

Report of the Directors

The directors of Ajisen (China) (the “Directors”) are pleased to present their report together with the audited financial statements of the Group for the year ended 31 December 2006.

PRINCIPAL ACTIVITIES

The Company is a fast casual restaurant (“FCR”) chain operator selling Japanese ramen and Japanese-style dishes in Hong Kong and the PRC. An analysis of Ajisen (China)’s performance for the year by geographical segments is set out in note 7 to the combined financial statements.

RESULTS AND APPROPRIATIONS

The results of Ajisen (China) are set out in the combined income statement on page 47.

The Directors do not recommend the payment of a dividend for the financial year ended 31 December 2006.

SHARE CAPITAL

Details of the movements in share capital of Ajisen (China) during the year are set out in note 8 to the financial statements respectively.

RESERVES

Movements in the reserves of Ajisen (China) are set out in page 50 to page 51 to the combined financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2006, Ajisen (China) has no reserve available for distribution.

SUBSIDIARIES

Particulars of Ajisen (China)’s principal subsidiaries are set out in note 42 to the combined financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 16 to the combined financial statements.

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BORROWINGS

Details of the borrowings of the Group are set out in note 30, 31 and 32 to the combined financial statements.

PRE-EMPTIVE RIGHTS

There are no pre-emptive or similar rights under the Cayman Islands law or the memorandum and articles of association of the Company which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

MAJOR CUSTOMERS AND SUPPLIERS

Aggregate sales attributable to the Group's five largest customers were less than 30% of total turnover. The purchase from the largest supplier Shigemitsu Industry Co., Ltd attribute to 23% of total purchases for the year and the 5 largest suppliers comprises 47% of total purchase.

Save for Mr. Katsuaki Shigemitsu, the executive Director, who owns an approximately 43.6% interest in 重光産業株式會社 (also known as Shigemitsu Kabushiki Kaisha, Shigemitsu Sangyo Co. Ltd or Shigemitsu Industry Co., Ltd), a company incorporated in Japan on 5th July 1972 in which Mr. Katsuaki Shigemitsu owns an approximately 43.6% interest and which is the franchisor under the franchise agreements (details of which are set out on page 30 of this Annual Report), none of the Directors or their respective associates, or our shareholders who, to the knowledge of the Directors, own more than 5% of our issued share capital, has any interest in any of our five largest customers or our five largest suppliers.

DONATIONS

Charitable and other donations made by the Company during the year under review amounted to HK\$0.

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) during the year ended 31 December 2006.

FINANCIAL SUMMARY

A summary of the combined results and of the assets and liabilities of the Group for the last four financial years is set out on page 91 of this Annual Report.

Report of the Directors

DIRECTORS

The Directors of Ajisen (China) during the year and up to date of this Annual Report are:

Executive Directors:

Ms. Poon Wai (*Chairman and Chief Executive Officer*)

Mr. Yin Yibing

Mr. Poon Ka Man, Jason

Non-executive Directors:

Mr. Wong Hin Sun, Eugene

Mr. Katsuaki Shigemitsu

Independent Non-executive Directors

Mr. Lo Peter

Mr. Jen Shek Voon

Mr. Yan Yu

All the Directors were appointed on 8 March 2007, except Ms. Poon Wai who was appointed on 6 April 2006.

The biographical details of the Directors and senior management are set out under the section "Directors and Senior Management" of this Annual Report.

In accordance with Article 108(a) of the Articles of Association, Ms. Poon Wai shall retire by rotation and in accordance with Article 111 of the Articles of Association, Mr. Poon Ka Man, Jason, Mr. Yin Yibing, Mr. Katsuaki Shigemitsu, Mr. Wong Hin Sun, Eugene, Mr. Lo Peter, Mr. Jen Shek Voon and Mr. Yan Yu being eligible, have offered themselves for re-election at the forthcoming Annual General Meeting.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Ajisen (China) has received an annual confirmation of independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") from each of the independent non-executive Directors and Ajisen (China) considers that Mr. Lo Peter, Mr. Jen Shek Voon and Mr. Yan Yu to be independent.

DIRECTORS' SERVICE CONTRACTS

Each of Ms. Poon Wai, Mr. Yin Yibing and Mr. Poon Ka Man, Jason, being the executive Directors, has entered into a service contract with Ajisen (China) for a term of three years commencing from 30 March 2007, and will continue thereafter for successive terms of 1 year until terminated by not less than 3 months' notice in writing served by either party on the other.

Each of the non-executive Director of Ajisen (China) entered into a letter of agreement with Ajisen (China) for a period of two years commencing on 8 March 2007, which may be terminated according to the articles of association of Ajisen (China).

Saved as disclosed above, no Director for re-election at the forthcoming Annual General Meeting has a service contract with Ajisen (China) or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation other than the normal statutory compensation.

Report of the Directors

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF AJISEN (CHINA) AND ITS ASSOCIATED CORPORATION

As at the date of this annual report, 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 for Securities Transactions by Directors of Listed Companies of the Listing Rules, 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
Poon Wai	interest in controlled corporation (Note 2)	560,329,620 shares (L)	53.62%
Yin Yibing	(Note 2)	(Notes 2 & 3)	
Katsuaki Shigemitsu	interest in controlled corporation (Note 3)	13,154,560 shares (L)	1.26%
Katsuaki Shigemitsu	beneficial owner	32,886,900 shares (L)	3.15%
Wong Hin Sun, Eugene	interest in controlled corporation (Note 4)	14,185,560 shares (L)	1.36%
Wong Hin Sun, Eugene	interest in controlled corporation (Note 5)	7,092,780 shares (L)	0.68%

Notes:

- The letter "L" denotes the Director's long position in such securities.
- 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).
- 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).

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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.

(ii) Interests and short positions in underlying shares of equity derivatives of Ajisen (China)

Name of Director	Capacity	Description of equity derivatives	Number of underlying shares (Note 1)
Poon Wai	interest in controlled corporation (Note 3)	Share option (Note 2)	13,485,000 (L)
Yin Yibing (Note 3)	–	–	–
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 the 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 the date of this annual report, none of the Directors and Chief Executive of the Company, or any of their sponsor, 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.

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INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDER DISCLOSEABLE UNDER THE SFO

So far as is known to the Company, as at the date of this annual report, as recorded in the register required to be kept by Ajisen (China) under section 336 of the SFO, the following person, other than any Director or the chief executive of Ajisen (China), was the substantial shareholder (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%

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 the executive Directors of Ajisen (China).

Save as disclosed herein, as at the date of this annual report, 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 33b of the SFO.

DIRECTORS' INTERESTS IN CONTRACT OF SIGNIFICANCE

Save as disclosed in the section headed Connected Transactions below, 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 the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Save as disclosed in the prospectus of Ajisen (China) dated 19 March 2007 (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 the Directors of Ajisen (China), has provided an annual 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 of any of Ms. Poon Wai, Mr. Poon Ka Man, Jason and Mr. Katsuaki Shigemitsu of the Non-competition Undertaking given by him/her.

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DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the sections headed 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, at no time during the year was Ajisen (China) or any of its subsidiaries or fellow subsidiaries a party to any arrangements 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.

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 year.

COMPLIANCE WITH "CODE ON CORPORATE GOVERNANCE PRACTICES"

Details of the compliance by Ajisen (China) with the "Code on Corporate Governance Practices" contained in Appendix 14 of the Listing Rules are set out in the Corporate Governance Report on page 12 of this Annual Report.

SHARE OPTION SCHEME

Ajisen (China) conditionally adopted its share option scheme on 8 March 2007 (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 of a share in respect of any particular option granted under the Share Option Scheme may 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.

For the year ended 31 December 2006, no option was granted by Ajisen (China) under the Share Option Scheme.

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PRE-IPO SHARE OPTION SCHEME

Ajisen (China) conditionally adopted its pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") on 8 March 2007. 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).

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	Exercise during the year	Number of Options		Outstanding up to the date of this Annual Report
			Cancelled during the year	Lapsed during the year	
(1) Directors					
Poon Wai (Note 2)	8,485,000	–	–	–	8,485,000
Poon Ka Man, Jason (Note 2)	2,500,000	–	–	–	2,500,000
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 the executive Directors, 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.

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(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

RETIREMENT SCHEME

Particulars of the retirement scheme of Ajisen (China) are set out in note 39 to the combined financial statements.

CONNECTED TRANSACTIONS

Details of the continuing connected transactions are as follows:

Shigemistu Transactions

Shigemistu is a company incorporated in Japan and owned by the Shigemitsu family. Mr. Katsuaki Shigemitsu, a non-executive Director of Ajisen (China), personally owns approximately 43.6% interest in Shigemistu, which is thus a connected person of Ajisen (China) pursuant to the Listing Rules.

1. The Franchise Agreements

Our Group entered into two franchise agreements with Shigemitsu on 19 February 2006, one in respect of the PRC and the other in respect of Hong Kong and Macau (collectively, the "Franchise Agreements"). Pursuant to the Franchise Agreements, Shigemitsu grants a sole, exclusive and perpetual franchise to our Group to operate the franchise business manufacturing, supplying, marketing, distributing and selling ramen and the special Japanese soul base formulated and produced by Shigemitsu and the business of operating Japanese style ramen FCR chain restaurants under the trade name of "Ajisen ramen" and related trademarks (the "Franchise Business").

Pursuant to the Franchise Agreements, franchise fees and technical fees are payable by our Group to Shigemistu. The franchise fee is calculated with reference to the number of restaurants and the technical fee is an annual payment for the business of manufacturing and distributing noodles under the "Ajisen" trademark.

The annual cap set for the aggregate franchise fees and technical fees payable under the Franchise Agreements for the entire year ending 31 December 2006 is HK\$5,004,214. The actual aggregate amount of the franchise fees and the technical fees for the year ended 31 December 2006 is HK\$4,374,745.

2. Supply Agreement between Fortune Choice Limited and Shigemitsu

Fortune Choice Limited ("Fortune Choice"), an indirect wholly-owned subsidiary of the Company entered into a supply agreement with Shigemitsu on 23 March 2006, as supplemented by a supplemental supply agreement entered into by the same parties on 16 September 2006, (the "Supply Agreement"). Pursuant to which, Shigemitsu agrees to supply materials and supplies which are required by the Group for the operation of the Franchise Businesses.

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The annual cap set for our Group's total amount payable to Shigemitsu under the Supply Agreement for the year ended 31 December 2006 is HK\$30,652,178. The actual amount payable for the year is HK\$27,111,665.

3. Sales Agreement between Fortune Choice and Shigemitsu

Fortune Choice and Shigemitsu entered into a sales agreement on 23 March 2006 (the "Sales Agreement (Japan)"), pursuant to which Fortune Choice agrees to sell and export various goods to Shigemitsu, including fried union crispy packs, fried garlic crispy packs and other sundry items.

The annual cap set for Shigemitsu's total amount payable to our Group under the Sales Agreement (Japan) for the year ended 31 December 2006 is HK\$266,090. The actual amount payable for the year is HK\$231,383.

Shenzhen Weiqian Transactions

Weiqian Noodle Food Service (Shenzhen) Co. Ltd. ("Shenzhen Weiqian") is a wholly foreign owned enterprise established in the PRC and wholly owned by Ajisen Ramen Group Limited, which is wholly and beneficially owned by Ms. Poon Wai, an executive Director of Ajisen (China).

Framework Agreement

A framework agreement was entered between our Group and Shenzhen Weiqian on 8 March 2007 to provide for general terms as well as specific agreements to deal with the connected transactions between our Group and Shenzhen Weiqian (the "Framework Agreement"). The Framework Agreement embodies the following individual agreements:

1. Management Agreement

Shenzhen Weiqian entered into a management agreement with our Group for a period of 3 years commencing from 1 January 2006 (the "Management Agreement"). Pursuant to the Management Agreement, Shenzhen Weiqian entrusts its head office and Ajisen restaurants to our Group for management. Our Group provides various management services to Shenzhen Weiqian, including development of restaurant business, formulation of marketing strategy, purchase of materials and equipment and provision of staff training.

The service fee payable by Shenzhen Weiqian to our Group under the Management Agreement is equivalent to 22% of the total turnover of Shenzhen Weiqian.

2. Trademark Licence Agreement

Shenzhen Weiqian and our Group have entered into a trademark licence agreement, pursuant to which Shenzhen Weiqian has been granted a three-year licence to use the Ajisen trademark in its Ajisen restaurant business commencing from 1 January 2006 (the "Trademark Licence Agreement"). The licence fee payable by Shenzhen Weiqian to our Group is equivalent to 2% of the total turnover of Shenzhen Weiqian. The 2% licence fee is included as part of the 22% management fee payable by Shenzhen Weiqian under the Management Agreement.

3. Sales Agreement (Shenzhen)

Shenzhen Weiqian and our Group have entered into a sales agreement, pursuant to which our Group agrees to sell various goods and supplies to Shenzhen Weiqian for its Ajisen restaurant business for a term of 3 years commencing from 1 January 2006 (the "Sales Agreement (Shenzhen)").

The prices of the goods supplied under the Sales Agreement (Shenzhen) will be determined with reference to the prevailing market prices and will be no more favorable than those offered by our Group to its other purchasers.

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4. Tenancy Agreements

Pursuant to two separate tenancy agreements signed between our Group as landlord and Shenzhen Weiqian as tenant (the "Tenancy Agreements"), our Group leases to Shenzhen Weiqian premises in the PRC for use as office and retail shops for a term of 3 years commencing from 1 January 2006.

An independent professional property valuer has reviewed the Tenancy Agreements and confirmed that the terms of the Tenancy Agreements are normal commercial terms and the rental payable under the Tenancy Agreements correspond to fair market rentals.

The annual cap set for Shenzhen Weiqian's total amount payable to the Group under the Framework Agreement (together with the Management Agreement, the Trademark Licence Agreement, the Sales Agreement (Shenzhen) and the Tenancy Agreements) for the year ended 31 December 2006 is HK\$36,320,348. The actual amount payable for the year is HK\$31,176,492.

Design Union Transactions

Design, decoration and renovation services provided by Design Union Interior Contracting Limited ("Design Union").

Design Union is jointly owned by Mr. Poon Ka Man, Jason and his wife. Mr. Poon Ka Man, Jason is the younger brother of Ms. Poon Wai. He is also an executive Director of Ajisen (China).

A framework agreement was entered into between Design Union and our Group on 8 March 2007 (the "Design Union Agreement") for a period of three years, under which, Design Union agrees to provide services and materials for design, decoration and renovation for restaurants operated or to be operated by our Group in Hong Kong.

The annual cap set for the amount payable by our Group to Design Union under the Design Union Agreement for the year ended 31 December 2006 is HK\$4,171,232. The actual amount payable for the year is HK\$4,167,484.

Waivers from the Stock Exchange

Each of the Franchise Agreements, the Supply Agreement, the Sales Agreement (Japan), the Framework Agreement and the Design Union Agreement constitutes a continuing connected transaction subject to applicable reporting, announcement and independent shareholders' approval requirements pursuant to the relevant Listing Rules.

The Directors have confirmed the terms of the Franchise Agreements, the Supply Agreement, the Sales Agreement (Japan), the Framework Agreement and the Design Union Agreement have been negotiated on an arm's length basis between the parties involved. The Directors are of the opinion that the annual caps set respectively for the Franchise Agreements, the Supply Agreement, the Sales Agreement (Japan), the Framework Agreement and the Design Union Agreement are arrived at after due and careful consideration.

Accordingly, pursuant to Rule 14A.42(3) of the Listing Rules, our Group applied to the Stock Exchange for, and the Stock Exchange has granted to us, a waiver from strict compliance with the announcement and independent shareholders' approval requirements under Rule 14A.35 of the Listing Rules in respect of the Franchise Agreements, the Supply Agreement, the Sales Agreement (Japan) and the Framework Agreement and the Design Union Agreement.

The Board, including the independent non-executive Directors of Ajisen (China), has reviewed and confirmed that the continuing connected transactions set out above have been entered into:

- (i) in the ordinary and usual course of the business of the Group;

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- (ii) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and
- (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of Ajisen (China) as a whole.

The auditor of Ajisen (China) confirmed to the Board in writing in respect of the continuing connected transactions set out above for the year ended 31 December 2006:

- (i) were approved by the Board;
- (ii) were in accordance with the pricing policies of the Group if the continuing connected transactions involved provision of goods or services by the Group;
- (iii) were entered into in accordance with the relevant agreements governing the continuing connected transactions; and
- (iv) did not exceed the respective annual caps for the relevant continuing connected transactions disclosed in the Prospectus.

As Ms. Poon Wai, Mr. Poon Ka Man, Jason and Mr. Katsuaki Shigemitsu have interests in Shenzhen Weiqian, Design Union and Shigemitsu respectively, they have abstained from physically attending meetings on any such board resolution of the Group in relation to the continuing connected transactions.

The Group confirms that it will comply/continue to comply with the relevant provisions of Chapter 14A of the Listing Rules including the proposed annual caps and to comply with Rules 14A.35(1), 14A.35(2) and 14A.36 to 14A.40 of the Listing Rules in respect of the Franchise Agreements, the Supply Agreement, the Sales Agreement (Japan), the Framework Agreement and the Design Union Agreement.

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) during the year ended 31 December 2006.

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 the amount of public float as required by the Listing Rules up to the date of this Annual Report.

POST BALANCE SHEET EVENTS

Details of significant events occurring after the balance sheet date are set out in note 41 to the combined financial statements.

AUDITOR

The financial statements have been audited by Deloitte Touche Tohmatsu. A resolution for their re-appointment as auditor for the ensuing year will be proposed at the forthcoming Annual General Meeting.

On behalf of the Board

Poon Wai

Chairman and Chief Executive Officer

The PRC, 25 April 2007