

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



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 2014**

**INTERIM RESULTS HIGHLIGHTS**

- Turnover increased by 2.7% to HK\$1,612 million (corresponding period of 2013: HK\$1,569 million)
- Profit from core operations of the Group increased by 13.8% to HK\$139.9 million (corresponding period of 2013: HK\$122.9 million)
- Gross profit margin increased by 1.9 percentage points to 68.8% (corresponding period of 2013: 66.9%)
- Profit attributable to owners of the Company decreased by 1.9% to HK\$127.7 million (corresponding period of 2013: HK\$130.1 million)
- Basic earnings per share decreased by HK0.32 cent to HK11.71 cents, representing a decrease of 2.7% (corresponding period of 2013: HK12.03 cents)
- Total number of restaurants reached 637 by 30 June 2014

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 2014, together with the comparative figures for the corresponding period in 2013 as follows:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	Notes	Six months ended 30 June	
		2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Turnover	4	1,611,826	1,568,936
Other income	5	58,101	56,872
Other gains and losses	6	(4,255)	(4,926)
Cost of inventories consumed		(503,008)	(519,805)
Staff costs		(399,087)	(371,863)
Depreciation		(90,801)	(84,633)
Property rentals and related expenses		(247,499)	(240,700)
Other operating expenses		(231,538)	(229,008)
Share of loss of associates		(5)	–
Finance costs		(1,451)	(956)
Profit before taxation	7	192,283	173,917
Taxation	8	(54,463)	(36,241)
Profit for the period		137,820	137,676
<b>Other comprehensive income that may be subsequently reclassified to profit or loss:</b>			
Exchange differences arising on translation of financial statements of foreign operations		(17,077)	32,831
Total comprehensive income for the period		120,743	170,507
Profit for the period attributable to:			
Owners of the Company		127,679	130,096
Non-controlling interests		10,141	7,580
		137,820	137,676
Total comprehensive income attributable to:			
Owners of the Company		111,530	160,061
Non-controlling interests		9,213	10,446
		120,743	170,507
Earnings per share	10	HK cents	HK cents
– Basic		11.71	12.03
– Diluted		11.69	12.00

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014

		<b>30 June</b>	31 December
		<b>2014</b>	2013
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
Non-current assets			
Investment properties		<b>375,637</b>	376,710
Property, plant and equipment		<b>1,282,537</b>	1,321,235
Prepaid lease payments		<b>107,259</b>	110,398
Intangible assets		<b>6,400</b>	6,400
Loan to an associate		<b>1,495</b>	–
Rental deposits		<b>81,534</b>	87,853
Goodwill		<b>37,135</b>	37,135
Deferred tax assets		<b>3,526</b>	3,548
Available-for-sale investments		<b>20,537</b>	21,173
		<b>1,916,060</b>	1,964,452
Current assets			
Inventories		<b>100,965</b>	117,003
Trade and other receivables	<i>11</i>	<b>138,220</b>	109,589
Amount due from related companies		<b>204</b>	15
Taxation recoverable		<b>4,921</b>	4,267
Structured deposits		<b>148,661</b>	138,636
Bank balances and cash		<b>1,844,983</b>	1,708,672
		<b>2,237,954</b>	2,078,182
Current liabilities			
Trade and other payables	<i>12</i>	<b>365,752</b>	378,301
Amounts due to related companies		<b>5,753</b>	7,348
Amounts due to directors		<b>319</b>	544
Amount due to a shareholder		<b>19,178</b>	29,617
Amounts due to non-controlling shareholders		<b>26,926</b>	29,416
Dividend payable		<b>137,425</b>	20
Taxation payable		<b>55,338</b>	48,529
Bank loans		<b>63,392</b>	63,358
		<b>674,083</b>	557,133

	<b>30 June 2014</b>	31 December 2013
<i>Notes</i>	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
	<b>(Unaudited)</b>	(Audited)
Net current assets	<u>1,563,871</u>	<u>1,521,049</u>
Total assets less current liabilities	<u>3,479,931</u>	<u>3,485,501</u>
Non-current liabilities		
Bank loans	72,935	74,642
Deferred tax liabilities	<u>50,698</u>	<u>49,133</u>
	<u>123,633</u>	<u>123,775</u>
Net assets	<u><b>3,356,298</b></u>	<u><b>3,361,726</b></u>
Capital and reserves		
Share capital	109,089	108,970
Reserves	<u>3,147,694</u>	<u>3,156,531</u>
Equity attributable to owners of the Company	<b>3,256,783</b>	3,265,501
Non-controlling interests	<u>99,515</u>	<u>96,225</u>
Total equity	<u><b>3,356,298</b></u>	<u><b>3,361,726</b></u>

## **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

*For the six months ended 30 June 2014*

### **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 “Corporation 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 (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 2014 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2013.

In the current interim period, the Group has applied, for the first time, the following new interpretation and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA:

- Amendments to HKFRS 10, HKFRS 12 and HKAS 27 investment Entities;
- Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities;
- Amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets;
- Amendments to HKAS 39 Novation of Derivatives and Continuation of Hedge Accounting and HK(IFRIC)-Int 21 Levies.

The application of the above new Interpretation and amendments to 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 2014 (unaudited)**

	Operation of restaurants			Manufacture and sales of noodles and related products	Investment holding	Segment total	Elimination	Total
	The Peoples' Republic of China (the "PRC") <i>HK\$'000</i>	Hong Kong <i>HK\$'000</i>	Total <i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue								
– external sales	1,432,554	116,150	1,548,704	63,122	–	1,611,826	–	1,611,826
– inter-segment sales	–	–	–	393,056	–	393,056	(393,056)	–
	<u>1,432,554</u>	<u>116,150</u>	<u>1,548,704</u>	<u>456,178</u>	<u>–</u>	<u>2,004,882</u>	<u>(393,056)</u>	<u>1,611,826</u>
Segment profits	<u>185,369</u>	<u>(2,569)</u>	<u>182,800</u>	<u>6,380</u>	<u>9,001</u>	<u>198,181</u>	<u>–</u>	<u>198,181</u>
Unallocated income								13,378
Unallocated expenses								(17,825)
Finance costs								<u>(1,451)</u>
Profit before taxation								192,283
Taxation								<u>(54,463)</u>
Profit for the period								<u><u>137,820</u></u>

For the period ended 30 June 2013 (unaudited)

	Operation of restaurants			Manufacture and sales of noodles and related products	Investment holding	Segment total	Elimination	Total
	PRC	Hong Kong	Total					
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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 costs								<u>(956)</u>
Profit before taxation								173,917
Taxation								<u>(36,241)</u>
Profit for the period								<u><u>137,676</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 chief operating decision maker, Ms. Poon, for the purposes of resource allocation and assessment of segment performance.

## 5. OTHER INCOME

	Six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Royalties from sub-franchisees	11,485	10,611
Government grant ( <i>note</i> )	21,772	18,664
Bank interest income	13,378	15,989
Property rental income, net of negligible outgoings	9,001	7,092
Others	2,465	4,516
	<u>58,101</u>	<u>56,872</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 ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Loss on disposal of property, plant and equipment	(6,335)	(3,710)
Net foreign exchange gain (loss)	2,080	(1,216)
	<u>(4,255)</u>	<u>(4,926)</u>

## 7. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Profit before taxation has been arrived at after charging:		
Cost of inventories consumed ( <i>note a</i> )	503,008	519,805
Advertising and promotion expenses	34,310	23,938
Fuel and utility expenses	81,883	82,448
Operating lease rentals in respect of		
– land lease	1,745	1,453
– rented premises ( <i>note b</i> )	216,187	211,773
	<u>216,187</u>	<u>211,773</u>



Notes:

- a. This represents costs of raw materials and consumables used.
- b. Included in the operating lease rentals in respect of rental premises are minimum lease payments of approximately HK\$129,040,000 (six months ended 30 June 2013: HK\$149,916,000) and contingent rent of approximately HK\$87,147,000 (six months ended 30 June 2013: HK\$61,857,000).

## 8. TAXATION

	<b>Six months ended 30 June</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Hong Kong Profits Tax		
– current period	<u>2,559</u>	<u>3,557</u>
	<u>2,559</u>	<u>3,557</u>
PRC income tax		
– current period	<b>53,965</b>	45,475
– (over) underprovision in prior periods	<u>(5,361)</u>	<u>(15,159)</u>
	<u>48,604</u>	<u>30,316</u>
Deferred taxation	<u>3,300</u>	<u>2,368</u>
	<u><b>54,463</b></u>	<u>36,241</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 2013: 16.5%) and 25% (six months ended 30 June 2013: 25%), respectively, for the period under review.

Pursuant to the relevant provincial policy and written approval obtained from the State Tax Bureau in Chongqing ("Chongqing STB") in 2009, Chongqing Weiqian Food & Restaurant Management Co., Ltd. 重慶味千餐飲管理有限公司 ("Chongqing Weiqian"), which is located in Chongqing, China, applied a preferential tax rate of 15% ("Preferential Tax Treatment") from 2009 to 2010.

During 2011, the Company received notice that the PRC National Audit Office recently issued a letter to the Chongqing STB stating that a few restaurant companies, including Chongqing Weiqian, should not have been granted the Preferential Tax Treatment for the year 2009. The PRC National Audit Office's ruling was that Chongqing Weiqian should pay enterprise income tax at the standard rate of 25%. During 2011, the Group made additional enterprise income tax provision of approximately HK\$3.8 million (equivalent to approximately RMB3.2 million) for the year 2009 and paid such amount to the Chongqing STB in a timely manner as requested. In addition, the Group made provision of approximately HK\$11.4 million (equivalent to approximately RMB9.0 million) for the potential

payment of additional enterprise income tax based on the standard rate of 25% for the year 2010. As such, the Group applied the standard enterprise income tax rate of 25% for Chongqing Weiqian from the year 2011 onwards.

During the six months ended 30 June 2013, the Chongqing STB issued a written notice to Chongqing Weiqian which confirmed that Chongqing Weiqian would be permitted to apply the Preferential Tax Treatment for 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 2011 in relation to the change in the Preferential Tax Treatment for the years 2009 and 2010.

According to the requirement of Chongqing STB, the preferential tax rate needs to be applied by the Company and approved year by year. As such, the Group applied the standard enterprise income tax rate of 25% for Chongqing Weiqian from the year 2013 onwards and reversed the income tax liability after obtaining the written approval.

During the six months ended 30 June 2014, Chongqing Weiqian was granted a preferential tax rate of 15% for the year 2013, the Company reversed the income tax liability of approximately HK\$5.2 million (equivalent to approximately RMB4.0 million) which was previously recognized for the year 2013.

## 9. DIVIDENDS

	<b>Six months ended 30 June</b>	
	<b>2014</b>	<b>2013</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Dividends recognised as distribution during the period:		
Final, declared – HK2.71 cents per share for 2013 (2013: declared – HK1.40 cents per share for 2012)	<b>29,531</b>	15,039
Special, declared – HK9.90 cents per share for 2013 (2013: HK10.80 cents per share for 2012)	<b>107,881</b>	116,009
	<b>137,412</b>	131,048

An interim dividend of HK4.70 cents per ordinary share has been declared by the directors for the period ended 30 June 2014 (six months ended 30 June 2013: HK3.59 cents).

## 10. 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 ended 30 June</b>	
	<b>2014</b>	<b>2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<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>127,679</b>	130,096
	<b>Number of shares</b>	
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<b>1,090,612,334</b>	1,081,620,599
Effect of dilutive potential ordinary shares relating to: – outstanding share options	<b>1,848,387</b>	2,092,837
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<b>1,092,460,721</b>	1,083,713,436

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 2014 and 30 June 2013 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.

## 11. TRADE AND OTHER RECEIVABLES

	<b>30 June</b>	<b>31 December</b>
	<b>2014</b>	<b>2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Trade receivables		
– related companies	<b>1,178</b>	1,190
– others	<b>20,069</b>	18,178
	<b>21,247</b>	19,368
Rental and utility deposits	<b>38,877</b>	33,279
Property rentals paid in advance for restaurants	<b>30,638</b>	22,104
Advance to suppliers	<b>13,381</b>	10,788
Other receivables and prepayments	<b>34,077</b>	24,050
	<b>138,220</b>	109,589

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

Customers including both independent third parties and related company of noodles and related products are normally granted 60 to 90 days (31 December 2013: 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 (31 December 2013: 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 at the end of the reporting period, which approximated the respective revenue recognition dates:

	<b>30 June 2014 <i>HK\$'000</i> (Unaudited)</b>	31 December 2013 <i>HK\$'000</i> (Audited)
Age		
0 to 30 days	<b>12,799</b>	11,998
31 to 60 days	<b>3,474</b>	2,768
61 to 90 days	<b>391</b>	386
91 to 180 days	<b>1,222</b>	1,557
Over 180 days	<b>3,361</b>	2,659
	<b>21,247</b>	19,368

## 12. TRADE AND OTHER PAYABLES

	<b>30 June 2014 <i>HK\$'000</i> (Unaudited)</b>	31 December 2013 <i>HK\$'000</i> (Audited)
Trade payables		
– a related company	<b>7,747</b>	5,916
– others	<b>124,935</b>	123,959
	<b>132,682</b>	129,875
Payroll and welfare payables	<b>55,581</b>	52,587
Customers' deposits received	<b>12,462</b>	13,411
Payable for acquisition of property, plant and equipment	<b>73,419</b>	85,595
Payable for property rentals	<b>31,969</b>	34,113
Other taxes payable	<b>35,916</b>	36,763
Others	<b>23,723</b>	25,957
	<b>365,752</b>	378,301

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 (31 December 2013: 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 2014 <i>HK\$'000</i> (Unaudited)</b>	31 December 2013 <i>HK\$'000</i> (Audited)
0 to 30 days	<b>93,938</b>	107,709
31 to 60 days	<b>28,411</b>	15,506
61 to 90 days	<b>1,560</b>	2,550
91 to 180 days	<b>995</b>	457
Over 180 days	<b>7,778</b>	3,653
	<b><u>132,682</u></b>	<b><u>129,875</u></b>

## MANAGEMENT DISCUSSION AND ANALYSIS

### Industry Review

In the first half of 2014, the world economy continued to grow slowly, as demonstrated by the positive recovery trend in the U.S. economy, the gradually diminishing impact of the 2008 financial crisis and the bottoming out of the European economy. However, global economy was recovering at uneven pace as the emerging economies continued to grow at a rate slower than that of the developed economies. The Chinese government further slashed economic growth forecast as a move to implement deep-rooted structural reforms. In the first half of 2014, China's GDP grew by 7.4% year-on-year to RMB26.9044 trillion, which further decelerated from the growth rate of 7.6% for the corresponding period of 2013.

Hit by the subsequent effect of the overall economic weakness and China's policy for imposing restrictions on the "three business expense items" (i.e. the expenses incurred by overseas business trips, business vehicle purchase and operation as well as business receptions), the high-end catering industry remained in deep trouble, and as a result had successively transformed its development mode such that the popular catering sector had become a battleground which further intensified competition in the industry.

The catering industry continued to face the "four highs and one low" phenomenon, featuring increasingly high rental expenditure, labour cost, raw material price and public utility rates, resulting in sustained low profits. The industry was also subject to various risks such as food safety issues, consumer complaints and exposure of negative news.

During the reporting period, the Group continued to smoothen and optimize operational processes to improve operational efficiency. Moreover, the Group continued to adopt a prudent strategy for the opening of restaurants and to consolidate the restaurant network especially in the transport hubs of Beijing, Shanghai, Guangzhou, Shenzhen, Jiangsu, Zhejiang and Anhui. As at 30 June 2014, the Group had 637 chain restaurants in total, a decrease of 10 from 647 during the corresponding period of 2013.

On the other hand, the Group continued to step up brand publicity by engaging Korean star Park Hae Jin for the first time as its brand spokesperson to increase brand impact. To further improve service standards, the Group plans to construct wireless network across its restaurant network and will also launch takeaway and afternoon tea services on a trial basis to optimize corporate resources.

## **Business Review**

For the six months ended 30 June 2014, the Group's turnover increased from approximately HK\$1,568,936,000 during the corresponding period in 2013, by approximately 2.7% to approximately HK\$1,611,826,000. The gross profit of the Group reached approximately HK\$1,108,818,000, an increase of approximately 5.7% from approximately HK\$1,049,131,000 during the corresponding period in 2013; the profit attributable to the owners of the Company reached approximately HK\$127,679,000, a decrease of approximately 1.9% from approximately HK\$130,096,000 in 2013. The basic earnings per share decreased to HK11.71 cents from HK12.03 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. The Group adopted more focused strategies in its development, and continued to expand the restaurants network and deepened the density in mature markets, such as Beijing, Jiangsu, Zhejiang and Shanghai. As at 30 June 2014, the Group had a total of 637 fast casual chain restaurants, a decrease of 10 from 647 during the corresponding period in 2013; the Group's restaurant network extended its reach to 31 provinces and municipalities nationwide, amounting to 116 cities in aggregate, adding nil province and reducing 4 cities as compared with the corresponding period in 2013.

The construction and operation of the three 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 Shanghai, Chengdu and Tianjin have been put into operation, while the factory in Dongguan 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 31.2%, representing an decrease of approximately 1.9 percentage points as compared with the corresponding period last year. Accordingly, the gross profit margin increased to approximately 68.8% from approximately 66.9% during the corresponding period last year, which

was attributable to less discounts and promotions offered by the Group as well as 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 24.8% of the turnover, which was approximately 1.1 percentage points higher 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.

During the current reporting period, rent and related costs as a proportion to turnover of the Group was approximately 15.4%, which was approximately 0.1 percentage point higher 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-size 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.

The highly effective operation of over 630 restaurants under the Group is dependent 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 2014, 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\$1,548,704,000 (2013: HK\$1,511,347,000), accounted for approximately 96.1% (2013: 96.3%) of the Group's total revenue, an increase of 2.5% from the corresponding period in last year.

As at 30 June 2014, the Group's restaurant portfolio consisted of 637 Ajisen chain restaurants, comprising the following:

	<b>30 June 2014</b>	31 December 2013	+/-
By type:			
Owned and managed	<b>635</b>	634	1
Owned but not managed	<b>2</b>	2	0
Total	<b>637</b>	636	1
By provinces:			
Shanghai	<b>138</b>	136	2
Beijing	<b>37</b>	35	2
Tianjin	<b>7</b>	7	0
Guangdong (excluding Shenzhen)	<b>57</b>	58	-1
Shenzhen	<b>30</b>	33	-3
Jiangsu	<b>72</b>	72	0
Zhejiang	<b>49</b>	46	3
Sichuan	<b>24</b>	24	0
Chongqing	<b>14</b>	14	0
Fujian	<b>18</b>	22	-4
Hunan	<b>16</b>	16	0
Hubei	<b>17</b>	16	1
Liaoning	<b>9</b>	11	-2
Shandong	<b>36</b>	34	2
Guangxi	<b>7</b>	7	0
Guizhou	<b>4</b>	4	0
Jiangxi	<b>9</b>	8	1
Shaanxi	<b>12</b>	12	0
Yunnan	<b>7</b>	7	0
Henan	<b>3</b>	2	1
Hebei	<b>4</b>	4	0
Anhui	<b>12</b>	11	1
Gansu	<b>1</b>	1	0
Xinjiang	<b>2</b>	2	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>	1	0
Hong Kong	<b>36</b>	38	-2
Taiwan*	<b>2</b>	2	0
Total	<b>637</b>	636	1
Total saleable area (sq. meters)	<b>148,874</b>	147,459	1,415

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



	<b>30 June 2014</b>	31 December 2013	+/-
By geographical region:			
Northern China	<b>104</b>	102	2
Eastern China	<b>259</b>	254	5
Southern China	<b>151</b>	161	-10
Central China	<b>121</b>	117	4
Taiwan	<b>2</b>	2	0
	<hr/>	<hr/>	<hr/>
Total	<b>637</b>	636	1
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

### *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 2014, revenue from the sales of packaged noodle and related products was approximately HK\$63,122,000 (2013: HK\$57,589,000), accounted for approximately 3.9% (2013: 3.7%) 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 2014, 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 2014, the Group's turnover increased by approximately 2.7%, or approximately HK\$42,890,000, to approximately HK\$1,611,826,000 from approximately HK\$1,568,936,000 for the corresponding period in 2013. 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 2014, the Group's cost of inventories decreased by approximately 3.2%, or approximately HK\$16,797,000, to approximately HK\$503,008,000 from approximately HK\$519,805,000 for the corresponding period in 2013. During the reporting period, the ratio of inventories cost to turnover was approximately 31.2%, lower than 33.1% for the corresponding period in 2013. 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 2014 increased by approximately 5.7%, or approximately HK\$59,687,000 to approximately HK\$1,108,818,000 from approximately HK\$1,049,131,000 for the corresponding period in 2013. Gross profit margin of the Group also further increased from approximately 66.9% for the corresponding period in 2013 to approximately 68.8%.

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

For the six months ended 30 June 2014, property rentals and related expenses of the Group increased by approximately 2.8% from approximately HK\$240,700,000 for the corresponding period in 2013 to approximately HK\$247,499,000. Its proportion to turnover increased by 0.1 percentage point from approximately 15.3% for the corresponding period in 2013 to approximately 15.4%. Such an increase was mainly attributable to the fact that the increase in rentals for certain shops for the period.

### ***Staff costs***

For the six months ended 30 June 2014, staff costs of the Group increased by approximately 7.3% from approximately HK\$371,863,000 for the corresponding period in 2013 to approximately HK\$399,087,000. Staff costs as a proportion to turnover increased from approximately 23.7% for the corresponding period in 2013 by 1.1 percentage points to approximately 24.8%, which reflected the minimum wages was raised in a number of provinces and cities in China.

### ***Depreciation***

For the six months ended 30 June 2014, depreciation of the Group increased by approximately 7.3% or approximately HK\$6,168,000 from approximately HK\$84,633,000 for the corresponding period in 2013 to approximately HK\$90,801,000. Such an increase was mainly attributable to the opening of new factory in second half of 2013.

### ***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 2014, other operating expenses increased by approximately 1.1%, or approximately HK\$2,530,000, to approximately HK\$231,538,000 from approximately HK\$229,008,000 for the corresponding period in 2013. Its proportion to turnover was decreased by 0.2 percentage point from 14.6% to approximately 14.4%, which was mainly attributable to the decrease in expenses spent on consumables, and fuel and utility for the period. While expenses spent on advertising and promotion had increased to approximately HK\$34,310,000 from approximately HK\$23,938,000 for the corresponding period in 2013.

### ***Other income***

For the six months ended 30 June 2014, other income of the Group increased by approximately 2.2%, or approximately HK\$1,229,000, to approximately HK\$58,101,000 from approximately HK\$56,872,000 for the corresponding period in 2013. The increase was mainly originated from the increase in government grant during the period.

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

For the six months ended 30 June 2014, other gains and losses of the Group decreased by approximately 13.6% or approximately HK\$671,000, to approximately HK\$4,255,000 from approximately HK\$4,926,000 for the corresponding period in 2013. The decrease was due to less on loss on disposal of property, plant and equipment as less shops closed for the period.

### ***Finance costs***

For the six months ended 30 June 2014, finance costs increased by approximately 51.8%, or approximately HK\$495,000 to approximately HK\$1,451,000 from approximately HK\$956,000 for the corresponding period in 2013. The increase was mainly due to new loan obtained from second half of 2013.

### ***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 2014 increased by approximately 10.6%, or approximately HK\$18,366,000 to approximately HK\$192,283,000 from approximately HK\$173,917,000 for the corresponding period in 2013.

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

Being affected by the factors referred to above in aggregate and due to no refund of income tax for the period, profit attributable to owners of the Company for the six months ended 30 June 2014 decreased by approximately 1.9%, or approximately HK\$2,417,000, to approximately HK\$127,679,000 from approximately HK\$130,096,000 for the corresponding period in 2013.

## *Assets and liabilities*

The Group's net current assets were approximately HK\$1,563,871,000 and the current ratio was 3.3 as at 30 June 2014 (31 December 2013: 3.7). 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 2014.

## *Cash flows*

Net cash inflow from operations for the six months ended 30 June 2014 was approximately HK\$283,728,000 while profit before taxation for the same period was approximately HK\$192,283,000. 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 2014, the Group's capital expenditure was approximately HK\$80,914,000 (corresponding period in 2013: HK\$163,331,000), which was due to the decrease in purchase of investment property.

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

	Hong Kong			PRC		
	1-6/2014	1-12/2013 (approximate) (unaudited)	1-6/2013	1-6/2014	1-12/2013 (approximate) (unaudited)	1-6/2013
Comparable restaurant sales growth:	<b>-0.7%</b>	4.3%	1.5%	<b>4.2%</b>	7.6%	4.5%
Turnover per Gross Floor Area (per day/sq. meters):	<b>HK\$228</b>	HK\$228	HK\$225	<b>RMB41.4</b>	RMB41.2	RMB41.1
Per capita spending:	<b>HK\$65.8</b>	HK\$64.1	HK\$61.1	<b>RMB43.1</b>	RMB42.3	RMB42.0
Table turnover per day (times per day):	<b>5.1</b>	5.4	5.6	<b>3.4</b>	3.4	3.4

## **OTHER INFORMATION**

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

The Company has complied with all applicable code provisions under the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules for the six months ended 30 June 2014, 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 2014, 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 2014 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 2014.

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

As at 30 June 2014, the Group employed 14,585 persons (31 December 2013: 12,970 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 2014 was approximately HK\$399,087,000 (30 June 2013: HK\$371,863,000).

## **Dividend**

An interim dividend of HK4.70 cents per ordinary share (for six months ended 30 June 2013: HK3.59 cents) for the six months ended 30 June 2014 have been declared by the Board to shareholders and such interim dividend will be paid in Hong Kong dollars on 21 November 2014 to shareholders whose names appear on the register of members of the Company on 19 September 2014.

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

The register of members of the Company will be closed from 17 September 2014 to 19 September 2014 (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 2014.

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

Hong Kong, 26 August 2014

*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.*