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**AJISEN RAMEN**

**味千拉麵**

**Ajisen (China) Holdings Limited**

**味千(中國)控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 538)**

**INTERIM RESULTS ANNOUNCEMENT  
FOR THE SIX MONTHS ENDED 30 JUNE 2013**

**INTERIM RESULTS HIGHLIGHTS**

- Turnover increased by 3.8% to HK\$1,569 million (corresponding period of 2012: HK\$1,512 million)
- Profit from core operations of the Group increased by 197.1% to HK\$122.9 million (corresponding period of 2012: HK\$41.4 million)
- Gross profit margin increased by 1.1 percentage points to 66.9% (corresponding period of 2012: 65.8%)
- Profit attributable to owners of the Company increased by 177.2% to HK\$130.1 million (corresponding period of 2012: HK\$46.9 million)
- Basic earnings per share increased by HK7.66 cents to HK12.03 cents, representing an increase of 175.3% (corresponding period of 2012: HK4.37 cents)
- Total number of restaurants reached 647 by 30 June 2013

The Board of directors (the “Board”) of Ajisen (China) Holdings Limited (the “Company” or “Ajisen”) announces the unaudited interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2013, together with the comparative figures for the corresponding period in 2012 as follows:

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2013

|  | Notes | Six months<br>ended 30 June     |                                 |
|--|-------|---------------------------------|---------------------------------|
|  |       | 2013<br>HK\$'000<br>(Unaudited) | 2012<br>HK\$'000<br>(Unaudited) |
| Turnover   | 4     | 1,568,936                       | 1,512,126                       |
| Other income   | 5     | 56,872                          | 48,448                          |
| Other gains and losses   | 6     | (4,926)                         | (37)                            |
| Cost of inventories consumed   |       | (519,805)                       | (516,696)                       |
| Staff costs  |       | (371,863)                       | (376,063)                       |
| Depreciation   |       | (84,633)                        | (86,833)                        |
| Property rentals and related expenses  |       | (240,700)                       | (237,593)                       |
| Other operating expenses   |       | (229,008)                       | (253,560)                       |
| Finance costs  |       | (956)                           | (1,637)                         |
| Profit before taxation   | 7     | 173,917                         | 88,155                          |
| Taxation   | 8     | (36,241)                        | (36,324)                        |
| Profit for the period  |       | 137,676                         | 51,831                          |
| <b>Other comprehensive income that may be<br/>subsequently reclassified to profit or loss:</b> |       |                                 |                                 |
| Exchange differences arising on translation of<br>financial statements of foreign operations   |       | 32,831                          | (10,254)                        |
| Total comprehensive income for the period  |       | 170,507                         | 41,577                          |
| Profit for the period attributable to:   |       |                                 |                                 |
| Owners of the Company  |       | 130,096                         | 46,934                          |
| Non-controlling interests  |       | 7,580                           | 4,897                           |
|  |       | 137,676                         | 51,831                          |
| Total comprehensive income attributable to:  |       |                                 |                                 |
| Owners of the Company  |       | 160,061                         | 37,094                          |
| Non-controlling interests  |       | 10,446                          | 4,483                           |
|  |       | 170,507                         | 41,577                          |
|  |       | HK cents                        | HK cents                        |
| Earnings per share   | 9     |                                 |                                 |
| – Basic  |       | 12.03                           | 4.37                            |
| – Diluted  |       | 12.00                           | 4.34                            |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013

|   |              | <b>30 June</b>          | 31 December      |
|---|--------------|-------------------------|------------------|
|   |              | <b>2013</b>             | 2012             |
|   | <i>Notes</i> | <b>HK\$'000</b>         | <b>HK\$'000</b>  |
|   |              | <b>(Unaudited)</b>      | <b>(Audited)</b> |
| Non-current assets  |              |                         |                  |
| Investment properties   |              | <b>460,576</b>          | 378,273          |
| Property, plant and equipment                                     |              | <b>1,080,853</b>        | 1,083,272        |
| Prepaid lease payments  |              | <b>110,686</b>          | 110,541          |
| Intangible assets   |              | <b>6,400</b>            | 6,400            |
| Deposits paid for acquisition of property,<br>plant and equipment |              | <b>24,792</b>           | 10,238           |
| Deposits paid for acquisition of land leases                      |              | <b>15,706</b>           | 15,429           |
| Rental deposits   |              | <b>89,091</b>           | 84,943           |
| Goodwill  |              | <b>37,135</b>           | 37,135           |
| Deferred tax assets   |              | <b>3,063</b>            | 3,032            |
| Available-for-sale investments                                    |              | <b>21,165</b>           | 21,154           |
|   |              | <b><u>1,849,467</u></b> | <u>1,750,417</u> |
| Current assets  |              |                         |                  |
| Inventories   |              | <b>90,070</b>           | 87,847           |
| Trade and other receivables                                       | <i>10</i>    | <b>138,511</b>          | 118,346          |
| Amount due from a related party                                   |              | <b>15</b>               | 14               |
| Taxation recoverable  |              | <b>969</b>              | 887              |
| Structured deposit  |              | <b>125,541</b>          | –                |
| Bank balances and cash  |              | <b>1,737,839</b>        | 1,650,048        |
|   |              | <b><u>2,092,945</u></b> | <u>1,857,142</u> |

|  |              | <b>30 June<br/>2013</b> | 31 December<br>2012 |
|--|--------------|-------------------------|---------------------|
|  | <i>Notes</i> | <b>HK\$'000</b>         | <b>HK\$'000</b>     |
|  |              | <b>(Unaudited)</b>      | <b>(Audited)</b>    |
| <b>Current liabilities</b>                   |              |                         |                     |
| Trade and other payables                     | <i>11</i>    | <b>381,127</b>          | 352,530             |
| Amounts due to related companies             |              | <b>3,007</b>            | 4,891               |
| Amounts due to directors                     |              | <b>181</b>              | 544                 |
| Amount due to a shareholder                  |              | <b>18,004</b>           | 34,831              |
| Amounts due to non-controlling shareholders  |              | <b>29,770</b>           | 18,394              |
| Dividend payable                             |              | <b>131,060</b>          | 14                  |
| Taxation payable                             |              | <b>55,772</b>           | 53,608              |
| Bank loans                                   |              | <b>63,019</b>           | 60,000              |
|  |              | <u><b>681,940</b></u>   | <u>524,812</u>      |
| Net current assets                           |              | <u><b>1,411,005</b></u> | <u>1,332,330</u>    |
| Total assets less current liabilities        |              | <u><b>3,260,472</b></u> | <u>3,082,747</u>    |
| <b>Non-current liabilities</b>               |              |                         |                     |
| Deferred tax liabilities                     |              | <b>23,279</b>           | 20,735              |
| Bank loans                                   |              | <b>68,981</b>           | –                   |
|  |              | <u><b>92,260</b></u>    | <u>20,735</u>       |
| Net assets                                   |              | <u><b>3,168,212</b></u> | <u>3,062,012</u>    |
| <b>Capital and reserves</b>                  |              |                         |                     |
| Share capital                                |              | <b>108,827</b>          | 107,416             |
| Reserves                                     |              | <b>2,972,234</b>        | 2,866,693           |
| Equity attributable to owners of the Company |              | <b>3,081,061</b>        | 2,974,109           |
| Non-controlling interests                    |              | <b>87,151</b>           | 87,903              |
| Total equity                                 |              | <u><b>3,168,212</b></u> | <u>3,062,012</u>    |

Notes:

## **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 immediate holding company is Favour Choice Limited, a company which is incorporated in the British Virgin Islands and wholly-owned by Anmi Holdings Limited, a company which is incorporated in the British Virgin Islands and wholly-owned by Anmi Trust, which is founded by Ms. Poon Wai ("Ms. Poon") who is a director of the Company. The addresses of the registered office and the principal place of business of the Company are disclosed in the "Corporate Information" section of the interim report.

## **2. BASIS OF PREPARATION**

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

## **3. PRINCIPAL ACCOUNTING POLICIES**

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

Except for the application of new and revised accounting standards as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2013 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012.

In the current interim period, the Group has applied, for the first time, the following new or revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA:

- HKFRS 10 Consolidated Financial Statements;
- HKFRS 11 Joint Arrangements;
- HKFRS 12 Disclosure of Interests in Other Entities;
- Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance;
- HKFRS 13 Fair Value Measurement;
- HKAS 19 (as revised in 2011) Employee Benefits;
- HKAS 28 (as revised in 2011) Investments in Associates and Joint Ventures;
- Amendments to HKFRS 7 Disclosure – Offsetting Financial Assets and Financial Liabilities

- Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income;
- Amendments to HKFRSs Annual Improvements to HKFRSs 2009-2011 Cycle; and
- HK(IFRIC)-Int 20 Stripping Costs in the Production Phase of a Surface Mine.

### **Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income**

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements.

However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

### **Amendments to HKAS 34 Interim Financial Reporting (as part of the Annual Improvements to HKFRSs 2009-2011 Cycle)**

The Group has applied the amendments to HKAS 34 Interim Financial Reporting as part of the Annual Improvements to HKFRSs 2009 – 2011 Cycle for the first time in the current interim period. The amendments to HKAS 34 clarify that the total assets and total liabilities for a particular reportable segment would be separately disclosed in the interim financial statements only when the amounts are regularly provided to the chief operating decision maker (CODM) and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment.

Since the CODM does not review assets and liabilities of the Group's reportable segments for performance assessment and resource allocation purposes, the Group has not included total asset information as part of segment information.

Except as described below, the application of the above new or revised HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

#### 4. SEGMENT INFORMATION

The following is an analysis of the Group's revenue and results by reportable and operating segments.

**For the period ended 30 June 2013 (unaudited)**

|                        | The People's<br>republic<br>of China<br>(the "PRC")<br>HK\$'000 | Operation of<br>restaurants<br>Hong Kong<br>HK\$'000 | Total<br>HK\$'000 | Manufacture<br>and sales of<br>noodles and<br>related<br>products<br>HK\$'000 | Investment<br>holding<br>HK\$'000 | Segment<br>total<br>HK\$'000 | Elimination<br>HK\$'000 | Total<br>HK\$'000     |
|------------------------|---|--|-------------------|---|-----------------------------------|------------------------------|-------------------------|-----------------------|
| Revenue                |   |  |                   |   |                                   |                              |                         |                       |
| – external sales       | 1,361,113   | 150,234  | 1,511,347         | 57,589  | –                                 | 1,568,936                    | –                       | 1,568,936             |
| – inter-segment sales  | –   | –  | –                 | 346,143   | –                                 | 346,143                      | (346,143)               | –                     |
|                        | <u>1,361,113</u>  | <u>150,234</u>                                       | <u>1,511,347</u>  | <u>403,732</u>  | <u>–</u>                          | <u>1,915,079</u>             | <u>(346,143)</u>        | <u>1,568,936</u>      |
| Segment profits        | <u>174,995</u>  | <u>10,801</u>  | <u>185,796</u>    | <u>5,340</u>  | <u>7,092</u>                      | <u>198,228</u>               | <u>–</u>                | <u>198,228</u>        |
| Unallocated income     |   |  |                   |   |                                   |                              |                         | 17,205                |
| Unallocated expenses   |   |  |                   |   |                                   |                              |                         | (40,560)              |
| Finance cost           |   |  |                   |   |                                   |                              |                         | <u>(956)</u>          |
| Profit before taxation |   |  |                   |   |                                   |                              |                         | 173,917               |
| Taxation               |   |  |                   |   |                                   |                              |                         | <u>(36,241)</u>       |
| Profit for the period  |   |  |                   |   |                                   |                              |                         | <u><u>137,676</u></u> |

**For the period ended 30 June 2012 (unaudited)**

|                        | Operation of restaurants |                       |                   | Manufacture<br>and sales of<br>noodles and<br>related<br>products<br>HK\$'000 | Investment<br>holding<br>HK\$'000 | Segment<br>total<br>HK\$'000 | Elimination<br>HK\$'000 | Total<br>HK\$'000    |
|------------------------|--------------------------|-----------------------|-------------------|---|-----------------------------------|------------------------------|-------------------------|----------------------|
|                        | PRC<br>HK\$'000          | Hong Kong<br>HK\$'000 | Total<br>HK\$'000 |   |                                   |                              |                         |                      |
| Revenue                |                          |                       |                   |   |                                   |                              |                         |                      |
| – external sales       | 1,298,032                | 160,082               | 1,458,114         | 54,012  | –                                 | 1,512,126                    | –                       | 1,512,126            |
| – inter-segment sales  | –                        | –                     | –                 | 315,729   | –                                 | 315,729                      | (315,729)               | –                    |
|                        | <u>1,298,032</u>         | <u>160,082</u>        | <u>1,458,114</u>  | <u>369,741</u>  | <u>–</u>                          | <u>1,827,855</u>             | <u>(315,729)</u>        | <u>1,512,126</u>     |
| Segment profits        | <u>86,499</u>            | <u>16,584</u>         | <u>103,083</u>    | <u>5,184</u>  | <u>7,493</u>                      | <u>115,760</u>               | <u>–</u>                | <u>115,760</u>       |
| Unallocated income     |                          |                       |                   |   |                                   |                              |                         | 23,446               |
| Unallocated expenses   |                          |                       |                   |   |                                   |                              |                         | (49,414)             |
| Finance cost           |                          |                       |                   |   |                                   |                              |                         | <u>(1,637)</u>       |
| Profit before taxation |                          |                       |                   |   |                                   |                              |                         | 88,155               |
| Taxation               |                          |                       |                   |   |                                   |                              |                         | <u>(36,324)</u>      |
| Profit for the period  |                          |                       |                   |   |                                   |                              |                         | <u><u>51,831</u></u> |

Segment profits represent the profits earned by each segment without allocation of central administrative costs and directors' salaries, investment income and finance costs. This is the measure reported to the CODM, Ms. Poon, for the purposes of resource allocation and assessment of segment performance.

**5. OTHER INCOME**

|   | Six months<br>ended 30 June     |                                 |
|---|---------------------------------|---------------------------------|
|   | 2013<br>HK\$'000<br>(Unaudited) | 2012<br>HK\$'000<br>(Unaudited) |
| Royalties from sub-franchisees                      | <b>10,611</b>                   | 8,072                           |
| Government grant ( <i>note</i> )                    | <b>18,664</b>                   | 3,682                           |
| Bank interest income                                | <b>15,989</b>                   | 22,269                          |
| Property rental income, net of negligible outgoings | <b>7,092</b>                    | 7,493                           |
| Others  | <b>4,516</b>                    | 6,932                           |
|   | <u><b>56,872</b></u>            | <u>48,448</u>                   |

*Note:* The amount of government grant represents the incentive subsidies received from the PRC local district authorities for the business activities carried out by the Group in the district. There are no specific conditions attached to the grant.



## 6. OTHER GAINS AND LOSSES

|   | Six months<br>ended 30 June |                    |
|---|-----------------------------|--------------------|
|   | 2013                        | 2012               |
|   | HK\$'000                    | HK\$'000           |
|   | (Unaudited)                 | (Unaudited)        |
| Loss on disposal of property, plant and equipment | (3,710)                     | (1,214)            |
| Net foreign exchange (loss) gain                  | <u>(1,216)</u>              | <u>1,177</u>       |
|   | <u><b>(4,926)</b></u>       | <u><b>(37)</b></u> |

## 7. PROFIT BEFORE TAXATION

|  | Six months<br>ended 30 June |                       |
|--|-----------------------------|-----------------------|
|  | 2013                        | 2012                  |
|  | HK\$'000                    | HK\$'000              |
|  | (Unaudited)                 | (Unaudited)           |
| Profit before taxation has been arrived at after charging: |                             |                       |
| Cost of inventories consumed ( <i>note a</i> )             | <b>519,805</b>              | 516,696               |
| Advertising and promotion expenses                         | <b>23,938</b>               | 13,957                |
| Fuel and utility expenses                                  | <b>82,448</b>               | 91,112                |
| Operating lease rentals in respect of                      |                             |                       |
| – land lease   | <b>1,453</b>                | 1,336                 |
| – rented premises ( <i>note b</i> )                        | <b>211,773</b>              | 208,171               |
|  | <u><b>211,773</b></u>       | <u><b>208,171</b></u> |

### Notes:

- This represents costs of raw materials and consumables used.
- Included in the operating lease rentals in respect of rental premises are minimum lease payments of approximately HK\$149,916,000 (six months ended 30 June 2012: HK\$129,630,000) and contingent rent of approximately HK\$61,857,000 (six months ended 30 June 2012: HK\$78,541,000).

## 8. TAXATION

|  | Six months<br>ended 30 June |                      |
|--|-----------------------------|----------------------|
|  | 2013                        | 2012                 |
|  | <i>HK\$'000</i>             | <i>HK\$'000</i>      |
|  | (Unaudited)                 | (Unaudited)          |
| Hong Kong Profits Tax                    |                             |                      |
| – current period                         | 3,557                       | 3,307                |
| – overprovision in prior periods         | –                           | (1,142)              |
|  | <u>3,557</u>                | <u>2,165</u>         |
| PRC income tax                           |                             |                      |
| – current period                         | 44,094                      | 25,213               |
| – withholding taxes paid                 | 1,381                       | –                    |
| – (over) underprovision in prior periods | (15,159)                    | 7,980                |
|  | <u>30,316</u>               | <u>33,193</u>        |
|  | <u>33,873</u>               | <u>35,358</u>        |
| Deferred taxation                        | <u>2,368</u>                | <u>966</u>           |
|  | <u><b>36,241</b></u>        | <u><b>36,324</b></u> |

The income tax expense in Hong Kong and the PRC is recognised based on management's best estimate of the annual income tax rate expected for the full financial year. The estimated annual tax rates for Hong Kong Profits Tax and PRC income tax are 16.5% (six months ended 30 June 2012: 16.5%) and 25% (six months ended 30 June 2012: 25%), respectively, for the period under review.

During the six months ended 30 June 2013, the Chongqing State Tax Bureau issued a written notice to the Company which confirmed that Chongqing Weiqian would be permitted to apply the Preferential Tax Treatment for the year 2009. Accordingly, the Company reversed the income tax liability of approximately HK\$15.2 million (equivalent to approximately RMB12.2 million) which was previously recognized during the six months ended 30 June 2011.

## 9. EARNINGS PER SHARE

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

|  | <b>Six months<br/>ended 30 June</b> |                             |
|--|-------------------------------------|-----------------------------|
|  | <b>2013</b>                         | <b>2012</b>                 |
|  | <b>HK\$'000</b>                     | <b>HK\$'000</b>             |
|  | <b>(Unaudited)</b>                  | <b>(Unaudited)</b>          |
| Earnings for the purposes of basic and diluted earnings per share, being profit for the period attributable to owners of the Company | <b><u>130,096</u></b>               | <b><u>46,934</u></b>        |
|  | <b>Number of shares</b>             |                             |
| Weighted average number of ordinary shares for the purpose of calculating basic earnings per share                                   | <b>1,081,620,599</b>                | 1,073,485,845               |
| Effect of dilutive potential ordinary shares relating to:<br>– outstanding share options   | <b><u>2,092,837</u></b>             | <u>7,335,574</u>            |
| Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share                                 | <b><u>1,083,713,436</u></b>         | <b><u>1,080,821,419</u></b> |

Certain outstanding share options of the Company have not been included in the computation of diluted earnings per share as they did not have a dilutive effect to the Company's earnings per share during the six months ended 30 June 2013 and 30 June 2012 because the exercise prices of these Company's share options were higher than the average market prices of the Company's shares during both periods.

## 10. TRADE AND OTHER RECEIVABLES

|  | <b>30 June<br/>2013<br/>HK\$'000<br/>(Unaudited)</b> | 31 December<br>2012<br>HK\$'000<br>(Audited) |
|--|--|--|
| Trade receivables                                |  |  |
| – related companies                              | 1,174  | 602  |
| – others   | <u>23,488</u>  | <u>18,207</u>                                |
|  | <u>24,662</u>  | <u>18,809</u>                                |
| Rental and utility deposits                      | 26,414   | 25,577                                       |
| Property rentals paid in advance for restaurants | 23,479   | 21,963                                       |
| Advance to suppliers                             | 22,766   | 17,867                                       |
| Other receivables and prepayments                | <u>41,190</u>  | <u>34,130</u>                                |
|  | <u><b>138,511</b></u>                                | <u><b>118,346</b></u>                        |

The related companies are companies in which Ms. Poon has controlling interests.

Customers (independent third parties and related companies) for noodles and related products are normally granted a 60 to 90-day 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 net of allowance for doubtful debts presented based on invoice dates which approximated the revenue recognition dates at the end of the reporting period:

|                | <b>30 June<br/>2013<br/>HK\$'000<br/>(Unaudited)</b> | 31 December<br>2012<br>HK\$'000<br>(Audited) |
|----------------|--|--|
| Age            |  |  |
| 0 to 30 days   | 19,662   | 13,465                                       |
| 31 to 60 days  | 1,484  | 463  |
| 61 to 90 days  | 639  | 1,207  |
| 91 to 180 days | 826  | 1,825  |
| Over 180 days  | <u>2,051</u>   | <u>1,849</u>                                 |
|                | <u><b>24,662</b></u>                                 | <u><b>18,809</b></u>                         |

## 11. TRADE AND OTHER PAYABLES

|  | <b>30 June<br/>2013<br/>HK\$'000<br/>(Unaudited)</b> | 31 December<br>2012<br>HK\$'000<br>(Audited) |
|--|--|--|
| Trade payables   |  |  |
| – a related company                                      | 7,393  | 7,609  |
| – others   | <u>141,497</u>                                       | <u>133,060</u>                               |
|  | <b>148,890</b>                                       | 140,669                                      |
| Payroll and welfare payables                             | 51,659   | 50,077                                       |
| Customers' deposits received                             | 19,457   | 17,594                                       |
| Payable for acquisition of property, plant and equipment | 45,095   | 47,636                                       |
| Payable for property rentals                             | 41,687   | 29,224                                       |
| Other taxes payable                                      | 36,901   | 36,343                                       |
| Others   | <u>37,438</u>  | <u>30,987</u>                                |
|  | <b><u>381,127</u></b>                                | <b><u>352,530</u></b>                        |

The related company is a company in which Mr. Katsuaki Shigemitsu, who is a director and shareholder of the company, has controlling interests.

The average credit period for the purchase of goods is 60 (2012: 60) days. The following is an aged analysis of trade payables presented based on invoice dates at the end of the reporting period:

|                | <b>30 June<br/>2013<br/>HK\$'000<br/>(Unaudited)</b> | 31 December<br>2012<br>HK\$'000<br>(Audited) |
|----------------|--|--|
| 0 to 30 days   | 105,698  | 96,873                                       |
| 31 to 60 days  | 27,172   | 35,181                                       |
| 61 to 90 days  | 5,748  | 1,250  |
| 91 to 180 days | 3,240  | 2,577  |
| Over 180 days  | <u>7,032</u>   | <u>4,788</u>                                 |
|                | <b><u>148,890</u></b>                                | <b><u>140,669</u></b>                        |

## 12. DIVIDENDS

|   | Six months<br>ended 30 June |                 |
|---|-----------------------------|-----------------|
|   | 2013                        | 2012            |
|   | <i>HK\$'000</i>             | <i>HK\$'000</i> |
|   | (Unaudited)                 | (Unaudited)     |
| Dividends recognised as distribution during the period:   |                             |                 |
| Final, declared – HK1.40 cents per share for 2012<br>(2012: declared – HK2.28 cents per share for 2011) | 15,039                      | 24,480          |
| Special, declared – HK10.80 cents per share for 2012<br>(2012: HK9.80 cents per share for 2011)         | 116,009                     | 105,221         |
|   | <u>131,048</u>              | <u>129,701</u>  |

An interim dividend of HK3.59 cents per ordinary share has been declared by the directors for the period ended 30 June 2013 (six months ended 30 June 2012: HK2.19 cents).

## MANAGEMENT DISCUSSION AND ANALYSIS

### INDUSTRY REVIEW

In the first half of 2013, the global economy maintained a persistent underwhelmed growth, especially the economic slowdown in emerging markets as evidenced by the further slackening in Mainland China and Hong Kong. Bugged in a “decade trough”, the catering industry is entering a new cycle of challenging development with another round of industrial reshuffle looming. Besides, the catering industry continued to be burdened by the “four highs and one low” phenomenon in 2013, featuring high rental expenditure, labour cost, raw material price and public utility rates, resulting in low profit margin. Other challenges confronting the Group included food safety issues, consumer complaints, high risk of media exposure and struggling store sales.

Given the sluggish economic environment and the unfinished recovery process of Ajisen, the Group enhanced the efforts in brand advertisement and promotion activities. Through planned integration of marketing programmes, the Group placed more targeted advertisements on digital media, network media, and print media, which have lifted customer volume and store sales. Meanwhile, the Group adopted a prudent strategy in opening new stores and carefully streamlined the existing stores, while deepening the market penetration in first- and second-tier cities and improving management of each segment in the Company in order to strengthen single-store turnover and profitability. Always putting quality first, the Group has paid especially strict attention to food quality as usual and made continuous efforts in flavour improvement and food quality enhancement, so as to boost customer's satisfaction and loyalty.

## **BUSINESS REVIEW**

For the six months ended 30 June 2013, the Group's turnover increased from approximately HK\$1,512,126,000 during the corresponding period in 2012, by approximately 3.8% to approximately HK\$1,568,936,000. The gross profit of the Group reached approximately HK\$1,049,131,000, an increase of approximately 5.4% from approximately HK\$995,430,000 during the corresponding period in 2012; the profit attributable to the owners of the Company reached approximately HK\$130,096,000, an increase of approximately 177.2% from approximately HK\$46,934,000 in 2012. The basic earnings per share increased to HK12.03 cents from HK4.37 cents per ordinary share during the corresponding period in the previous year.

During the current reporting period, the Group focused on streamlining the existing stores, adopting a prudent strategy in opening new stores, and scaling up the restaurant network in mature markets such as those in the first- and second-tier cities, so as to accomplish the structural shift from store quantity to store quality which effectively strengthened single-store turnover and profitability. As at 30 June 2013, the Group had a total of 647 fast casual chain restaurants, a decrease of 25 from 672 during the corresponding period in 2012; the Group's restaurant network extended its reach to 30 provinces and municipalities nationwide, amounting to 120 cities in aggregate, adding 1 provinces and reducing 1 city as compared with the corresponding period in 2012.

The construction and operation of the four major production bases in China guaranteed the steady growth and food quality of the Group's chain restaurant network. The Group's three major factories in Wuhan, Shanghai and Dongguan have been put into operation, while the factory in Tianjin will commence operation as well in the second half of this year to further support the Group's network expansion and regional coverage in the future.

During the current reporting period, the Group's cost of inventories as a proportion to turnover was approximately 33.1%, representing a decrease of approximately 1.1 percentage points as compared with the corresponding period last year. Accordingly, the gross profit margin increased to approximately 66.9% from approximately 65.8% during the corresponding period last year, which was attributable to less discounts and promotions offered by the Group as well as the stable in raw material costs. The Group will properly control the raw material costs, and is therefore confident in achieving the expected gross profit margin.

During the current reporting period, the Group's labour costs accounted for approximately 23.7% of the turnover, which was approximately 1.2 percentage points lower than that of the corresponding period last year. During the reporting period, the level of minimum wage was raised in a number of provinces and cities in China successively, and the Group has adjusted its employee wages in compliance with the relevant law and regulations. In the meantime, the Group also applied new human resource policies, leading to a decrease in labour costs.

During the current reporting period, rent and related costs as a proportion to turnover of the Group was approximately 15.3%, which was approximately 0.4 percentage point lower than that of the corresponding period last year. During the reporting period, the Group applied stringent criteria in location selection, so as to guarantee the success rate of new stores. Also, a large number of medium- and small-size restaurants were developed to enhance the output per unit area. The Group was able to secure long-term fixed lease terms as it expands the restaurant network. With the recovery of turnover, rental costs will be diluted further, pushing down the proportion of rent and related costs in turnover.

The highly effective operation of over 640 restaurants under the Group is depending upon the efficacy of our management and staff training. During the current reporting period, the Group placed emphasis on the guidance and training of restaurant managers and regional supervisors. The operation efficiency of each restaurant was enhanced through constant upgrading of its basic management level. This year, the Group continued to host the inter-restaurant competition to fully mobilize its staff, thus making prominent contribution the Group's turnover.

## **RETAIL CHAIN RESTAURANTS**

During the first half of 2013, the Group's major business and primary source of income continue to stem from the retail chain restaurant business. During the reporting period, the Group's restaurant business income recorded approximately HK\$1,511,347,000 (2012: HK\$1,458,114,000), accounted for approximately 96.3% (2012: 96.4%) of the Group's total revenue, an increase of 3.7% from the corresponding period in last year.



As at 30 June 2013, the Group's restaurant portfolio consisted of 647 Ajisen chain restaurants, comprising the following:

|   | <b>30 June<br/>2013</b> | 31 December<br>2012 | +/-    |
|---|-------------------------|---------------------|--------|
| By type:                                |                         |                     |        |
| Owned and managed                       | <b>645</b>              | 659                 | -14    |
| Owned but not managed                   | <b>2</b>                | 2                   | 0      |
| <b>Total</b>                            | <b>647</b>              | 661                 | -14    |
| By provinces:                           |                         |                     |        |
| Shanghai                                | <b>132</b>              | 132                 | 0      |
| Beijing                                 | <b>36</b>               | 35                  | 1      |
| Tianjin                                 | <b>6</b>                | 6                   | 0      |
| Guangdong (excluding Shenzhen)          | <b>63</b>               | 66                  | -3     |
| Shenzhen                                | <b>31</b>               | 34                  | -3     |
| Jiangsu                                 | <b>73</b>               | 73                  | 0      |
| Zhejiang                                | <b>45</b>               | 45                  | 0      |
| Sichuan                                 | <b>26</b>               | 26                  | 0      |
| Chongqing                               | <b>15</b>               | 17                  | -2     |
| Fujian                                  | <b>23</b>               | 26                  | -3     |
| Hunan                                   | <b>16</b>               | 16                  | 0      |
| Hubei                                   | <b>15</b>               | 15                  | 0      |
| Liaoning                                | <b>13</b>               | 14                  | -1     |
| Shandong                                | <b>39</b>               | 41                  | -2     |
| Guangxi                                 | <b>9</b>                | 10                  | -1     |
| Guizhou                                 | <b>6</b>                | 6                   | 0      |
| Jiangxi                                 | <b>6</b>                | 6                   | 0      |
| Shaanxi                                 | <b>12</b>               | 12                  | 0      |
| Yunnan                                  | <b>6</b>                | 7                   | -1     |
| Henan                                   | <b>2</b>                | 3                   | -1     |
| Hebei                                   | <b>5</b>                | 4                   | 1      |
| Anhui                                   | <b>11</b>               | 12                  | -1     |
| Gansu                                   | <b>1</b>                | 1                   | 0      |
| Xinjiang                                | <b>4</b>                | 4                   | 0      |
| Hainan                                  | <b>3</b>                | 3                   | 0      |
| Shanxi                                  | <b>1</b>                | 1                   | 0      |
| Neimenggu                               | <b>4</b>                | 4                   | 0      |
| Heilongjiang                            | <b>3</b>                | 3                   | 0      |
| Ningxia, Qinghai                        | <b>2</b>                | 2                   | 0      |
| Jilin                                   | <b>1</b>                | 0                   | 1      |
| Hong Kong                               | <b>36</b>               | 35                  | 1      |
| Taiwan*                                 | <b>2</b>                | 2                   | 0      |
| <b>Total</b>                            | <b>647</b>              | 661                 | -14    |
| <b>Total saleable area (sq. meters)</b> | <b>147,796</b>          | 151,748             | -3,952 |

\* Note: Ajisen (China) Holdings Limited holds 15% interest in restaurants operated in Taiwan.

|                         | <b>30 June</b>    | 31 December       |                   |
|-------------------------|-------------------|-------------------|-------------------|
|                         | <b>2013</b>       | 2012              | +/-               |
| By geographical region: |                   |                   |                   |
| Northern China          | <b>110</b>        | 110               | 0                 |
| Eastern China           | <b>250</b>        | 250               | 0                 |
| Southern China          | <b>166</b>        | 174               | -8                |
| Central China           | <b>119</b>        | 125               | -6                |
| Taiwan                  | <b>2</b>          | 2                 | 0                 |
|                         | <hr/>             | <hr/>             | <hr/>             |
| Total                   | <b><u>647</u></b> | <b><u>661</u></b> | <b><u>-14</u></b> |

## SALES OF PACKAGED NOODLE AND RELATED PRODUCTS

The manufacturing and sales of packaged noodle products under the Ajisen brand is one of the Group's two main businesses and is a beneficial complement to the major business of Fast Casual Restaurant ("FCR") network operation. These packaged noodle products are manufactured solely by the Group. Besides they are supplied to the chain restaurants of the Group and also sold through diversified channels, including supermarkets and department stores, which further enhanced the awareness of the Ajisen brand.

For the six months ended 30 June 2013, revenue from the sales of packaged noodle and related products was approximately HK\$57,589,000 (2012: HK\$54,012,000), accounted for approximately 3.7% (2012: 3.6%) of the Group's total revenue.

The Group has an extensive distribution network for the packaged noodle and related products in China. As of 30 June 2013, the total number of points-of-sale in this network reached approximately 8,000, which was the same compared to the corresponding period in last year. The distribution network covers over 30 cities in China. These distributors include nationwide retailers such as Wal-Mart, Carrefour and Metro, and regional retailers such as China Resources Vanguard, Sanjiang in Ningbo and Century Lianhua, as well as reputable convenient chain stores such as Allday, Kedi and C-Store.

### Financial review

#### *Turnover*

For the six months ended 30 June 2013, the Group's turnover increased by approximately 3.8%, or approximately HK\$56,810,000, to approximately HK\$1,568,936,000 from approximately HK\$1,512,126,000 for the corresponding period in 2012. Such increase was mainly due to the increase in the comparing same store growth of the Group during the reporting period.

### ***Cost of inventories consumed***

For the six months ended 30 June 2013, the Group's cost of inventories increased by approximately 0.6%, or approximately HK\$3,109,000, to approximately HK\$519,805,000 from approximately HK\$516,696,000 for the corresponding period in 2012. During the reporting period, the ratio of inventories cost to turnover was approximately 33.1%, lower than 34.2% for the corresponding period in 2012. Such decrease was attributable to the stable in the purchasing cost and less discounts and promotion were offered for the period.

### ***Gross profit and gross profit margin***

Driven by the above factors, gross profit for the six months ended 30 June 2013 increased by approximately 5.4%, or approximately HK\$53,701,000 to approximately HK\$1,049,131,000 from approximately HK\$995,430,000 for the corresponding period in 2012. Gross profit margin of the Group also further increased from approximately 65.8% for the corresponding period in 2012 to approximately 66.9%.

### ***Property rentals and related expenses***

For the six months ended 30 June 2013, property rentals and related expenses of the Group increased by approximately 1.3% from approximately HK\$237,593,000 for the corresponding period in 2012 to approximately HK\$240,700,000. Its proportion to turnover decreased by 0.4 percentage point from approximately 15.7% for the corresponding period in 2012 to approximately 15.3%. Such a decrease was mainly attributable to the fact that the positive same store sales growth for the period.

### ***Staff costs***

For the six months ended 30 June 2013, staff costs of the Group decreased by approximately 1.1% from approximately HK\$376,063,000 for the corresponding period in 2012 to approximately HK\$371,863,000, primarily due to the decrease in headcount resulting from the new human resources policies adopted in the second half of 2012. Staff costs as a proportion to turnover decreased from approximately 24.9% for the corresponding period in 2012 by 1.2 percentage points to approximately 23.7%, which reflected the effect of the new human resources policies adopted and positive same store sales growth for the period.

### ***Depreciation***

For the six months ended 30 June 2013, depreciation of the Group decreased by approximately 2.5% or approximately HK\$2,200,000 from approximately HK\$86,833,000 for the corresponding period in 2012 to approximately HK\$84,633,000. Such an decrease was mainly attributable to the decrease in the number of restaurants.

### ***Other operating expenses***

Other operating expenses mainly included expenses for fuel and utility, consumables, advertising and promotion and franchise fee. For the six months ended 30 June 2013, other operating expenses decreased by approximately 9.7%, or approximately HK\$24,552,000, to approximately HK\$229,008,000 from approximately HK\$253,560,000 for the corresponding period in 2012. Its proportion to turnover was decreased by 2.2 percentage points from 16.8% to approximately 14.6%, which was mainly attributable to the decrease in expenses spent on consumables, fuel and utility and decrease in the number of restaurants for the period. While expenses spent on advertising and promotion had increased to approximately HK\$23,938,000 from approximately HK\$13,957,000 for the corresponding period in 2012.

### ***Other income***

For the six months ended 30 June 2013, other income of the Group increased by approximately 17.4%, or approximately HK\$8,424,000, to approximately HK\$56,872,000 from approximately HK\$48,448,000 for the corresponding period in 2012. The increase mainly originated from the increase in government grant during the period.

### ***Other gains and losses***

For the six months ended 30 June 2013, other gains and losses of the Group increased by approximately 13,213.5% to losses of approximately HK\$4,926,000 from approximately losses of HK\$37,000 for the corresponding period in 2012. The increase were due to loss on disposal of property, plant and equipment as more shops closed for the period.

### ***Finance costs***

For the six months ended 30 June 2013, finance costs decreased by approximately 41.6%, or approximately HK\$681,000 to approximately HK\$956,000 from approximately HK\$1,637,000 for the corresponding period in 2012. The decrease mainly due to repayment of loans for the period.

### ***Profit before taxation***

Being affected by the factors referred to above in aggregate, the Group's profit before taxation for the six months ended 30 June 2013 increased by approximately 97.3%, or approximately HK\$85,762,000 to approximately HK\$173,917,000 from approximately HK\$88,155,000 for the corresponding period in 2012.

### ***Profit attributable to owners of the Company***

Being affected by the factors referred to above in aggregate, profit attributable to owners of the Company for the six months ended 30 June 2013 increased by approximately 177.2%, or approximately HK\$83,162,000, to approximately HK\$130,096,000 from approximately HK\$46,934,000 for the corresponding period in 2012.

## *Assets and liabilities*

The Group's net current assets were approximately HK\$1,411,005,000 and the current ratio was 3.1 as at 30 June 2013 (31 December 2012: 3.5). As the Group is primarily engaged in the restaurant business, most of the sales are settled in cash. As a result, the Group was able to maintain a relatively high current ratio. The decrease in current ratio was mainly attributable to the increase in dividend payable as at 30 June 2013.

## *Cash flows*

Net cash inflow from operations for the six months ended 30 June 2013 was approximately HK\$265,479,000 while profit before taxation for the same period was approximately HK\$173,917,000. The operating cash inflows was mainly due to increase in profitability of FCR operated by the Group which the increase in size of operation of the Group strengthened the bargaining power of the Group with the suppliers and slowed down settlement of purchases.

## *Capital expenditure*

For the six months ended 30 June 2013, the Group's capital expenditure was approximately HK\$163,331,000 (corresponding period in 2012: HK\$112,265,000), which was due to the increase in purchase of property, plant and equipment for new restaurants and an investment property.

## *Key operating ratios for "Ajisen Ramen" restaurant*

|  | Hong Kong  |               |            | PRC        |               |            |
|--|------------|---------------|------------|------------|---------------|------------|
|  | 1-6/2013   | 1-12/2012     | 1-6/2012   | 1-6/2013   | 1-12/2012     | 1-6/2012   |
|  |            | (approximate) |            |            | (approximate) |            |
|  |            | (unaudited)   |            |            | (unaudited)   |            |
| Comparable restaurant sales growth:                    | 1.5%       | 0.7%          | -2.4%      | 4.5%       | -12.6%        | -24.7%     |
| Turnover per Gross Floor Area<br>(per day/sq. meters): | HK\$225    | HK\$224       | HK\$196    | RMB41.1    | RMB39.5       | RMB38.7    |
| Per capita spending:                                   | HK\$61.1   | HK\$59.9      | HK\$60.1   | RMB42.0    | RMB41.6       | RMB40.0    |
| Table turnover per day (times per day):                | <u>5.6</u> | <u>5.6</u>    | <u>5.6</u> | <u>3.4</u> | <u>3.3</u>    | <u>3.3</u> |

## **OTHER INFORMATION**

### **Compliance with the Corporate Governance Code**

The Company has complied with all applicable code provisions under the Corporate Governance Code as set out in Appendix 14 to the Listing Rules for the six months ended 30 June 2013, save and except for the deviation from the code provision A.2.1, namely, the roles of the Chairman and chief executive officer ("CEO") have not been separated. Although Ms. Poon Wai performs both the roles of Chairman and CEO, the division of responsibilities between the Chairman and CEO 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 CEO is responsible for the management of the business of the Group. The two roles are 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 CEO 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. The relevant deviation is therefore considered reasonable. 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 given the appropriate delegation of the power of the Board and the effective functions of the independent non-executive Directors (number of which exceeds one-third of the members of the Board). However, it is the long-term objective of the Company to have these two roles performed by separate individuals when suitable candidates are identified.

### **Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers**

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 2013, they were in compliance with the Required Standard.

### **Audit Committee Review**

The Audit Committee, which comprises three independent non-executive Directors, namely Mr. Jen Shek Voon, Mr. Lo Peter and Mr. Wang Jincheng and one non-executive Director, Mr. Wong Hin Sun, Eugene, reviewed the accounting principles and practices adopted by the Company and discussed auditing, internal controls and financial reporting matters. The Company’s unaudited interim results for the six months ended 30 June 2013 have been reviewed by the Audit Committee and Deloitte Touche Tohmatsu, the auditors of the Company.

### **Purchase, Sale or Redemption of the Company’s Listed Securities**

Neither Ajisen nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of Ajisen for the six months ended 30 June 2013.

### **Employee’s Remuneration and Policy**

As at 30 June 2013, the Group employed 11,411 persons (31 December 2012: 11,535 persons), most of the Group’s employees work in the chain restaurants of the Group in the PRC. The number of employees will vary from time to time as 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 bonuses and/or share options based on their performances.

The total remuneration payment of the Group for the six months ended 30 June 2013 was approximately HK\$371,863,000 (30 June 2012: HK\$376,063,000).

## **Dividend**

An interim dividend of HK3.59 cents per ordinary share (for six months ended 30 June 2012: HK\$2.19 cents) for the six months ended 30 June 2013 have been declared by the Board to shareholders and such interim dividend will be paid on 15 October 2013 to shareholders whose names appear on the register of members of the Company on 19 September 2013.

## **Closure of the Register of Members**

The register of members of the Company will be closed from 17 September 2013 to 19 September 2013 (both days inclusive), during which period no share transfers will be registered.

In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 16 September 2013.

By order of the Board  
**Ajisen (China) Holdings Limited**  
**Poon Wai**  
*Chairman*

Hong Kong, 20 August 2013

*As at the date of this announcement, the Board comprises Ms. Poon Wai and Mr. Poon Ka Man, Jason as executive Directors; Mr. Katsuaki Shigemitsu and Mr. Wong Hin Sun, Eugene as non-executive Directors; and Mr. Lo Peter, Mr. Jen Shek Voon and Mr. Wang Jincheng as independent non-executive Directors.*