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 2011

INTERIM RESULTS HIGHLIGHTS

- Turnover rose by 40.1% to HK$1,665 million (corresponding period of 2010: HK$1,188 million)
- Profit from core operations of the Group rose by 42.0% to HK$332.3 million (corresponding period of 2010: HK$233.9 million)
- Gross profit margin decreased by 0.6 percentage point to 68.5% (corresponding period of 2010: 69.1%)
- Profit attributable to owners of the Company grew by 32.4% to HK$255.2 million (corresponding period of 2010: HK$192.8 million)
- Basic earnings per share increased by HK5.78 cents to HK23.83 cents, representing an increase of 32.0% (corresponding period of 2010: HK18.05 cents)
- Total number of restaurants reached 576 by 30 June 2011 and 596 as at the date of this announcement

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 2011, together with the comparative figures for the corresponding period in 2010 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

		Six months ended 30 June	
		2011	2010
	NOTES	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Turnover	*4*	**1,664,730**	1,188,133
Other income	*5*	**50,558**	36,540
Other gains and losses		**4,701**	(1,563)
Cost of inventories consumed		**(524,851)**	(366,949)
Staff costs		**(303,512)**	(210,637)
Depreciation		**(69,100)**	(58,867)
Property rentals and related expenses		**(218,771)**	(162,476)
Other operating expenses		**(216,243)**	(155,271)
Finance costs		**(1,918)**	–
Profit before taxation	*6*	**385,594**	268,910
Taxation	*7*	**(118,034)**	(67,634)
Profit for the period		**267,560**	201,276
Other comprehensive income			
Exchange differences arising on translation		**30,266**	22,228
Total comprehensive income for the period		**297,826**	223,504
Profit for the period attributable to:			
Owners of the Company		**255,243**	192,830
Non-controlling interests		**12,317**	8,446
		267,560	201,276
Total comprehensive income for the period attributable to:			
Owners of the Company		**284,277**	214,429
Non-controlling interests		**13,549**	9,075
		297,826	223,504
		HK cents	*HK cents*
Earnings per share	*8*		
– Basic		**23.83**	18.05
– Diluted		**23.56**	17.92

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2011

	NOTE	30 June 2011 HK$'000 (Unaudited)	31 December 2010 HK$'000 (Audited)
Non-current assets			
Investment properties		**278,412**	278,412
Property, plant and equipment		**917,930**	772,549
Prepaid lease payments		**89,547**	58,091
Intangible assets		**15,800**	–
Deposits paid for acquisition of property, plant and equipment		**1,941**	1,586
Deposits paid for acquisition of land leases		**27,157**	57,297
Rental deposits		**60,752**	58,041
Goodwill		**44,791**	37,135
Deferred tax assets		**2,990**	2,973
Available-for-sale investments		**5,537**	5,537
		1,444,857	1,271,621
Current assets			
Inventories		**92,661**	82,366
Trade and other receivables	9	**160,069**	144,679
Amounts due from related parties		**34**	32
Taxation recoverable		**1,693**	4,954
Restricted cash		**146,143**	142,440
Bank balances and cash		**2,042,721**	1,828,721
		2,443,321	2,203,192

	NOTE	30 June 2011 HK$'000 (Unaudited)	31 December 2010 HK$'000 (Audited)
Current liabilities			
Trade and other payables	10	**416,685**	362,683
Amounts due to related companies		**2,860**	2,385
Amounts due to directors		**181**	544
Amount due to a shareholder		**21,052**	23,753
Amount due to minority shareholder of a subsidiary		**12,378**	–
Dividend payable		**4,404**	8
Taxation payable		**77,459**	70,617
Bank loans		**435,930**	142,440
		970,949	602,430
Net current assets		**1,472,372**	1,600,762
Total assets less current liabilities		**2,917,229**	2,872,383
Non-current liability			
Deferred tax liabilities		**18,957**	24,958
Net assets		**2,898,272**	2,847,425
Capital and reserves			
Share capital		**107,187**	107,060
Reserves		**2,721,090**	2,674,541
Equity attributable to owners of the Company		**2,828,277**	2,781,601
Non-controlling interests		**69,995**	65,824
Total equity		**2,898,272**	2,847,425

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 "Corporation Information" section of the interim report.

2. BASIS OF PREPARATION

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

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, as appropriate.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2011 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010, other than the new adoption of HKFRS 3 "Business Combination", HKAS 38 "Intangible Assets" and HKAS 36 "Impairment of Assets" by the Group in the current interim period as a results of certain transactions as details in the interim report.

In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations of Hong Kong Financial Standards ("HKFRS") ("new and revised HKFRSs") issued by the Hong Kong Institute of certified Public Accountants ("HKICPA").

The application of the new and 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.

The Group has not early applied the following new or revised standards, amendments or interpretations that have been issued but are not yet effective. The following new or revised standards have been issued after the date the consolidated financial statements for the year ended 31 December 2010 were authorised for issuance and are not yet effective:

HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[2]
HKAS 19 (Revised 2011)	Employee Benefits[1]
HKAS 27 (Revised 2011)	Separate Financial Statements[1]
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[1]

[1] Effective for annual periods beginning on or after 1 January 2013
[2] Effective for annual periods beginning on or after 1 July 2012

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

4. SEGMENT INFORMATION

The following is an analysis of the Group's revenue and results by operating segments for the period under review:

For the period ended 30 June 2011 (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*
Segment revenue								
– external sales	**1,445,088**	**157,968**	**1,603,056**	**61,674**	**–**	**1,664,730**	**–**	**1,664,730**
– inter-segment sales *(note)*	**–**	**–**	**–**	**310,747**	**–**	**310,747**	**(310,747)**	**–**
	1,445,088	**157,968**	**1,603,056**	**372,421**	**–**	**1,975,477**	**(310,747)**	**1,664,730**
Segment profits	**357,368**	**19,237**	**376,605**	**4,100**	**7,737**	**388,442**	**–**	**388,442**
Unallocated income								**17,742**
Unallocated expenses								**(18,672)**
Finance cost								**(1,918)**
Profit before taxation								**385,594**
Taxation								**(118,034)**
Profit for the period								**267,560**

For the period ended 30 June 2010 (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*
Segment revenue								
– external sales	1,002,929	135,733	1,138,662	49,471	–	1,188,133	–	1,188,133
– inter-segment sales *(note)*	–	–	–	212,433	–	212,433	(212,433)	–
	1,002,929	135,733	1,138,662	261,904	–	1,400,566	(212,433)	1,188,133
Segment profits	253,860	14,992	268,852	8,899	4,412	282,163	–	282,163
Unallocated income								13,841
Unallocated expenses								(27,094)
Profit before taxation								268,910
Taxation								(67,634)
Profit for the period								201,276

Note: Inter-segment sales are charged at prevailing market rates.

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.

Other information

All of the Group's non-current assets, including investment properties, property, plant and equipment, prepaid lease payments, intangible assets, deposits paid for acquisition of property, plant and equipment and deposits paid for acquisition of land leases and rental deposits, are located in the Group entities' countries of domicile, the People's Republic of China (the "PRC") and Hong Kong, at the end of each reporting period.

The following is an analysis of the Group's non-current assets by geographical location of assets:

	30 June 2011	31 December 2010
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
The PRC	**1,194,993**	1,041,231
Hong Kong	**241,337**	221,880
	1,436,330	1,263,111

All of the Group's revenue from external customers are attributed to the location of the relevant group entities, which is the PRC and Hong Kong, during the six months ended 30 June 2011 and 30 June 2011.

None of the customers accounted for 10% or more of the total turnover of the Group during the six months ended 30 June 2011 and 30 June 2010.

5. OTHER INCOME

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Royalty income from sub-franchisee	**8,312**	7,439
Government grant	**16,396**	6,202
Bank interest income	**13,012**	12,704
Property rental income, negligible outgoings	**7,737**	4,412
Others	**5,101**	5,783
	50,558	36,540

6. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit before taxation has been arrived at after charging:		
Cost of inventories consumed *(note a)*	**524,851**	366,949
Advertising and promotion expenses	**11,042**	8,856
Fuel and utility expenses	**80,210**	58,249
Operating lease rentals in respect of		
– land lease	**581**	1,228
– rented premises *(note b)*	**194,181**	144,577

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$108,466,000 (six months ended 30 June 2010: HK$91,619,000) and contingent rent of approximately HK$85,715,000 (six months ended 30 June 2010: HK$52,958,000).

7. TAXATION

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Hong Kong Profits Tax		
– current period	**5,809**	4,894
– under(over) provision in prior periods	**374**	(123)
	6,183	4,771
PRC income tax		
– current period	**76,242**	58,102
– withholding taxes paid	**13,541**	–
– underprovision in prior periods	**14,546**	–
	104,329	58,102
	110,512	62,873
Deferred taxation	**7,522**	4,761
	118,034	67,634

The income tax expense in Hong Kong and the PRC is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated weighted average annual tax rates used for Hong Kong Profit Tax and PRC income tax used are 16.5% (six months ended 30 June 2010: 16.5%) and 25% (six months ended 30 June 2010: 25%), respectively, for the periods under review, except the followings:

(a) Under the EIT Law and Implementation Regulation, the tax rate of Weiqian Noodle (Shanghai) Co., Ltd. 領鮮食品(上海)有限公司 ("Weiqian Noodle"), the Group's subsidiary in the PRC was increased from 15% to 25% progressively from 1 January 2008 onwards. The relevant tax rate for Weiqian Noodle in the PRC is 24% for the six months ended 2011 (six months ended 2010: 22%).

(b) Pursuant to the relevant provincial policy and with written approval obtained from the State Tax Bureau in Chongqing ("Chongqing STB") in the year ended 31 December 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") during the years ended 31 December 2009 and 31 December 2010.

During the six months ended June 2011, the Company received a 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 ended 31 December 2009. The PRC National Audit Office's ruling is that Chongqing Weiqian should pay enterprise income tax at the standard rate of 25%. During the six months ended 30 June 2011, the Group made additional enterprise income tax provision of approximately HK$3.8 million (equivalent to approximately RMB3.2 million) for the year ended 31 December 2009 and paid such amount to the Chongqing STB on a timely manner as requested. As such, the Group applied the standard enterprise income tax rate of 25% for Chongqing Weiqian for the six months ended 30 June 2011.

In addition, the Group made provision of approximately HK$10.7 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 ended 31 December 2010. This provision is based on the Group's assessment that the above PRC National Audit Office ruling has brought uncertainties to the Preferential Tax Treatment that Chongqing Weiqian enjoyed.

As a result of the foregoing during the current interim period, the Group recognised a one-time tax liability of approximately HK$ 14.5 million (equivalent to approximately RMB 12.2 million) related to the change in the Preferential Tax Treatment for the years ended 31 December 2009 and 2010. The directors of the Company believe that the Preferential Tax Treatment Chongqing Weiqian previously enjoyed was appropriate under the relevant government rules and regulations and the written approval it received for the year ended 31 December 2009.

8. 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:

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Earnings for the purposes of basic and diluted earnings per share, being profit for the period attributable to owners of the Company	**255,243**	192,830
	Number of shares	
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,071,190,812**	1,068,308,059
Effect of dilutive potential ordinary shares relating to: – share options	**12,396,611**	7,692,518
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,083,587,423**	1,076,000,577

9. TRADE AND OTHER RECEIVABLES

	30 June 2011	31 December 2010
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables		
– a related company	**588**	578
– others	**35,045**	31,749
	35,633	32,327
Rental and utility deposits	**40,496**	26,236
Property rentals paid in advance for restaurants	**17,905**	21,258
Advance to suppliers	**25,469**	21,179
Other receivables and prepayments	**40,566**	43,679
	160,069	144,679

The related company is a company in which Ms. Poon has controlling interests.

Customers who are independent third parties and related companies of noodles and related products are normally granted 60 to 90 days credit period upon issuance of invoices, except for certain well established customers for which the credit terms are up to 180 days. There was no credit period for customers relating to sales from operation of restaurants. The following is an analysis of trade receivables net of allowance for doubtful debts by age, presented based on invoice date at the end of the reporting period:

	30 June 2011	31 December 2010
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 to 30 days	**23,948**	24,088
31 to 60 days	**2,361**	2,596
61 to 90 days	**519**	585
91 to 180 days	**3,612**	1,423
Over 180 days	**5,193**	3,635
	35,633	32,327

10. TRADE AND OTHER PAYABLES

	30 June 2011	31 December 2010
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade payables		
– related companies	**4,422**	5,988
– others	**182,997**	144,919
	187,419	150,907
Payroll and welfare payables	**47,595**	50,576
Customers' deposits received	**8,012**	12,408
Payable for acquisition of property, plant and equipment	**31,028**	38,032
Payable for property rentals	**40,428**	33,530
Other taxes payable	**49,933**	38,610
Others	**52,270**	38,620
	416,685	362,683

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

The following is an analysis of trade payables by age, presented based on invoice date at the end of the reporting period:

	30 June 2011	31 December 2010
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 to 30 days	**99,780**	90,297
31 to 60 days	**53,840**	43,504
61 to 90 days	**13,668**	9,512
91 to 180 days	**7,540**	5,345
Over 180 days	**12,591**	2,249
	187,419	150,907

11. DIVIDENDS

	Six months ended 30 June **2011** *HK$'000* **(Unaudited)**	2010 *HK$'000* (Unaudited)
Dividends recognised as distribution during the period:		
Final, declared – HK10.50 cents per share for 2010 (2010: declared – HK7.50 cents per share for 2009)	**112,525**	80,162
Special, declared – HK12.50 cents per share for 2010 (2010: HK7.50 cents per share for 2009)	**133,958**	80,162
	246,483	160,324

An interim dividend of HK5.95 cents per ordinary share (six months ended 30 June 2010: Nil) has been declared by the directors.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

During the first half of 2011, the European and US economies recovered at slow pace owing to the debt crisis distress. The European and American debt crisis pushed up inflation in other countries and regions in the world. In the first half of 2011, the consumer price index ("CPI"), which is steered by food price, had been showing a rising trend. It is still uncertain whether it will go down in the second half of 2011. To control inflation, the Government of PRC adopted a series of monetary adjustment policies. With banks tightening credit standards, there was a slowdown in the investment growth. However, overall speaking, the macro-economy of China sustained the steady growth. According to the data of the National Bureau of Statistics of China, the gross domestic product ("GDP") in China was approximately RMB20,445.9 billion for the first half of 2011, a year-on-year increase of 9.6%, and total income from the food and beverages ("F&B") industry during the first half of 2011 was approximately RMB957.9 billion, a year-on-year increase of 16.2%.

One of the key targets as set out in the Twelfth Five-Year Plan of the PRC is to achieve synchronisation in the level of residential income and the standard of economic development. As consumption spending continues to rise, the F&B industry will, for a long term, benefit from the PRC's policies which regard consumption as a means to stimulate the economic growth. The ongoing process of urbanisation and the beginning of the era of high-speed train have brought tremendous development opportunities for the rapid development of the F&B industry. The successive completions of the integrated services infrastructure with numerous functional supports in cities of China recently have provided a sound operating environment for the development of chain management of the F&B industry. A standardised F&B operating market is forming gradually.

During the first half of 2011, owing to the increase in food price and rise in labour costs, the operation of all F&B enterprises encountered double pressure. Despite the challenges, the Group fully leveraged on its competitive edge in product research and development and centralised purchasing, devoted efforts in exploring potential within the enterprise to enhance management efficiency and adjusted marketing strategies in a flexible manner, thereby achieving expected growth of the earnings of the Company.

BUSINESS REVIEW

During the first half of 2011, the Group achieved expected growth in various key performance indicators during the reporting period. For the six months ended 30 June 2011, the Group's turnover increased from approximately HK$1,188,133,000 for the corresponding period of 2010 by approximately 40.1% to approximately HK$1,664,730,000. The gross profit of the Group reached HK$1,139,879,000, an increase of approximately 38.8% from approximately HK$821,184,000 for the corresponding period of 2010. Profit attributable to the owners of the Company increased by approximately 32.4% to approximately HK$255,243,000 from approximately HK$192,830,000 for the corresponding period of 2010. Correspondingly, basic earnings per share rose from HK Cents 18.05 for the corresponding period of last year to HK Cents 23.83 per ordinary share.

During the reporting period, the Group accelerated its pace for the expansion of Fast Casual Restaurant ("FCR") network as planned. The Group adopted more focused strategies in its development, and continued to expand the restaurant network and deepened the density in mature markets, such as Jiangsu, Zhejiang and Shanghai. Additional efforts were devoted to expand the markets in Central and Western China. As at 30 June 2011, the Group had a total of 576 fast causal chain restaurants, an increase of 126 restaurants from 450 restaurants for the corresponding period in 2010. The Group's restaurant network covers 95 cities in 27 provinces and municipalities of China, an addition of 2 provinces and 19 cities from the corresponding period in 2010.

The production and logistics system offers strong support to the expansion of the chain restaurant network in a rapid and steady manner. The Group's two major production bases in Shanghai and Shenzhen and food manufacturing and processing centres throughout China comprised a comprehensive and state-of-the-art support system. During the reporting period, the construction of four new production bases in Shanghai, Tianjin, Chengdu and Dongguan proceeded as planned and scheduled, of which the Shanghai factory will commence production progressively in August 2011. These production bases will provide a solid foundation for the accelerated expansion of the restaurant network in the future.

In the first half of 2011, the Group has achieved a double-digit growth in the key performance indicators of all its main businesses. The sales for the same restaurant grew steadily following the mature development of the chain restaurant network. At the same time, through the accelerated expansion of its restaurant network, the Group's turnover has achieved growth at a rate of 40.1%.

During the reporting period, the Group's cost of inventories as a proportion to turnover was approximately 31.5%, an increase of approximately 0.6 percentage point from that of the corresponding period of last year. Accordingly, gross profit margin has decreased from approximately 69.1% for the corresponding period of last year to approximately 68.5%. During the first half of the year, the prices of various food ingredients, such as pork, cooking oil and vegetables rose. Nevertheless, through different means such as integrating and centralising the purchase channels and agreed inventory management, the Group obtained preferential and steady costs on its purchases for some food ingredients. At the same time, the Group adjusted the prices by approximately 7% for certain items on the menu in November 2011 with an aim to tackle inflation. During the second half of the year, the prices of raw materials may expect to be more stable. The Group will closely follow the price trend and is confident to stabilise the gross profit margin at expected level.

During the reporting period, the Group's labour costs accounted for approximately 18.2% of the turnover, a slight increase of approximately 0.5% percentage point over the corresponding period of last year. During the reporting period, the standard of minimum wage in a number of provinces and municipalities in China was successively raised. As such, the Group also adjusted the wages of its staff according to the relevant laws and regulations. At the same time, the Group increased the bonus for staff, leading to an increase in labour costs.

During the reporting period, the ratio of the rental and related costs against the turnover of the Group was approximately 13.1%, which was approximately 0.5 percentage point lower than that of the corresponding period of last year. During the reporting period, the Group maintained stringent criteria in location selection for new restaurants to ensure the rate of success of the new establishment. Also, a large number of medium and small size restaurants was developed so as to enhance the output per unit area. With our expanding restaurant network, the Group has secured fixed leases on a long-term basis. With a relatively rapid increase in turnover, rental costs will be further diluted. The ratio of rental and related costs proportion to turnover will decrease correspondingly.

The Group timely introduced a number of enriched and attractive marketing activities. The results of which were within expectation. During the reporting period, the Group featured the promotional sales of various attractive premiums. The feedback was excellent and the promotions facilitated an increase in transaction amount. The traditional redemption activities further improved the sales profit margin.

The highly effective operation of over 500 restaurants under the Group would not be achieved without our efficient management and intensive staff training. During the 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. The Group continued to launch inter-restaurant competitions this year so as to fully mobilise its staff, which created significant contribution to the Group's turnover.

RETAIL CHAIN RESTAURANTS

During the first half of 2011, 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$1,603,056,000 (2010: HK$1,138,662,000), accounted for approximately 96.3% (2010: 95.8%) of the Group's total revenue, an increase of 40.8% from the corresponding period in last year.

As at 30 June 2011, the Group's restaurant portfolio consisted of 576 Ajisen chain restaurants, comprising the following:

	30 June 2011	31 December 2010	+/–
By type:			
Owned and managed	**574**	506	68
Owned but not managed	**2**	2	0
Total	**576**	508	68
By provinces:			
Shanghai	**124**	111	13
Beijing	**33**	30	3
Tianjin	**5**	4	1
Guangdong (excluding Shenzhen)	**61**	51	10
Shenzhen	**31**	36	-5
Jiangsu	**58**	49	9
Zhejiang	**42**	33	9
Sichuan	**21**	19	2
Chongqing	**13**	11	2
Fujian	**21**	17	4
Hunan	**9**	7	2
Hubei	**15**	14	1
Liaoning	**12**	10	2
Shandong	**29**	28	1
Guangxi	**6**	3	3
Guizhou	**7**	5	2
Jiangxi	**5**	4	1
Shannxi	**11**	11	–
Yunnan	**6**	6	–
Henan	**4**	3	1
Hebei	**2**	2	–
Anhui	**11**	7	4
Gansu	**2**	2	–
Xinjiang	**2**	3	-1
Hainan	**3**	2	1
Shanxi	**1**	1	0
Neimenggu	**1**	2	-1
Hong Kong	**39**	35	4
Taiwan*	**2**	2	0
Total	**576**	508	68
Total saleable area	132,030 sq. meters	123,558 sq. meters	8,472 sq. meters

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

	30 June 2011	31 December 2010	+/–
By geographical region:			
Northern China	**83**	76	7
Eastern China	**224**	193	31
Southern China	**161**	145	16
Central China	**106**	92	14
Taiwan	**2**	2	–
Total	**576**	508	68

	30 June 2011	31 December 2010	+/–
By scale:			
Flagship	**45**	44	1
Standard	**521**	454	67
Economic	**10**	10	–
Total	**576**	508	68

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 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 2011, revenue from the sales of packaged noodle and related products was approximately HK$61,674,000 (2010: HK$49,471,000), accounted for approximately 3.7% (2010: 4.2%) 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 2011, the total number of points-of-sale in this network reached approximately 8,000, of which approximately 250 were new additions 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.

RECENT EVENTS

By referring to the announcements of the Company dated 26 July 2011, 1 August 2011, 2 August 2011, 12 August 2011, the brand image of Ajisen Ramen was adversely affected. The sales of Ajisen Ramen restaurants significantly declined after the recent events. In order to lift the corporate image to restore the consumers' confidence in the Group's products, the Company has taken following actions:

1. Increase the Corporate transparency.

2. Strengthen internal food safety management.

3. Strengthen the Group's public relations function.

4. More efforts on advertisement for remodeling Ajisen brand.

Financial review

Turnover

For the six months ended 30 June 2011, the Group's turnover increased by approximately 40.1%, or approximately HK$476,597,000, to approximately HK$1,664,730,000 from approximately HK$1,188,133,000 for the corresponding period in 2010. Such increase was mainly due to the increase in the number of FCR of the Group during the reporting period and the improvement in the growth of sales for the same outlet.

Cost of inventories consumed

For the six months ended 30 June 2011, the Group's cost of inventories increased by approximately 43.0%, or approximately HK$157,902,000, to approximately HK$524,851,000 from approximately HK$366,949,000 for the corresponding period in 2010. However, the increase of inventories cost was higher than the increase in turnover. During the reporting period, the ratio of inventories cost to turnover was approximately 31.5%, slightly higher than 30.9% for the corresponding period in 2010. Such increase was attributable to the increase in the purchasing cost for the period.

Gross profit and gross profit margin

Driven by the above factors, gross profit for the six months ended 30 June 2011 increased by approximately 38.8%, or approximately HK$318,695,000, to approximately HK$1,139,879,000 from approximately HK$821,184,000 for the corresponding period in 2010. Gross profit margin of the Group also further decreased from approximately 69.1% for the corresponding period in 2010 to approximately 68.5%.

Property rentals and related expenses

For the six months ended 30 June 2011, property rentals and related expenses of the Group increased by approximately 34.6% from approximately HK$162,476,000 for the corresponding period in 2010 to approximately HK$218,771,000. Its proportion to turnover dropped from approximately 13.7% for the corresponding period in 2010 to approximately 13.1%. Such a decrease was mainly attributable to the fact that the positive same store sales growth exposure for the period and rental costs can be further diluted.

Staff costs

For the six months ended 30 June 2011, staff costs of the Group increased by approximately 44.1% from approximately HK$210,637,000 for the corresponding period in 2010 to approximately HK$303,512,000, primarily due to the increase in headcount resulting from the opening of new restaurants. Staff costs as a proportion to turnover increased from approximately 17.7% for the corresponding period in 2010 by 0.5 percentage point to approximately 18.2%, which reflected the increase in minimum wage in a number of provinces and municipalities in China and in Hong Kong.

Depreciation

For the six months ended 30 June 2011, depreciation of the Group increased by approximately 17.4% or approximately HK$10,233,000 from approximately HK$58,867,000 for the corresponding period in 2010 to approximately HK$69,100,000. Such an increase was mainly attributable to the increase 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 2011, other operating expenses increased by approximately 39.3%, or approximately HK$60,972,000, to approximately HK$216,243,000 from approximately HK$155,271,000 for the corresponding period in 2010. However, its proportion to turnover was further reduced by 0.1 percentage point from 13.1% to approximately 13.0%, which reflected the effectiveness of the Group's control over its expenses.

Other income

For the six months ended 30 June 2011, other income of the Group increased by approximately 38.4%, or approximately HK$14,018,000, to approximately HK$50,558,000 from approximately HK$36,540,000 for the corresponding period in 2010. The increase mainly originated from the rise in government grant during the period.

Other gains and losses

For the six months ended 30 June 2011, other gains and losses of the Group increased by approximately 400.8% to gains of approximately HK$4,701,000 from a loss of approximately HK$1,563,000 for the corresponding period in 2010. The increase was primarily due to an increase in foreign exchange gain for the period.

Finance costs

For the six months ended 30 June 2011, finance costs of HK$1,918,000 were incurred as opposed to corresponding period in 2010 of nil amount. Loans which were obtained in the second half of 2010 and in June of 2011.

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 2011 increased by approximately 43.4%, or approximately HK$116,684,000 to approximately HK$385,594,000 from approximately HK$268,910,000 for the corresponding period in 2010.

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 2011 increased by approximately 32.4%, or approximately HK$62,413,000, to approximately HK$255,243,000 from approximately HK$192,830,000 for the corresponding period in 2010.

Assets and liabilities

The Group's net current assets were approximately HK$1,472,372,000 and the current ratio was 2.5 as at 30 June 2011 (31 December 2010: 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 2011.

Cash flows

Net cash inflow from operating activities for the six months ended 30 June 2011 was approximately HK$367,693,000 while profit before taxation for the same period was approximately HK$385,594,000. The operating cash inflows was mainly due to increase in number 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 2011, the Group's capital expenditure was approximately HK$209,524,000 (corresponding period in 2010: HK$116,275,000), which was due to the increase in purchase of property, plant and equipment for new restaurants and acquisition of an office in Nanjing.

Key operating ratios for "Ajisen Ramen" restaurant

	Hong Kong			PRC		
	1-6/2011	1-12/2010 **(approximate) (unaudited)**	1-6/2010	**1-6/2011**	1-12/2010 **(approximate) (unaudited)**	1-6/2010
Comparable restaurant sales growth:	**5.8%**	2.8%	0.6%	**14.0%**	8.7%	6.8%
Turnover per Gross Floor Area (per day/sq. meters):	**HK$213**	HK$199	HK$190	**RMB53.3**	RMB50	RMB50
Turnover per day per restaurant:	**HK$23,490**	HK$21,918	HK$21,308	**RMB13,619**	RMB13,278	RMB13,200
Per capita spending:	**HK$59.3**	HK$58.9	HK$58.3	**RMB41.2**	RMB38.3	RMB37.9
Table turnover per day (times per day):	**6**	6	6	**5.2**	5.1	5

OTHER INFORMATION

Compliance with the Code on Corporate Governance Practices

The Company has complied with all applicable code provisions under the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Rules Governing the listing of securities on the Stock Exchange (the "Listing Rules") for the six months ended 30 June 2011, 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 2011, 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, reviews the accounting principles and practices adopted by the Company and discusses auditing, internal controls and financial reporting matters. The Company's unaudited interim results for the six months ended 30 June 2011 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 2011.

Employee's Remuneration and Policy

As at 30 June 2011, the Group employed 15,954 persons (31 December 2010: 13,824 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 2011 was approximately HK$303,512,000 (30 June 2010: HK$210,637,000).

Dividend

An interim dividend of HK5.95 cents per ordinary share (for six months ended 30 June 2010: Nil) for the six months ended 30 June 2011 have been declared by the Board to shareholders and such interim dividend will be paid on or about 30 September 2011 to shareholders whose names appear on the register of members of the Company on 23 September 2011.

Closure of the Register of Members

The register of members of the Company will be closed from 21 September 2011 to 23 September 2011 (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 20 September 2011.

The 2011 Interim Report of the Company will be dispatched to the shareholders of the Company and will also be published on the Company's websites at <www.ajisen.com.hk> and <www.ajisen.com.cn> and the Stock Exchange's website at <www.hkexnews.hk> in due course.

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

Hong Kong, 23 August 2011

As at the date of this announcement, the Board comprises Ms. Poon Wai, Mr. Yin Yibing 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.