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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)**

## ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

**2014 ANNUAL RESULTS HIGHLIGHTS**

| | For the year ended 31 December | | |
|---|---|---|---|
| | **2014** | 2013 | **% Change Increase/ (Decrease)** |
| | ***(HK$'000)*** | *(HK$'000)* | |
| Turnover | **3,320,292** | 3,240,650 | 2.5 |
| Sales from restaurant operation | **3,177,710** | 3,102,626 | 2.4 |
| Gross profit | **2,292,903** | 2,183,557 | 5.0 |
| Profit before taxation | **418,770** | 370,177 | 13.1 |
| Profit attributable to owners of the Company | **275,565** | 271,698 | 1.4 |
| Basic earnings per share (HK cents) | **25.26** | 25.03 | 0.9 |
| Total dividend per share (HK cents) | **17.70** | 16.20 | 9.3 |
| Total number of restaurants (at 31 December) | **669** | 636 | 5.2 |

## ANNUAL RESULTS

The board of directors (the "Board") of Ajisen (China) Holdings Limited (the "Company" or "Ajisen") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2014 together with the comparative figures for the year 2013 as follows:

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

*FOR THE YEAR ENDED 31 DECEMBER 2014*

| | | **2014** | 2013 |
|---|---|---|---|
| | *Notes* | ***HK$'000*** | *HK$'000* |
| Turnover | *3* | **3,320,292** | 3,240,650 |
| Other income | *4* | **113,077** | 103,625 |
| Other gains and losses | *5* | **7,455** | (10,529) |
| Cost of inventories consumed | | **(1,027,389)** | (1,057,093) |
| Staff costs | | **(789,575)** | (748,968) |
| Depreciation | | **(192,496)** | (185,496) |
| Property rentals and related expenses | | **(503,719)** | (482,110) |
| Other operating expenses | | **(506,024)** | (487,700) |
| Share of loss of associates | | **(5)** | – |
| Finance costs | | **(2,846)** | (2,202) |
| Profit before taxation | *6* | **418,770** | 370,177 |
| Taxation | *7* | **(120,082)** | (80,405) |
| Profit for the year | | **298,688** | 289,772 |
| **Other comprehensive income, net of income tax** | | | |
| Items that will not be reclassified to profit or loss: | | | |
| Gain on revaluation of properties | | **6,432** | 25,142 |
| | | **6,432** | 25,142 |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Exchange differences arising on translation | | **(9,766)** | 71,472 |
| | | **(9,766)** | 71,472 |

| | Notes | **2014** | 2013 |
|---|---|---|---|
| | | ***HK$'000*** | *HK$'000* |
| Other comprehensive income (expense) for the year, net of income tax | | **(3,334)** | 96,614 |
| Total comprehensive income for the year | | **295,354** | 386,386 |
| Profit for the year attributable to: | | | |
| Owners of the Company | | **275,565** | 271,698 |
| Non-controlling interests | | **23,123** | 18,074 |
| | | **298,688** | 289,772 |
| Total comprehensive income attributable to: | | | |
| Owners of the Company | | **272,575** | 365,394 |
| Non-controlling interests | | **22,779** | 20,992 |
| | | **295,354** | 386,386 |
| | | ***HK cents*** | *HK cents* |
| Earnings per share | *9* | | |
| – Basic | | **25.26** | 25.03 |
| – Diluted | | **25.22** | 24.96 |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*AT 31 DECEMBER 2014*

| | Notes | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|---|
| Non-current assets | | | |
| Investment properties | | **435,911** | 376,710 |
| Property, plant and equipment | | **1,285,056** | 1,321,235 |
| Prepaid lease payments | | **106,056** | 110,398 |
| Intangible assets | | **6,400** | 6,400 |
| Loan to an associate | | **1,495** | – |
| Rental deposits | | **86,127** | 87,853 |
| Goodwill | | **37,135** | 37,135 |
| Deferred tax assets | | **2,175** | 3,548 |
| Available-for-sale investments | | **13,537** | 21,173 |
| | | **1,973,892** | 1,964,452 |
| Current assets | | | |
| Inventories | | **110,096** | 117,003 |
| Trade and other receivables | *10* | **133,845** | 109,589 |
| Amount due from related parties | | **290** | 15 |
| Taxation recoverable | | **2,901** | 4,267 |
| Structured deposits | | **–** | 138,636 |
| Pledged bank deposit | | **7,682** | – |
| Bank balances and cash | | **1,931,746** | 1,708,672 |
| | | **2,186,560** | 2,078,182 |
| Current liabilities | | | |
| Trade and other payables | *11* | **375,480** | 378,301 |
| Amounts due to related companies | | **9,085** | 7,348 |
| Amounts due to directors | | **742** | 544 |
| Amount due to a shareholder | | **31,517** | 29,617 |
| Amounts due to non-controlling shareholders | | **15,587** | 29,416 |
| Dividend payable | | **22** | 20 |
| Taxation payable | | **51,627** | 48,529 |
| Bank loans | | **63,426** | 63,358 |
| | | **547,486** | 557,133 |

| | 2014 | 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Net current assets | **1,639,074** | 1,521,049 |
| Total assets less current liabilities | **3,612,966** | 3,485,501 |
| Non-current liabilities | | |
| Long-term bank loans | **71,216** | 74,642 |
| Deferred tax liabilities | **54,398** | 49,133 |
| | **125,614** | 123,775 |
| Net assets | **3,487,352** | 3,361,726 |
| Capital and reserves | | |
| Share capital | **109,153** | 108,970 |
| Reserves | **3,265,153** | 3,156,531 |
| Equity attributable to owners of the Company | **3,374,306** | 3,265,501 |
| Non-controlling interests | **113,046** | 96,225 |
| Total equity | **3,487,352** | 3,361,726 |

## 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 and controlled by Ms. Poon Wai ("Ms. Poon") who is also the Chairman and Managing 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 annual report.

The functional currency of the Company and the PRC operating subsidiaries of the Company is Renminbi ("RMB"). The functional currency of Hong Kong operating subsidiaries is Hong Kong dollars.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"). The directors of the Company consider that the presentation of the consolidated financial statements in HK$ is more appropriate for a company listed in Hong Kong and for the convenience of the shareholders of the Company.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("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 |
| HK(IFRIC)- Int 21 | Levies |

The adoption of the amendments to HKFRSs in the current year has had no material effect on the Group's financial performance and positions for the current and prior years and/or on the disclosure set out in these consolidated financial statements.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

| | |
|---|---|
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2010-2012 Cycle[6] |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2011-2013 Cycle[4] |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2012-2014 Cycle[5] |
| HKFRS 9 | Financial Instruments[1] |
| HKFRS 14 | Regulatory Deferral Accounts[2] |
| HKFRS 15 | Revenue from Contracts with Customers[3] |
| Amendments to HKFRS 11 | Accounting for Acquisitions of Interests in Joint Operations[5] |
| Amendments to HKAS 1 | Disclosure Initiative[5] |
| Amendments to HKAS 16 and HKAS 38 | Clarification of Acceptable Methods of Depreciation and Amortisation[5] |
| Amendments to HKAS 16 and HKAS 41 | Agriculture: Bearer Plants[5] |
| Amendments to HKAS 19 | Defined Benefit Plans: Employee Contributions[4] |
| Amendments to HKAS 27 | Equity Method in Separate Financial Statements[5] |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5] |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 28 | Investment Entities: Applying the Consolidation Exception[5] |

[1] Effective for annual periods beginning on or after 1 January 2018.

[2] Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.

[3] Effective for annual periods beginning on or after 1 January 2017.

[4] Effective for annual periods beginning on or after 1 July 2014.

[5] Effective for annual periods beginning on or after 1 January 2016.

[6] Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

**Annual Improvements to HKFRSs 2010-2012 Cycle**

The Annual Improvements to HKFRSs 2010-2012 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to HAKS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The directors do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2010-2012 Cycle will have a material effect on the Group's consolidated financial statements.

**Annual Improvements to HKFRSs 2011-2013 Cycle**

The Annual Improvements to HKFRSs 2011-2013 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) the property meets the definition of investment property in terms of HKAS 40; and

(b) the transaction meets the definition of a business combination under HKFRS 3.

The directors do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2011-2013 Cycle will have a material effect on the Group's consolidated financial statements.

**Annual Improvements to HKFRSs 2012-2014 Cycle**

The Annual Improvements to HKFRSs 2012-2014 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 5 introduce specific guidance in HKFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa), or when held-for-distribution accounting is discontinued. The amendments apply prospectively.

The amendments to HKFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets and clarify that the offsetting disclosures (introduced in the amendments to HKFRS 7 Disclosure - Offsetting Financial Assets and Financial Liabilities issued in December 2011 and effective for periods beginning on or after 1 January 2013) are not explicitly required for all interim periods. However, the disclosures may need to be included in condensed interim financial statements to comply with HKAS 34 Interim Financial Reporting.

The amendments to HKAS 19 clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefits should be issued in the same currency as the benefits to be paid. These amendments would result in the depth of the market for high quality corporate bonds being assessed at currency level. The amendments apply from the beginning of the earliest comparative period presented in the financial statements in which the amendments are first applied. Any initial adjustment arising should be recognised in retained earnings at the beginning of that period.

The amendments to HKAS 34 clarify the requirements relating to information required by HKAS 34 that is presented elsewhere within the interim financial report but outside the interim financial statements. The amendments require that such information be incorporated by way of a cross-reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms and at the same time as the interim financial statements.

The directors of the Company do not anticipate that the application of these will have a material effect on the Group's consolidated financial statements.

**HKFRS 9 Financial Instruments**

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

Key requirements of HKFRS 9 are described as follows:

All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors are of the opinion that it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

**HKFRS 15 Revenue from Contracts with Customers**

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard in traduces a 5-step approach to revenue recognition:

- Step 1: Identity the contract(s) with a customer
- Step 2: Identity the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have an impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

## 3. SEGMENT INFORMATION

Information reported to Ms. Poon, the Group's chief operating decision maker, for the purposes of resource allocation and assessment of performance, is analyzed by different operating divisions and geographical locations. This is also the basis upon which the Group is organized and specifically focuses on the Group's three operating divisions, namely operation of restaurants, manufacture and sales of noodles and related products and investment holding. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

The Group's operating and reportable segments under HKFRS 8 are as follows:

| | | |
|---|---|---|
| Operation of restaurants | – | operation of restaurants in the PRC |
| | – | operation of restaurants in Hong Kong |
| Manufacture and sales of noodles and related products | – | manufacture and sales of packaged noodles and related products in the PRC |
| Investment holding | – | leasing of property interests |

Information regarding these segments is presented below.

**Segment revenue and results**

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

**For the year ended 31 December 2014**

| | 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 | **2,933,589** | **244,121** | **3,177,710** | **142,582** | **–** | **3,320,292** | **–** | **3,320,292** |
| – inter-segment sales | **–** | **–** | **–** | **807,879** | **–** | **807,879** | **(807,879)** | **–** |
| | **2,933,589** | **244,121** | **3,177,710** | **950,461** | **–** | **4,128,171** | **(807,879)** | **3,320,292** |
| Segment profits | **442,008** | **1,176** | **443,184** | **11,350** | **43,527** | **498,061** | **–** | **498,061** |
| Unallocated income | | | | | | | | **38,025** |
| Unallocated expenses | | | | | | | | **(114,470)** |
| Finance costs | | | | | | | | **(2,846)** |
| Profit before taxation | | | | | | | | **418,770** |
| Taxation | | | | | | | | **120,082** |
| Profit for the year | | | | | | | | **298,688** |

For the year ended 31 December 2013

| | 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 | 2,802,493 | 300,133 | 3,102,626 | 138,024 | – | 3,240,650 | – | 3,240,650 |
| – inter-segment sales | – | – | – | 706,670 | – | 706,670 | (706,670) | – |
| | 2,802,493 | 300,133 | 3,102,626 | 844,694 | – | 3,947,320 | (706,670) | 3,240,650 |
| Segment profits | 379,365 | 24,743 | 404,108 | 18,131 | 24,456 | 446,695 | – | 446,695 |
| Unallocated income | | | | | | | | 32,026 |
| Unallocated expenses | | | | | | | | (106,342) |
| Finance costs | | | | | | | | (2,202) |
| Profit before taxation | | | | | | | | 370,177 |
| Taxation | | | | | | | | (80,405) |
| Profit for the year | | | | | | | | 289,772 |

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents the profit 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.

Measures of total assets and liabilities are not reported as these financial information is not reviewed by the Group's chief operating decision maker for the assessment of performance and resources of the Group's business activities.

**Other information**

All of the Group's non-current assets other than available-for-sale investments, loan to an associate and deferred tax assets, including investment properties, property, plant and equipment, prepaid lease payments, intangible assets, goodwill and rental deposits, are located in the Group entities' countries of domicile, the PRC and Hong Kong, at the end of each reporting period.

The following is an analysis of the Group's non-current assets other than available-for-sale investments, loan to an associate and deferred tax assets by geographical location of assets:

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| The PRC | **1,496,747** | 1,521,610 |
| Hong Kong | **459,938** | 418,121 |
| | **1,956,685** | 1,939,731 |

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 years ended 31 December 2014 and 31 December 2013.

None of the customers accounted for 10% or more of the total revenue of the Group during the years ended 31 December 2014 and 31 December 2013.

## 4. OTHER INCOME

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Royalty income from sub-franchisee | **25,415** | 25,191 |
| Government grant | **22,056** | 18,982 |
| Bank interest income | **38,025** | 32,026 |
| Property rental income, net of negligible outgoings | **20,734** | 14,809 |
| Compensation received from landlord for early termination of operating leases of restaurants | **381** | 1,994 |
| Others | **6,466** | 10,623 |
| | **113,077** | 103,625 |

*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.

## 5. OTHER GAINS AND LOSSES

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Change on fair values of investment properties | **29,793** | 9,647 |
| Loss on disposal/write-off of property, plant and equipment | **(11,526)** | (23,628) |
| Impairment loss recognized in respect of available-for-sale investments | **(7,000)** | – |
| Net foreign exchange (loss) gain | **(3,812)** | 3,452 |
| | **7,455** | (10,529) |

## 6. PROFIT BEFORE TAXATION

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Profit before taxation has been arrived at after charging: | | |
| Cost of inventories consumed *(note a)* | **1,027,389** | 1,057,093 |
| Directors' remuneration | **4,261** | 5,027 |
| Other staff's salaries, wages and other benefits | **689,273** | 644,822 |
| Other staff's retirement benefits scheme contributions | **81,108** | 76,663 |
| Other staff's share-based payment expenses | **14,933** | 22,456 |
| Total staff costs | **789,575** | 748,968 |
| Advertising and promotion expenses | **104,042** | 73,786 |
| Auditor's remuneration | **3,170** | 3,170 |
| Non-audit services | **800** | 800 |
| | **3,970** | 3,970 |
| Fuel and utility expenses | **170,163** | 172,706 |
| Operating lease rentals in respect of | | |
| – land lease | **3,499** | 2,922 |
| – rented premises *(note b)* | **441,101** | 423,847 |

*Notes:*

a. This represents costs of raw materials and consumables used.

b. Included in the operating lease rentals in respect of rented premises are minimum lease payments of approximately HK$262,213,000 (2013: HK$255,074,000) and contingent rent of approximately HK$178,888,000 (2013: HK$168,773,000).

## 7. TAXATION

| | 2014 *HK$'000* | 2013 *HK$'000* |
|---|---|---|
| Hong Kong Profits Tax | | |
| – Current year | **5,178** | 7,155 |
| – Under(over)provision in prior years | **245** | (1,370) |
| | **5,423** | 5,785 |
| PRC income tax | | |
| – Current year | **109,022** | 90,353 |
| – Overprovision in prior years | **(6,245)** | (27,389) |
| | **102,777** | 62,964 |
| Deferred taxation | **11,882** | 11,656 |
| | **120,082** | 80,405 |

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the years ended 31 December 2014 and 31 December 2013.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% except the followings:

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 year ended 31 December 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. In addition, Chongqing Weiqian was granted a preferential tax rate of 15% for the year 2011 and 2012, the Company reversed the income tax liability of approximately HK$11.2 million (equivalent to approximately RMB 8.9 million) which was previously recognized for the year 2011 and 2012.

According to the Chongqing STB, the preferential tax rate needs to be applied by the Company and approved year by year after year 2013. 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 year ended 31 December 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.

Under relevant tax law and implementation regulations in the PRC, dividends paid out of the net profits derived by the PRC operating subsidiaries after 1 January 2008 are subject to PRC withholding tax at a rate of 10% or a lower treaty rate in accordance with relevant tax laws in the PRC. Under the relevant tax treaty, withholding tax rate on distributions to Hong Kong resident companies is 5%. Withholding tax has been provided for based on the anticipated dividends to be distributed by the PRC entities.

## 8. DIVIDENDS

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Dividends recognised as distribution during the year: | | |
| Interim, paid – HK4.70 cents per share for 2014 (2013: HK3.59) | **51,276** | 39,105 |
| Final, paid – HK2.71 cents per share for 2013 (2013: paid – HK1.40 cents per share for 2012) | **29,559** | 15,234 |
| Special, paid – HK9.90 cents per share for 2013 (2013: paid – HK10.80 cents per share for 2012) | **107,983** | 117,518 |
| | **188,818** | 171,857 |

A final dividend of HK13.0 cents per ordinary share (2013: HK2.71 cents per share and a special dividend of HK9.90 cents per share) has been proposed by the directors and is subject to approval by the shareholders in the annual general meeting.

## 9. EARNINGS PER SHARE

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

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Earnings for the purposes of basic and diluted earnings per share, being profit for the year attributable to owners of the Company | **275,565** | 271,698 |

| | **Number of shares** | |
|---|---|---|
| Weighted average number of ordinary shares for the purpose of calculating basic earnings per share | **1,090,813,600** | 1,085,436,338 |
| Effect of dilutive potential ordinary shares relating to: | | |
| – outstanding share options | **1,902,412** | 2,921,073 |
| Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share | **1,092,716,012** | 1,088,357,411 |

Certain outstanding share options of the Company have not been included in the computation of diluted earnings per share as they did not have dilutive effect to the Company's earnings per share during the years ended 31 December 2014 and 31 December 2013 because the exercise prices of these options were higher than the average market prices of the Company's shares during both years.

## 10. TRADE AND OTHER RECEIVABLES

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade receivables | | |
| – a related company | **1,186** | 1,190 |
| – others | **21,966** | 18,178 |
| | **23,152** | 19,368 |
| Rental and utility deposits | **33,923** | 33,279 |
| Property rentals paid in advance for restaurants | **25,343** | 22,104 |
| Advance to suppliers | **26,705** | 10,788 |
| Other receivables and prepayments | **24,722** | 24,050 |
| | **133,845** | 109,589 |

The related company is a company 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 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 at the end of the reporting period, which approximated the respective revenue recognition dates:

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Age | | |
| 0 to 30 days | **15,757** | 11,998 |
| 31 to 60 days | **3,574** | 2,768 |
| 61 to 90 days | **398** | 386 |
| 91 to 180 days | **1,182** | 1,557 |
| Over 180 days | **2,241** | 2,659 |
| | **23,152** | 19,368 |

No interest is charged on the trade receivables. The Group has provided fully for all receivables over 365 days based on historical experience. Trade receivables between 91 and 365 days are provided for based on estimated irrecoverable amounts from the sales of goods, determined by reference to past default experience and objective evidences of impairment. Major debtors comprising the Group's trade receivables that are neither past due nor impaired at 31 December 2013 and 31 December 2014 have no default history and of good credit quality.

Included in the Group's trade receivable balances are debtors with a carrying amount of approximately HK$2,241,000 (2013: HK$2,659,000) which are past due as at 31 December 2014 for which the Group has not provided for impairment loss. The Group does not hold any collateral over the balances. The average age of these balances was 270 days as at 31 December 2014 (2013: 270 days).

In determining the recoverability of the trade receivables, the Group reassesses any change in the credit quality of the trade receivables since the credit was granted and up to the end of the reporting period. After reassessment, the directors believe that no further allowance is required.

As at 31 December 2014 and 31 December 2013, other receivables of the Group are neither past due nor impaired as they have no default history and there are continuous subsequent settlement.

## 11. TRADE AND OTHER PAYABLES

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade payables | | |
| – related companies | **6,724** | 5,916 |
| – others | **132,739** | 123,959 |
| | **139,463** | 129,875 |
| Payroll and welfare payables | **55,382** | 52,587 |
| Customers' deposits received | **13,163** | 13,411 |
| Payable for acquisition of property, plant and equipment | **71,612** | 85,595 |
| Payable for property rentals | **35,112** | 34,113 |
| Other taxes payable | **35,299** | 36,763 |
| Others | **25,449** | 25,957 |
| | **375,480** | 378,301 |

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

The average credit period for purchase of goods is 60 (2013: 60) days. The following is an aged analysis of trade payables presented based on invoice dates at the end of the reporting period:

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0 to 30 days | **84,514** | 107,709 |
| 31 to 60 days | **39,520** | 15,506 |
| 61 to 90 days | **6,272** | 2,550 |
| 91 to 180 days | **1,012** | 457 |
| Over 180 days | **8,145** | 3,653 |
| | **139,463** | 129,875 |

## DIVIDEND

A final dividend of HK13.00 cents per ordinary share (2013: HK2.71 cents and a special dividend of HK9.90 cents) for the year ended 31 December 2014 has been proposed by the Board and is subject to the approval by the shareholders at the annual general meeting ("AGM") to be held on 5 June 2015. The proposed final dividend is expected to be paid on or about 25 September 2015. Including the interim dividend of HK4.70 cents per ordinary share (2013: HK3.59 cents) already paid, the total dividend for the year ended 31 December 2014 will amount to HK17.70 cents per ordinary share (2013: HK16.20 cents).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Industry Review

The global economy was still undergoing adjustment in 2014, indicating a trend of differentiated development in different regions. In particular, the U.S. economy continued to pick up and grow steadily throughout the year, while the economy of the European Union remained weak with near-zero growth, and the emerging economies saw a slight rise. The Chinese government once again lowered its forecast for economic growth in 2014 to indicate its determination to deepen reform. In 2014, China's GDP grew by 7.4% year-on-year to RMB63.6463 trillion. This growth further decelerated from the growth rate of 7.7% for 2013 and hit the lowest growth rate since 1990. Moreover, consumer price index (CPI) for the year rose 2% over the previous year to hit a six-year low, indicating weak economic expansion.

In 2014, the high-end catering industry was in a period of transforming its development mode such that the popular catering sector became a battleground which further intensified competition. The catering industry was currently troubled by both the external pressure from the economic downturn as well as the internal pressure from the changes in the management methods and concepts of the Company. The Internet had a profound impact on the most traditional catering industry, as marked by the boom of O2O application in the catering industry in 2014, followed by the emergence of mobile payments and take-away services.

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

Revenue from the nationwide catering industry for 2014 amounted to RMB2,786 billion, a year-on-year increase of 9.7% which indicated an overall recovery trend as compared with the 9% growth for the corresponding period of 2013. Revenue from restaurants above the quotas (over RMB2 million in annual revenue) amounted to RMB820.8 billion, an increase of 2.2% year-on-year or a decrease of 1.8% over the corresponding period of 2013.

During the reporting period, the Group optimized operational processes to improve operational efficiency. Moreover, it continued to reorganize its existing restaurants by closing underperforming restaurants, adjusting the size of restaurants, refurbishing restaurants, adopting a prudent strategy for the opening of restaurants as well as consolidating and increasing the density of the restaurant network in Beijing, Shanghai, Guangzhou, Shenzhen, Jiangsu, Zhejiang and Anhui. As at 31 December 2014, the Group had 669 chain restaurants in total, an increase of 33 from 636 during the corresponding period of 2013.

In another move, the Group continued to step up brand publicity and promotional activities by engaging Korean star Park Hae Jin for the first time as its brand spokesperson to invigorate the brand and increase brand impact. To further raise the service standard, the Group set up a wireless network in nearly 400 restaurants across the country for the use of wireless ordering devices, and planned to launch a mobile payment service in 2015 to facilitate payment by customers and improve their experience as well as to lay a foundation for the setup of a customer database.

**Business Review**

For the year ended 31 December 2014, the Group's turnover increased from approximately HK$3,241 million in 2013, by approximately 2.5% to approximately HK$3,320 million in 2014. The gross profit of the Group reached approximately HK$2,293 million, an increase of approximately 5.0% from last year. In particular, profit for the year of the Company increased by approximately 3.1% and profit attributable to the owners of the Company increased by approximately 1.4% to approximately HK$276 million from approximately HK$272 million last year. Net profit margin also decreased from approximately 8.4% last year to approximately 8.3%. This showed that profitability of the Group is rather stable during the year. Correspondingly, basic earnings per share increased from HK25.03 cents last year to HK25.26 cents per ordinary share.

Given the growth of the current operation of the Company during the year, the Board recommended a final dividend of HK13.00 cents per ordinary share for the year ended 31 December 2014 as a return to the shareholders.

The support from its production bases is an integral factor for the sustainable and steady expansion of the Group's chain restaurant network. As at 31 December 2014, the Group has three major production bases in Shanghai, Chengdu and Tianjin, and 7 food manufacturing and processing centres throughout China, the Group also steadily pursued the construction of one new production base in order to accommodate the pace and demand from the planned expansion of its fast causal restaurant ("FCR") network. The new production base in Dongguan will commence operation in this year.

During the year, the Group decelerated its pace for the expansion of 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 Beijing, Jiangsu, Zhejiang and Shanghai.

During the year, the Group's cost of inventories consumed as a proportion to turnover was approximately 30.9%, indicating a decrease of approximately 1.7 percentage points from that of the corresponding period last year. Accordingly, gross profit margin increased from approximately 67.4% last year to approximately 69.1% in 2014. The Company leveraged on the adjustment of menu prices and adoption of direct purchase to stabilize the cost of raw material. In addition, although prices of certain raw materials are currently rising, the Group is confident that this pressure can be effectively mitigated by ingredient diversification. Together with further optimization of purchasing channels, the Group will be able to maintain a relatively high and stable gross profit margin.

During the year, the Group's labour costs accounted for approximately 23.8% of the turnover, which was approximately 0.7 percentage point higher than that of the corresponding period of last year. During the year, as the standard of minimum wage in a number of provinces and municipalities in China was successively increased, the Group adjusted the wages of staff according to relevant law and regulations. In addition to this, the Group also continued to apply new human resources policy to the operational level staff, leading to a increase in labour costs as a proportion to turnover.

During the year, rental and related costs as a proportion to turnover of the Group was approximately 15.2%, which was approximately 0.3 percentage point higher than that of corresponding period last year. During the year, 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 were developed so as to enhance the output per unit area. On the other hand, with our branding effect becoming stronger, the Group has secured fixed leases on a long-term basis. Such an increase was mainly attributable to the fact that the slower turnover growth for the period with the recovery of turnover, rental costs will be diluted further, pushing up the proportion of rental and related costs to turnover.

The Group has timely introduced a number of enriched and attractive marketing activities. During the year, the Group featured the promotional sales of various attractive premiums. The feedback was excellent and the promotions facilitated an increase in transaction amount. These activities did not only encourage new and existing customers to visit the restaurants, but also helped the Group to fully benefit from the market recovery.

The effective operation of over 660 restaurants under the Group would not be achieved without our efficient management and intensive staff training. During the year, 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 also launched inter-restaurant competitions and new incentive bonus scheme so as to fully mobilize its staff.

## Retail Chain Restaurants

In 2014, the Group's major business and primary source of income continued to stem from the retail chain restaurant business. During the year, the Group's restaurant business income recorded approximately HK$3,177,710,000 (2013: HK$3,102,626,000), accounted for approximately 95.7% (2013: 95.7%) of the Group's total revenue.

As at 31 December 2014, the Group's restaurant portfolio consisted of 669 Ajisen chain restaurants, comprising the following:

| | **31 December 2014** | 31 December 2013 | +/– |
|---|---|---|---|
| By type: | | | |
| Owned and managed | **667** | 634 | 33 |
| Owned but not managed | **2** | 2 | 0 |
| Total | **669** | 636 | 33 |
| By provinces: | | | |
| Shanghai | **145** | 136 | 9 |
| Beijing | **38** | 35 | 3 |
| Tianjin | **7** | 7 | 0 |
| Guangdong (excluding Shenzhen) | **59** | 58 | 1 |
| Shenzhen | **28** | 33 | -5 |
| Jiangsu | **82** | 72 | 10 |
| Zhejiang | **54** | 46 | 8 |
| Sichuan | **23** | 24 | -1 |
| Chongqing | **17** | 14 | 3 |
| Fujian | **18** | 22 | -4 |
| Hunan | **16** | 16 | 0 |
| Hubei | **16** | 16 | 0 |
| Liaoning | **11** | 11 | 0 |
| Shandong | **38** | 34 | 4 |
| Guangxi | **6** | 7 | -1 |
| Guizhou | **4** | 4 | 0 |
| Jiangxi | **10** | 8 | 2 |
| Shaanxi | **11** | 12 | -1 |
| Yunnan | **7** | 7 | 0 |
| Henan | **3** | 2 | 1 |
| Hebei | **4** | 4 | 0 |
| Anhui | **11** | 11 | 0 |

| | 31 December 2014 | 31 December 2013 | +/– |
|---|---|---|---|
| Gansu | **1** | 1 | 0 |
| Xinjiang | **2** | 2 | 0 |
| Hainan | **3** | 3 | 0 |
| Shanxi | **1** | 1 | 0 |
| Neimenggu | **5** | 4 | 1 |
| Heilongjiang | **4** | 3 | 1 |
| Ningxia, Qinghai | **2** | 2 | 0 |
| Jilin | **2** | 1 | 1 |
| Hong Kong | **39** | 38 | 1 |
| Taiwan* | **2** | 2 | 0 |
| Total | **669** | 636 | 33 |
| Total saleable area (sq. meters) | **153,551** | 147,459 | 6,092 |

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

| | 31 December 2014 | 31 December 2013 | +/– |
|---|---|---|---|
| By geographical region: | | | |
| Northern China | **112** | 102 | 10 |
| Eastern China | **281** | 254 | 27 |
| Southern China | **153** | 161 | -8 |
| Central China | **121** | 117 | 4 |
| Taiwan | **2** | 2 | 0 |
| Total | **669** | 636 | 33 |

| | 31 December 2014 | 31 December 2013 | +/– |
|---|---|---|---|
| By scale: | | | |
| Flagship | **44** | 44 | 0 |
| Standard | **615** | 582 | 33 |
| Economic | **10** | 10 | 0 |
| Total | **669** | 636 | 33 |

**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, they are also sold through diversified channels, including supermarkets and department stores, which further enhanced the awareness of the Ajisen brand.

For the year ended 31 December 2014, revenue from the sales of packaged noodle and related products was approximately HK$142,582,000 (2013: HK$138,024,000), accounted for approximately 4.3% (2013: 4.3%) of the Group's total revenue. The Group has an extensive distribution network for the packaged noodle and related products in China. As of 31 December 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 year ended 31 December 2014, the Group's turnover increased by approximately 2.5%, or approximately HK$79,642,000, to approximately HK$3,320,292,000 from approximately HK$3,240,650,000 for the corresponding period in 2013. Such increase was mainly due to the fact that the positive same store growth in PRC of the Group and new stores opened during the year.

**Cost of inventories consumed**

For the year ended 31 December 2014, the Group's cost of inventories decreased by approximately 2.8%, or approximately HK$29,704,000, to approximately HK$1,027,389,000 from approximately HK$1,057,093,000 for the corresponding period in 2013. The decrease of inventories cost was slightly less than the increase in turnover. During the year, the ratio of inventories cost to turnover was approximately 30.9%, slightly lower than 32.6% for the corresponding period in 2013. Such decrease was mainly attributable to the adoption of direct purchase to stabilise the cost of raw materials for the year.

**Gross profit and gross profit margin**

Driven by the above factors, gross profit for the year ended 31 December 2014 increased by approximately 5.0%, or approximately HK$109,346,000, to approximately HK$2,292,903,000 from approximately HK$2,183,557,000 for the corresponding period in 2013. Gross profit margin of the Group also slightly increased from approximately 67.4% for the corresponding period in 2013 to approximately 69.1%.

**Property rentals and related expenses**

For the year ended 31 December 2014, property rentals and related expenses of the Group increased by approximately 4.5% from approximately HK$482,110,000 for the corresponding period in 2013 to approximately HK$503,719,000. Its proportion to turnover increased from approximately 14.9% for the corresponding period in 2013 to approximately 15.2%. Such an increase was mainly attributable to the fact that the increase in rental costs for new tenancies for the year.

**Staff costs**

For the year ended 31 December 2014, staff costs of the Group increased by approximately 5.4% from approximately HK$748,968,000 for the corresponding period in 2013 to approximately HK$789,575,000. Staff costs as a proportion to turnover increased from approximately 23.1% for the corresponding period in 2013 by 0.7 percentage point to approximately 23.8%, which reflected the adjustment of wages for the year.

**Depreciation**

For the year ended 31 December 2014, depreciation of the Group increased by approximately 3.8% or approximately HK$7,000,000 from approximately HK$185,496,000 for the corresponding period in 2013 to approximately HK$192,496,000. Such an increase was mainly attributable to the commencement of operation of new factories in Chengdu and Dongguan.

**Other operating expenses**

Other operating expenses mainly included expenses for fuel and utility, consumables, advertising and promotion and franchise fee. For the year ended 31 December 2014, other operating expenses increased by approximately 3.8%, or approximately HK$18,324,000, to approximately HK$506,024,000 from approximately HK$487,700,000 for the corresponding period in 2013. Its proportion to turnover was increased by 0.2 percentage point from 15.0% to approximately 15.2%, which mainly attributed to the increase in expenses spent on consumables, fuel and utility and increase in number of restaurants for the year, while expenses spent on advertising and promotion had increased to approximately HK$104,042,000 from approximately HK$73,786,000 in 2013.

**Other income**

For the year ended 31 December 2014, other income of the Group increased by approximately 9.1%, or approximately HK$9,452,000, to approximately HK$113,077,000 from approximately HK$103,625,000 for the corresponding period in 2013. The increase mainly originated from the increase in bank interest income and property rental income during the year.

**Other gains and losses**

For the year ended 31 December 2014, other gains and losses of the Group increased by approximately 170.8% or HK$17,984,000 to a gain of approximately HK$7,455,000 from a loss of approximately HK$10,529,000 for the corresponding period in 2013. The increase was primarily due to a decrease in loss on disposal and write-off of property, plant and equipment during the year and an increase in change on fair values of investment properties during the year.

The exchange differences arising on translation amounted to a loss of approximately HK$3,812,000 for the year ended 31 December 2014 (2013: gain of approximately HK$3,452,000) due to depreciation of RMB as compared to HK$ throughout the year and more RMB denominated bank balances were resulted at the end of the reporting period in Hong Kong as compared to that in the previous year.

**Finance costs**

For the year ended 31 December 2014, finance costs increased by approximately 29.2%, or approximately HK$644,000, to approximately HK$2,846,000 from approximately HK$2,202,000 for the corresponding period in 2013. The increase was mainly due to the bank loan drawn in lower half year in 2013.

**Profit before taxation**

Being affected by the factors referred to above in aggregate, the Group's profit before taxation for the year ended 31 December 2014 increased by approximately 13.1%, or approximately HK$48,593,000 to approximately HK$418,770,000 from approximately HK$370,177,000 for the corresponding period in 2013.

**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 year ended 31 December 2014 increased by approximately 1.4%, or approximately HK$3,867,000, to approximately HK$275,565,000 from approximately HK$271,698,000 for the corresponding period in 2013.

**Assets and liabilities**

The Group's net current assets were approximately HK$1,639,074,000 and the current ratio was 4.0 as at 31 December 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 increase in current ratio was mainly attributable to the repayment of large portion of loans last year.

**Cash flows**

Cash generated from operations for the year ended 31 December 2014 was approximately HK$575,823,000, while profit before taxation for the same period was approximately HK$418,770,000. The difference was primarily due to the increase in trade and other payables and decrease in inventories as at 31 December 2014.

**Capital expenditure**

For the year ended 31 December 2014, the Group's capital expenditure was approximately HK$198,982,000 (2013: HK$290,853,000), which was due to the decrease in purchase of investment properties.

**Key operating ratios for restaurant operations**

| | Hong Kong | | | PRC | | |
|---|---|---|---|---|---|---|
| | **1-12/2014** | 1-6/2014 | 1-12/2013 | **1-12/2014** | 1-6/2014 | 1-12/2013 |
| Comparable restaurant sales growth: | **-2.7%** | -0.7% | 4.3% | **2.3%** | 4.2% | 7.6% |
| Turnover per GFA (per day/sq.m.): | **HK$212** | HK$228 | HK$228 | **RMB41.6** | RMB41.4 | RMB41.2 |
| Per capita spending: | **HK$65.3** | HK$65.8 | HK$64.1 | **RMB43.4** | RMB43.1 | RMB42.3 |
| Table turnover per day (times per day): | **5.0** | 5.1 | 5.4 | **3.4** | 3.4 | 3.4 |

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2014.

## CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has, throughout the year ended 31 December 2014, complied with all applicable code provisions under the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), save and except for the deviation from the code provisions A.2.1 and A.5.6 of the Code. Under the code provision A.2.1, the roles of Chairman and Chief Executive Officer ("CEO") should be separate and should not be performed by the same individual and under the code provision A.5.6, the nomination committee or the Board should have a policy concerning diversity of board members. Currently, the Company does not comply with code provision A.2.1, namely, the roles of the Chairman and CEO have not been separated, and the Board has on 2 December 2014, adopted a policy concerning diversity of board members in accordance with code provision A.5.6, thus such code provision has been complied with since then.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard (the "Required Standard") of the model code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules.

The Company has made specific enquiry to all Directors, and all Directors have confirmed that, throughout the year under review, they were in compliance with the Required Standard.

In addition, the Board has adopted written guidelines (the "Employees' Guidelines for Securities Transactions") for securities transactions by employees (the "Relevant Employees") who are likely to be in possession of inside information of the Company on no less exacting terms than the Model Code.

Having made specific enquiry to all the Relevant Employees, the Company confirmed that all the Relevant Employees have complied with the Required Standard as set out in the Employees' Guidelines for Securities Transactions throughout the year ended 31 December 2014.

## AUDIT COMMITTEE

The Audit Committee was set up on 8 March 2007 with written terms of reference in compliance with Rules 3.21 and 3.22 of the Listing Rules.

Currently, the Audit Committee comprises three independent non-executive Directors and one non-executive Director as follows:

Mr. Jen Shek Voon (Chairman), an independent non-executive Director
Mr. Lo Peter, an independent non-executive Director
Mr. Wang Jincheng, an independent non-executive Director
Mr. Wong Hin Sun, Eugene, a non-executive Director

The Audit Committee is satisfied with their review of the auditors' remuneration, the independence of the auditors, Deloitte Touche Tohmatsu ("DTT"), and recommended the Board to re-appoint DTT as the Company's auditors in the year 2015, which is subject to the approval of shareholders at the forthcoming AGM.

The Company's interim results for the period ended 30 June 2014 and annual results for the year ended 31 December 2014 have been reviewed by the Audit Committee, which opines that applicable accounting standards and requirements have been complied with and that adequate disclosures have been made.

## CLOSURE OF THE REGISTER OF MEMBERS

In order to determine the shareholders who are entitled to attend the AGM, the register of members of the Company will be closed from 2 June 2015 to 5 June 2015 (both days inclusive), during which period no share transfers will be registered.

In addition, in order to determine the shareholders who are entitled to receive the final dividend for the year ended 31 December 2014, the register of members of the Company will be closed from 11 June 2015 to 16 June 2015 (both days inclusive), during which period no share transfers will be registered.

In order to qualify for attending and voting at the forthcoming AGM, and the entitlement for the final 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 1 June 2015 and 10 June 2015 respectively.

## AGM AND DESPATCH OF 2014 ANNUAL REPORT

The AGM of the Company will be held on 5 June 2015. A notice convening the AGM will 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 and will be despatched to all shareholders together with the Annual Report in due course.

The Annual Report of the Company will be despatched to all 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, 18 March 2015

*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.*