporation and balance at 1 January 2007	*(a)*	1	—
Issue of shares as consideration for the acquisition of a subsidiary pursuant to the Group Reorganisation	*(c)*	3,799,999	380
Capitalisation issue of shares	*(b)(iii)*	705,478,000	70,548
Issue of new shares upon listing of the Company's shares on the Stock Exchange	*(b)(ii)*	290,722,000	29,072
Issue of new shares upon exercise of the over-allotment option	*(d)*	45,000,000	4,500
At 30 June 2007		1,045,000,000	104,500

The paid-in capital at 31 December 2006 represents the paid-in capital of Favor Will and the Company.

Notes:

(a) The Company was incorporated on 6 April 2006 with an authorised share capital of HK$380,000 divided into 3,800,000 ordinary shares of HK$0.10 each. At the time of incorporation, one nil-paid share was issued.

(b) 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 ordinary shares of HK$0.10 each.

(ii) On 30 March 2007, 290,722,000 ordinary 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 (equivalent to RMB70,547,800) standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 705,478,000 ordinary 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.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2007

17. Paid-in Capital (Continued)

(c) *On 8 March 2007, the Company took up the entire issued share capital of Favor Will from Madam Poon Wai, Messrs. Cheng Wai Tao, Katsuaki Shigemitsu, Shigemitsu Industry Co., Ltd., 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 Group Limited and (ii) the allotment and issue of 3,001,999 shares to Favor Choice Group Limited, 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 Co., Ltd., 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.*

(d) *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.*

All shares issued during the period ranked pari passu in all respects with all shares then in issue.

18. Share Options

In the current period, share options were granted on 8 March 2007. The fair value of the options determined at the date of grant using the Black-Scholdes option pricing model is RMB12,500,000.

19. Capital Commitments

	30 June 2007 RMB'000	31 December 2006 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

20. Contingent Liabilities

As set out in note 7, Corporate Income Tax of the Shanghai Subsidiary (the business registration of which was relocated from Shanghai Pudong New Area to the Huangpu District of Shanghai Puxi) was provided at 15% while the applicable tax rate for entities registered and primarily operated in the Huangpu District shall be 33%. Assuming that the Shanghai Subsidiary should have reported its assessable profits since the beginning of the Intervening Period to Huangpu tax bureau and paid Corporate Income Tax at 33%, the amount of tax liabilities at 30 June 2007 which has not been accrued in the condensed consolidated balance sheet would amount to approximately RMB12.5 million (31 December 2006: RMB3.2 million). The directors of the Company, having considered the underlying circumstances, are of the opinion that Huangpu tax bureau will not assess profits of the Shanghai Subsidiary during the Intervening Period which have been reported to Pudong tax bureau. Accordingly, no additional provision for this contingent tax liability has been accrued in the condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2007

21. Related Party Transactions

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

Relationship with related party	Nature of transaction	Six months ended 30 June 2007 RMB'000	2006 RMB'000
Shigemitsu Industry Co., Ltd., a shareholder	Sales of noodles and related products	**275**	82
	Purchase of raw materials	**7,511**	19,692
	Franchise commission paid	**2,875**	2,199
Companies in which Madam Poon Wai has beneficial interests	Sales of noodles and related products	**3,114**	2,691
	Purchase of raw materials	**3,713**	408
	Commission received	**416**	620
	Management fee received	**18,133**	13,725
	Property rentals received	**584**	432
Companies in which Mr. Poon Ka Man, Jason, a director of the Company has beneficial interests	Decoration fee paid	**3,784**	1,281

Other Information

Code on Corporate Governance Practices

The Company has complied with all code provisions under the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for the six months ended 30 June 2007, save that the only deviation of the Company is the code provision A.2.1 of the Code, namely, the roles of the chairman and chief executive officer have not been separated. Although Ms. Poon Wai performs both the roles of chairman and chief executive officer, the division of responsibilities between the chairman and chief executive officer are clearly established and set out in writing. In general, the chairman is responsible for supervising the functions and performance of the Board, while the chief executive officer is responsible for the management of the business of the Group. The two roles will be performed by Ms. Poon distinctly. The Board believes that at the current stage of development of the Group, vesting the roles of both chairman and chief executive officer in the same person provides the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies. It also considers that the current structure does not impair the balance of power and authority between the Board and the management of the Company. However, it is the long-term objective of the Company to have these two roles performed by separate individuals when suitable candidates are identified.

Model Code for Securities Transactions

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard (the "Required Standard") of the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. The Company has made specific enquiry to all Directors, and all Directors have confirmed that, throughout the six months ended 30 June 2007, they were in compliance with the Required Standard.

The Board of Directors

The Board has established three committees, being the Remuneration Committee, Audit Committee and Nomination Committee to review specific matters of the Company, each of which has its specific written terms of reference.

Audit Committee

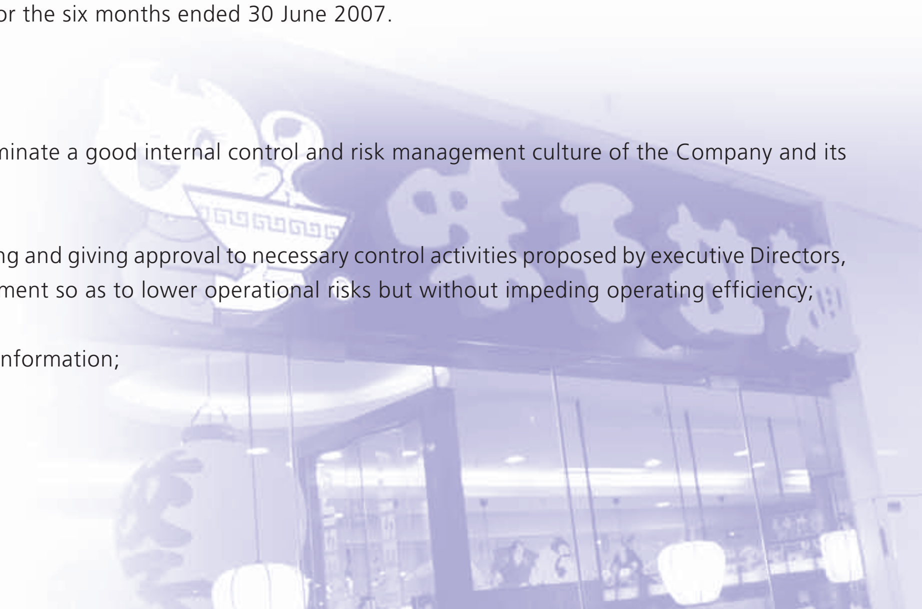
The Audit Committee, which comprises three independent non-executive Directors and one non-executive Director of the Company, reviews the accounting principles and practices adopted by the Company and discusses auditing, internal controls and financial reporting matters. The Audit Committee together with the auditors of the Company has reviewed the unaudited interim financial reports of the Group for the six months ended 30 June 2007.

Internal Control

The Board strives to cultivate and disseminate a good internal control and risk management culture of the Company and its subsidiaries by:

- assessing relevant risks, considering and giving approval to necessary control activities proposed by executive Directors, to rationalize the control environment so as to lower operational risks but without impeding operating efficiency;

- ensuring coordinated sharing of information;



Other Information (Continued)

- exercising appropriate levels of supervision to ensure the effectiveness and efficiency in the performance of various functions of the Group;
- establishing and reviewing internal control measures for minimizing and eliminating risks; and
- seeking input from external consultants for the enhancement and maintenance of the Group's internal control system.

The executive Directors, in coordination with the senior management of the Group, develop, implement and maintain an internal control and risk management system by conducting on-going business reviews, evaluation of the significant risks faced by the Company, formulation of appropriate policies, programmes and authorization criteria, conducting business variance analysis of actual result versus business plan, undertaking critical path analysis to identify the impediments in attaining the corporate goals and initiating corrective measures, and following up on isolated cases and identifying inherent deficiencies in the internal control system and making timely remedies and adjustments to avoid recurrence of problems.

The executive Directors from time to time report to the Audit Committee and the Board on the critical control measures for evaluation of corporate goals, finances, operation, and balances.

Directors' Responsibility for the Financial Statements

The Directors understands and acknowledges its responsibility for making sure that the financial statements of the Group are prepared to reflect the true and fair view of the state of affairs, profitability and cash flow of the Group in accordance with the disclosure requirements of the Hong Kong Companies Ordinance. In preparing the financial statements of the Group for the six months ended 30 June 2007, the Directors have adopted appropriate and consistent accounting policies and made prudent and reasonable judgments and estimations. The Directors are responsible for maintaining proper accounting records which reflect reasonable accuracy, the state of affairs, operating results, cash flows and equity movement of the Group at any time. The Directors confirm that the preparation of the financial statements of the Group are in accordance with statutory requirements and applicable accounting standards.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither Ajisen (China) nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of Ajisen (China) for the six months ended 30 June 2007.

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of Ajisen (China) and its Associated Corporation

As at 30 June 2007, the interests and short positions of the Directors and the chief executive of Ajisen (China) in the share capital, underlying shares and debentures of Ajisen (China) or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under section 352 of SFO, or as otherwise notified to Ajisen (China) and the Stock Exchange pursuant to the Model Code, are set out below:

(i) INTERESTS AND SHORT POSITIONS IN THE SHARES OF AJISEN (CHINA)

Name of Director	Capacity and nature of interest	Number and class of securities *(Note 1)*	Approximate % of shareholding
Ms. Poon Wai	interest in controlled corporation *(Note 2)*	560,329,620 shares (L)	53.62%
Mr. Yin Yibing	interest in controlled corporation *(Note 2)*	—	—
Mr. Katsuaki Shigemitsu	interest in controlled corporation *(Note 3)*	13,154,560 shares (L)	1.26%
Mr. Katsuaki Shigemitsu	beneficial owner	32,886,900 shares (L)	3.15%
Mr. Wong Hin Sun, Eugene	interest in controlled corporation *(Note 4)*	14,185,560 shares (L)	1.36%
Mr. Wong Hin Sun, Eugene	interest in controlled corporation *(Note 5)*	7,092,780 shares (L)	0.68%

Notes:

1. *The letter "L" denotes the Director's long position in such securities.*

2. *The 560,329,620 shares are held by Favor Choice Group Limited ("Favor Choice"), which is owned as to approximately 94.94% by Ms. Poon Wai and as to approximately 5.06% by Mr. Yin Yibing. Both Ms. Poon Wai and Mr. Yin Yibing are executive Directors of Ajisen (China).*

3. *The 13,154,560 shares are held by Shigemitsu Industry Co. Limited ("Shigemitsu"), which is owned as to approximately 43.60% by Mr. Katsuaki Shigemitsu, who is a non-executive Director of Ajisen (China).*

4. *The 14,185,560 shares are held by Sirius Investment Inc., the entire issued share capital of which is beneficially owned by Mr. Wong Hing Sun, Eugene, who is a non-executive Director of Ajisen (China).*

5. *The 7,092,780 shares are held by Sirius Capital Holdings Pte. Ltd., which is incorporated in Singapore, the entire issued share capital of which is held as to approximately 71.07% by David Lyall Holdings Limited and as to approximately 28.93% by Sirius Venture Consulting Pte. Limited. David Lyall Holdings Limited is incorporated in New Zealand and its issued share capital is wholly owned by Lyall Family Trust, the beneficiaries of which are David Lyall, George Lyall and Genevieve Lyall, who are all independent third parties and not connected with Ajisen (China). Sirius Venture Consulting Pte Limited is incorporated in Singapore and its issued share capital is owned as to approximately 99.9996% and 0.0004% by Mr. Wong Hin Sun, Eugene and Ms. Chin May Yee, Emily (Mr. Wong Hin Sun, Eugene's wife) respectively. Sirius Capital Holdings Pte. Ltd. holds its shareholding in Ajisen (China) on trust for David Lyall Holdings Limited.*

Other Information (Continued)

(ii) INTERESTS AND SHORT POSITIONS IN UNDERLYING SHARES OF EQUITY DERIVATIVES OF AJISEN (CHINA)

Name of Director	Capacity and nature of interest	Description of equity derivatives	Number of underlying shares *(Note 1)*
Ms. Poon Wai	interest in controlled corporation *(Note 3)*	Share option *(Note 2)*	13,485,000 (L)
Mr. Yin Yibing *(Note 3)*	—	—	—
Mr. Poon Ka Man, Jason *(Note 3)*	—	—	—

Notes:

1. *The letter "L" denotes the Director's long position in such securities.*

2. *The share options were granted under the Pre-IPO Share Option Scheme of Ajisen (China).*

3. *Ms. Poon Wai, Mr. Yin Yibing and Mr. Poon Ka Man, Jason, who are executive Directors of Ajisen (China), were granted options under the Pre-IPO Share Option Scheme of Ajisen (China) to subscribe for 8,485,000 shares, 2,500,000 shares and 2,500,000 shares respectively. They have formed a BVI company named Center Goal Holdings Limited ("Center Goal") to hold the share options. Center Goal is owned as to approximately 62.92% by Ms. Poon Wai, as to approximately 18.54% by Mr. Poon Ka Man, Jason and as to approximately 18.54% by Mr. Yin Yibing.*

Save as disclosed herein, as at 30 June 2007, none of the Directors and Chief Executive of the Company, or any of their spouses, or children under eighteen years of age, has any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations, recorded in the register required to be kept under section 352 of SFO or required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Interests and Short Positions of Substantial Shareholders Discloseable Under the SFO

So far as is known to the Company, as at 30 June 2007, as recorded in the register required to be kept by Ajisen (China) under section 336 of the SFO, the following persons, other than any Director or the chief executive of Ajisen (China), were the substantial shareholders (within the meaning of the Listing Rules) of Ajisen (China) and had the following interests or short position in the shares or underlying shares of Ajisen (China):

Name of Shareholder	Capacity	Number of shares	Approximate % of shareholding
Favor Choice *(Note)*	beneficial owner	560,329,620	53.62%
Mr. Cheng Wai Tao	beneficial owner	72,350,580	6.92%

Note: Favor Choice is owned as to approximately 94.94% by Ms. Poon Wai and as to approximately 5.06% by Mr. Yin Yibing, both are executive Directors of Ajisen (China).

Other Information (Continued)

Save as disclosed herein, as at 30 June 2007, the Company has not been notified of any substantial shareholder (other than a Director or Chief Executive of the Company) who had an interest or short position in the shares or underlying shares of the Company that were recorded in the register required to be kept under section 336 of the SFO.

Directors' Interests in Contract of Significance

No contracts of significance in relation to the Group's business to which Ajisen (China) or any of its subsidiaries or fellow subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at any time during the six months ended 30 June 2007, save as disclosed in the prospectus of Ajisen (China) dated 19 March 2007 (the "Prospectus").

Directors' Interests in Competing Business

Save as disclosed in the Prospectus, none of the Directors and their respective associates (as defined in the Listing Rules) has an interest in any business which competes or may compete with the business in which the Group is engaged.

Each of Ms. Poon Wai, Mr. Poon Ka Man, Jason and Mr. Katsuaki Shigemitsu who are Directors of Ajisen (China), has provided an relevant confirmation in respect of the compliance with the non-competition undertaking given by her/him (as described in the Prospectus) (the "Non-competition Undertaking") and information regarding his/her investment and engagement in any F&B business (other than Ajisen (China)'s business or as disclosed in the Prospectus) and the nature of such investment and engagement.

The independent non-executive Directors have also reviewed the compliance by Ms. Poon Wai, Mr. Poon Ka Man, Jason and Mr. Katsuaki Shigemitsu with the Non-competition Undertaking and the information that they have provided regarding investment and engagement by any of them in any F&B business (other than Ajisen (China)'s business or as disclosed in the Prospectus) and the nature of such investment and engagement. The independent non-executive Directors have confirmed that, as far as they can ascertain, there is no breach by any of Ms. Poon Wai, Mr. Poon Ka Man, Jason and Mr. Katsuaki Shigemitsu of the Non-competition Undertaking given by him/her.

Directors' Rights to Acquire Shares or Debentures

Save as disclosed under DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF AJISEN (CHINA) AND ITS ASSOCIATED CORPORATION, SHARE OPTION SCHEME and PRE-IPO OPTION SCHEME, as at 30 June 2007, no arrangements has been entered by Ajisen (China) or any of its subsidiaries or fellow subsidiaries to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, Ajisen (China) or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18, was granted any right to subscribe for the equity or debt securities of Ajisen (China) or any other body corporate nor had exercised any such right.

Other Information (Continued)

Management Contracts

No contracts for the management and administration of the whole or any substantial part of the business of Ajisen (China) were entered into or subsisted during the six months ended 30 June 2007.

Share Option Scheme

Save as Pre-IPO Share Option Scheme, Ajisen (China) has also adopted its share option scheme (the "Share Option Scheme"). The purpose of the Share Option Scheme is to enable Ajisen (China) to grant option to the eligible participants in recognition of their contribution made or to be made to the Group. Under the Share Option Scheme, the Board may offer to grant an option to any director or employee, or any advisor, consultant, individual or entity who in the opinion of the Board has contributed or will contribute to the growth and development of the Group.

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

The subscription price in respect of option granted under the Share Option Scheme will be determined by the Board provided that it shall not be less than the higher of: (i) the closing price of the shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant, and (ii) the average closing price of the shares as stated in the daily quotations sheets of the Stock Exchange for the 5 business days immediately preceding the date of grant, and (iii) the nominal value of the shares.

During the six months ended 30 June 2007, no option was granted by Ajisen (China) under the Share Option Scheme.

Pre-IPO Share Option Scheme

Ajisen (China) has adopted its pre-IPO share option scheme (the "Pre-IPO Share Option Scheme").The purpose and the principal terms of the Pre-IPO Share Option Scheme are similar to those of Share Option Scheme, save as:

(i) the exercise price per share is 85% of the final offer price per share upon listing of Ajisen (China);

(ii) no option granted under the Pre-IPO Share Option Scheme will be exercisable within 12 months from the listing date; and

(iii) no further option will be offered or granted under the Pre-IPO Share Option Scheme after the listing of Ajisen (China).

Other Information (Continued)

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

Grantee	Number of options granted on 8 March 2007	Number of Options Exercise during the period	Cancelled during the period	Lapsed during the period	Outstanding up to the date of 30 June 2007
(1) Directors					
Ms. Poon Wai *(Note 2)*	8,485,000	—	—	—	8,485,000
Mr. Poon Ka Man, Jason *(Note 2)*	2,500,000	—	—	—	2,500,000
Mr. Yin Yibing *(Note 2)*	2,500,000	—	—	—	2,500,000
(2) Employees and others	6,515,000	—	—	—	6,515,000

Notes:

(1) All options under the Pre-IPO Option Scheme were granted on 8 March 2007 at an exercise price of HK$4.6495 per share.

(2) Ms. Poon Wai, Mr. Yin Yibing and Mr. Poon Ka Man, Jason who are executive Directors of the Company, have formed Center Goal to hold the options. Center Goal is owned as to approximately 62.92% by Ms. Poon Wai, as to approximately 18.54% by Mr. Poon Ka Man, Jason and as to approximately 18.54% by Mr. Yin Yibing.

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

Maximum percentage of options exercisable	Period for vesting of the relevant percentage of the option
25% of the total number of the options to any grantee	From the expiry of the first anniversary of the listing date to the date immediately before the second anniversary of the listing date
25% of the total number of the options to any grantee	From the second anniversary of the listing date to the date immediately before the third anniversary of the listing date
25% of the total number of the options to any grantee	From the third anniversary of the listing date to the date immediately before the fourth anniversary of the listing date
25% of the total number of the options to any grantee	From the fourth anniversary of the listing date to the date immediately before the fifth anniversary of the listing date

Employee's Remuneration and Policy

As at 30 June 2007, the Group employed 5,402 persons (30 June 2006: 3,421 persons), most of the Group's employees work in the chain restaurants of the Group in China. The number of employees will be changed from time to time as may be necessary and the remuneration will be determined by reference to the practice of the industry.

The Group conducted regular reviews on its remuneration policy and overall remuneration payment. Besides retirement scheme and internal training courses, employees may be granted discretionary bonus and/or share options based on their performances.

The total remuneration payment of the Group for the six months ended 30 June 2007 was RMB50,060,000 (30 June 2006: RMB40,112,000).

Other Information (Continued)

Sufficiency of Public Float

Based on information that is publicly available to Ajisen (China) and within the knowledge of the Directors, the Directors confirm that Ajisen (China) has maintained sufficient public float as required by the Listing Rules as at 30 June 2007.

By Order of the Board
Poon Wai
Chairman and Chief Executive Officer

Hong Kong, 4 September 2007