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 2016

INTERIM RESULTS HIGHLIGHTS

- Turnover decreased by 11.1% to HK$1,395 million (corresponding period of 2015: HK$1,570 million)
- Profit from core operations of the Group decreased by 4.8% to HK$117.2 million (corresponding period of 2015: HK$123.2 million)
- Gross profit margin increased by 1.0 percentage point to 70.8% (corresponding period of 2015: 69.8%)
- Profit attributable to owners of the Company increased by 506.2% to HK$671.2 million (corresponding period of 2015: HK$110.7 million)
- Basic earnings per share increased by HK51.35 cents to HK61.49 cents, representing an increase of 506.4% (corresponding period of 2015: HK10.14 cents)
- Total number of restaurants reached 662 by 30 June 2016

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 2016, together with the comparative figures for the corresponding period in 2015 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

		Six months ended 30 June	
		2016	2015
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Turnover	*4*	**1,395,388**	1,569,556
Other income	*5*	**55,894**	62,252
Other gains and losses	*6*	**736,127**	(13,887)
Cost of inventories consumed		**(407,494)**	(474,087)
Staff costs		**(341,572)**	(390,250)
Depreciation		**(95,508)**	(100,186)
Property rentals and related expenses		**(235,949)**	(252,299)
Other operating expenses		**(197,626)**	(229,583)
Share of (loss) profit of associates		**(887)**	95
Finance costs		**(6,725)**	(1,388)
Profit before taxation	*7*	**901,648**	170,223
Taxation	*8*	**(121,876)**	(47,117)
Profit for the period		**779,772**	123,106
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Gain on revaluation of properties		**–**	15,120
Deferred tax liability on recognition of revaluation of properties		**–**	(8,685)
		–	6,435
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operations		**(56,782)**	581
Other comprehensive (expense) income for the period, net of income tax		**(56,782)**	7,016
Total comprehensive income for the period		**722,990**	130,122

	Notes	Six months ended 30 June **2016** ***HK$'000*** **(Unaudited)**	 2015 *HK$'000* (Unaudited)
Profit for the period attributable to:			
Owners of the Company		**671,152**	110,715
Non-controlling interests		**108,620**	12,391
		779,772	123,106
Total comprehensive income attributable to:			
Owners of the Company		**617,420**	117,696
Non-controlling interests		**105,570**	12,426
		722,990	130,122
		HK cents	*HK cents*
Earnings per share	*10*		
– Basic		**61.49**	10.14
– Diluted		**61.49**	10.14

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

	NOTES	30 June 2016 HK$'000 (Unaudited)	31 December 2015 HK$'000 (Audited)
Non-current assets			
Investment properties		**516,876**	521,021
Property, plant and equipment		**1,028,624**	1,098,824
Prepaid lease payments		**92,085**	95,238
Intangible assets		**6,400**	6,400
Loan to an associate		**1,495**	1,495
Rental deposits		**103,007**	96,931
Goodwill		**37,135**	37,135
Deferred tax assets		**1,908**	1,920
Available-for-sale investments		**58,807**	60,530
Financial asset designated as at fair value through profit and loss ("FVTPL")	*11*	**1,288,438**	542,500
Interest in associates		**680**	1,587
		3,135,455	2,463,581
Current assets			
Inventories		**93,016**	113,527
Trade and other receivables	*12*	**102,047**	116,843
Amounts due from a related party		**14**	14
Taxation recoverable		**1,529**	1,299
Pledged bank deposits		**354,918**	362,073
Bank balances and cash		**1,695,434**	1,593,572
		2,246,958	2,187,328

	NOTES	30 June 2016 HK$'000 (Unaudited)	31 December 2015 HK$'000 (Audited)
Current liabilities			
Trade and other payables	*13*	**284,275**	328,258
Amounts due to related companies		**6,400**	7,044
Amounts due to directors		**176**	634
Amount due to a shareholder		**18,011**	32,471
Amounts due to non-controlling shareholders		**15,587**	15,587
Dividend payable		**131,005**	26
Taxation payable		**54,149**	51,739
Bank loans – current		**598,801**	597,473
		1,108,404	1,033,232
Net current assets		**1,138,554**	1,154,096
Total assets less current liabilities		**4,274,009**	3,617,677
Non-current liabilities			
Bank loans – non – current		**64,732**	67,720
Deferred tax liabilities		**140,290**	65,541
		205,022	133,261
Net assets		**4,068,987**	3,484,416
Capital and reserves			
Share capital		**109,154**	109,154
Reserves		**3,665,534**	3,175,898
Equity attributable to owners of the Company		**3,774,688**	3,285,052
Non-controlling interests		**294,299**	199,364
Total equity		**4,068,987**	3,484,416

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

1. BASIS OF PREPARATION

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

2. SIGNIFICANT EVENTS AND TRANSACTION IN THE CURRENT INTERIM PERIOD

For the six months ended 30 June 2016, the fair value of an unlisted equity investment of the Group classified as financial asset designated as at FVTPL described in Note 11 has been increased significantly. The resulting fair value gain of HK$745,938,000 and the corresponding deferred tax charge of HK$74,594,000 have been recognised in the condensed consolidated statement of profit and loss and other comprehensive income (see Notes 6 and 9 respectively).

3. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2016 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2015.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are mandatorily effective for the Group's financial year beginning on 1 January 2016.

Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2012-2014 Cycle*

The application of the new amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

4. SEGMENT INFORMATION

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

For the period ended 30 June 2016 (unaudited)

	Operation of restaurants							
	The Peoples' Republic of China (the "PRC")	Hong Kong	Total	Manufacture and sales of noodles and related products	Investment holding	Segment total	Elimination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue								
– external sales	1,210,702	120,358	1,331,060	64,328	–	1,395,388	–	1,395,388
– inter-segment sales	–	–	–	340,526	–	340,526	(340,526)	–
	1,210,702	120,358	1,331,060	404,854	–	1,735,914	(340,526)	1,395,388
Segment profits	156,429	4,810	161,239	5,765	758,233	925,237	–	925,237
Unallocated income								19,373
Unallocated expenses								(36,237)
Finance costs								(6,725)
Profit before taxation								901,648
Taxation								(121,876)
Profit for the period								779,772

For the period ended 30 June 2015 (unaudited)

	Operation of restaurants							
	PRC *HK$'000*	Hong Kong *HK$'000*	Total *HK$'000*	Manufacture and sales of noodles and related products *HK$'000*	Investment holding *HK$'000*	Segment total *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
Revenue								
– external sales	1,393,522	119,952	1,513,474	56,082	–	1,569,556	–	1,569,556
– inter-segment sales	–	–	–	391,778	–	391,778	(391,778)	–
	1,393,522	119,952	1,513,474	447,860	–	1,961,334	(391,778)	1,569,556
Segment profits	153,060	6,247	159,307	5,850	10,358	175,515	–	175,515
Unallocated income								17,205
Unallocated expenses								(21,109)
Finance costs								(1,388)
Profit before taxation								170,223
Taxation								(47,117)
Profit for the period								123,106

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

5. OTHER INCOME

	Six months ended 30 June	
	2016 ***HK$'000*** **(Unaudited)**	2015 *HK$'000* (Unaudited)
Government grant *(Note)*	**19,147**	23,810
Bank interest income	**19,373**	17,205
Property rental income, net of negligible outgoings	**12,832**	10,611
Royalties from sub-franchisees	**2,970**	7,211
Others	**1,572**	3,415
	55,894	62,252

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

6. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss on disposal of property, plant and equipment	**(2,135)**	(7,864)
Net foreign exchange (loss) gain	**(7,139)**	230
Impairment loss on available-for-sale investments	**(537)**	(6,000)
Loss from changes in fair value of investment properties	**–**	(253)
Gain from changes in fair value of financial assets designated as at FVTPL	**745,938**	–
	736,127	(13,887)

7. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit before taxation has been arrived at after charging:		
Cost of inventories consumed *(Note a)*	**407,494**	474,087
Advertising and promotion expenses	**14,411**	39,746
Fuel and utility expenses	**70,432**	80,723
Operating lease rentals in respect of		
– land lease	**1,649**	3,691
– rented premises *(Note b)*	**205,113**	219,338

Notes:

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

b. For the six months ended 30 June 2016, the amount included in the operating lease rentals in respect of rental premises are minimum lease payments of approximately HK$146,954,000 (for the six months ended 30 June 2015: HK$153,929,000) and contingent rent of approximately HK$58,159,000 (for the six months ended 30 June 2015: HK$65,409,000).

8. TAXATION

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Hong Kong Profits Tax		
– current period	**2,628**	3,670
PRC Enterprise Income Tax ("EIT")		
– current period	**44,955**	47,453
– over-provision in prior periods	**(4,976)**	(6,906)
	39,979	40,547
Deferred taxation	**79,269**	2,900
	121,876	47,117

The income tax expense in Hong Kong and the PRC is recognised based on management's best estimate of the annual income tax rate expected for the full financial year. The estimated annual tax rates for Hong Kong Profits Tax and the PRC EIT are 16.5% (for the six months ended 30 June 2015: 16.5%) and 25% (for the six months ended 30 June 2015: 25%), respectively, for the period under review.

Pursuant to the relevant provincial policy and written approval obtained from the State Tax Bureau in Chongqing ("Chongqing STB") in year 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%.

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 six months ended 30 June 2016, Chongqing Weiqian was granted a preferential tax rate of 15% for the year 2015, the Company reversed the income tax liability of approximately HK$5.0 million (equivalent to approximately RMB4.2 million) which was previously recognised for the year 2015.

During the six months ended 30 June 2015, Chongqing Weiqian was granted a preferential tax rate of 15% for the year 2014, the Company reversed the income tax liability of approximately HK$6.9 million (equivalent to approximately RMB5.4 million) which was previously recognised for the year 2014.

During the six months ended 30 June 2016, included in deferred tax charge is the deferred tax effect in respect of temporary differences attributable to the fair value change of the financial asset designated as at FVTPL amounting to HK$74,594,000 (for the six months ended 30 June 2015: Nil). According to the PRC EIT Law, 10% withholding tax shall be imposed to any gain arising from the transfer of the PRC established equity investments by the entities incorporated elsewhere other than the PRC which are deemed as non-resident enterprises.

9. DIVIDENDS

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Dividends recognised as distribution during the period:		
Final, declared – HK12.0 cents per share for 2015 (2015: declared – HK13.0 cents per share for 2014)	**130,985**	141,898

At a meeting of the board of directors held on 23 August 2016, the directors of the Company resolved to declare an interim dividend of HK4.90 cents per ordinary share for the six months ended 30 June 2016 (for the six months ended 30 June 2015: HK 4.70 cents).

10. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2016	2015
	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	**671,152**	110,715
	Number of shares	
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,091,538,820**	1,091,527,839
Effect of dilutive potential ordinary shares relating to:		
– outstanding share options	**–**	63,765
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,091,538,820**	1,091,591,604

Certain outstanding share options of the Company have not been included in the computation of diluted earnings per share as they did not have a dilutive effect to the Company's earnings per share during the six months ended 30 June 2016 and 30 June 2015 because the exercise prices of these Company's share options were higher than the average market prices of the Company's shares during both periods.

11. FINANCIAL ASSET DESIGNATED AS AT FVTPL

	30 June 2016	31 December 2015
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Unlisted equity investments in Cayman Islands	**1,288,438**	542,500

Further to our US$70 million (approximately HK$542.5 million) investment in the takeout business of Baidu, Inc. known as "Baidu Takeout Delivery" (百度外賣) in the PRC ("Project BW"), in which we took up less than 10% equity interest, through our 86% equity investment in Hina Group Fund III Limited Partnership towards the end of 2015, the Company has engaged an independent firm of appraisers to assist the management in determining the fair value of the investment in Project BW as at 30 June 2016. Based on such valuation, the directors of the Company determined that the fair value of the investment in Project BW as at June 30 2016 is US$166,250,000 (approximately equivalent to HK$1,288,438,000) and therefore the Group has recognised a fair value gain on financial asset designated as at FVTPL of approximately HK$745,938,000 in the condensed consolidated statement of profit and loss and other comprehensive income for the six months ended 30 June 2016 (for the six month ended 30 June 2015: nil).

12. TRADE AND OTHER RECEIVABLES

	30 June 2016 *HK$'000* **(Unaudited)**	31 December 2015 *HK$'000* (Audited)
Trade receivables		
– a related company	**1,094**	1,117
– others	**17,349**	22,833
	18,443	23,950
Rental and utility deposits	**9,549**	21,084
Property rentals paid in advance for restaurants	**22,203**	24,416
Advance to suppliers	**24,467**	24,252
Other receivables and prepayments	**27,385**	23,141
	102,047	116,843

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

Customers including both independent third parties and related companies of noodles and related products are normally granted 60 to 90 days (for the year ended 31 December 2015: 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 (for the year ended 31 December 2015: 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:

	30 June 2016 *HK$'000* **(Unaudited)**	31 December 2015 *HK$'000* (Audited)
Age		
0 to 30 days	**14,925**	17,842
31 to 60 days	**1,603**	2,101
61 to 90 days	**96**	517
91 to 180 days	**–**	364
181 to 365 days	**4**	1,093
Over 365 days	**1,815**	2,033
	18,443	23,950

13. TRADE AND OTHER PAYABLES

	30 June 2016	31 December 2015
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade payables		
– related companies	**4,640**	5,617
– others	**101,442**	115,868
	106,082	121,485
Payroll and welfare payables	**43,445**	49,972
Customers' deposits received	**12,385**	12,569
Payable for acquisition of property, plant and equipment	**47,949**	55,834
Payable for property rentals	**29,305**	31,315
Other taxes payable	**20,823**	33,176
Others	**24,286**	23,907
	284,275	328,258

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 the purchase of goods is 60 days (for the year ended 31 December 2015: 60 days). The following is an aged analysis of trade payables presented based on invoice dates at the end of the reporting period:

	30 June 2016	31 December 2015
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 to 30 days	**55,911**	73,276
31 to 60 days	**36,715**	35,477
61 to 90 days	**5,245**	4,721
91 to 180 days	**4,556**	4,596
Over 180 days	**3,655**	3,415
	106,082	121,485

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Review

In the first half of 2016, the global economy continued being unstable, which was evidenced by the facts that: the market sentiment which has been stirring up by the expectation of the raise of interest by the Federal Reserve, the risk events which occurred frequently, and the exit of Britain from Europe, which will certainly have significant impact on both Europe and the global economy. In the first half of 2016, the economy of China still faced many pressure, with the GDP grew by 6.7% year-on-year, further slowing down from that of 7% in the same period of last year.

According to the National Statistics Bureau of the PRC, revenue from the nationwide catering industry from January to June 2016 amounted to RMB1,668.3 billion, representing a year-on-year increase of 11.2% (same period of last year: 11.5%), which indicated an expansion trend in the market. Among which, revenue from restaurants over RMB2 million in annual revenue recorded RMB421.8 billion, representing a year-on-year increase of 6.6% (same period of last year: 6.3%).

Affected by competitors who newly entered into the industry, the scope of the catering market keeps expanding. However, the increase of new competitors is slowing down. According to the data from the website (www.dianping.com), growths of catering industry in the four first-tier cities, namely Beijing, Shanghai, Guangzhou and Shenzhen were within 10% in the first half of 2016, far below that of 50% growth throughout last year. Among which, the growths of number of restaurants in Shanghai, Beijing, Guangzhou and Shenzhen recorded 5.6% (same period of last year: 13.8%), 1% (same period of last year: 18.4%), 9.3% (same period of last year: 21.3%) and 7.1% (same period of last year: 22.1%), respectively.

Further, after the outburst of catering take-out experienced in the last year, the situation of three takeout platforms (ele.me, meituan.com and Baidu Takeout Delivery) has been formed and the campaign for subsidy has faded away.

Faced with the on-going competition pressure and the downward macro economy, the management of the Group proactively explores and seeks for approaches for the transformation of the Group, aiming at creating greater economic value for employees and shareholders of the Company. Over the past half year, the Group continued to expand the takeout business and strengthened the cooperation with the three platforms. Meanwhile, the Group also actively prepared for establishing takeout stores, for the purpose of providing new drivers for the growth of the Company. Considering the sufficient cash flow, the management is proactively seeking for investment targets, so as to make greater benefit for shareholders.

Business Review

For the six months ended 30 June 2016, the Group's turnover decreased from approximately HK$1,569,556,000 during the corresponding period in 2015, by approximately 11.1% to approximately HK$1,395,388,000. The gross profit of the Group reached approximately HK$987,894,000, a decrease of approximately 9.8% from approximately HK$1,095,469,000 during the corresponding period in 2015; the profit attributable to the owners of the Company reached approximately HK$671,152,000, an increase of approximately 506.2% from approximately HK$110,715,000 in 2015. The basic earnings per share increased to HK61.49 cents from HK10.14 cents per ordinary share during the corresponding period in the previous year.

During the current reporting period, the Group focused on streamlining the existing stores, adopting a prudent strategy in opening new stores. The Group adopted more focused strategies in its development, and continued to expand the restaurants network and deepened the density in mature markets, such as Beijing, Jiangsu, Zhejiang and Shanghai. As at 30 June 2016, the Group had a total of 662 fast casual chain restaurants, an decrease of 2 from 664 during the corresponding period in 2015; the Group's restaurant network extended its reach to 31 provinces and municipalities nationwide, amounting to 122 cities in aggregate, increasing 3 cities as compared with the corresponding period in 2015.

The construction and operation of the four major production bases in China guaranteed the steady growth and food quality of the Group's chain restaurant network. The Group's four major factories in Shanghai, Chengdu, Tianjin and Dongguan have been put into operation, to support the Group's network expansion.

During the current reporting period, the Group's cost of inventories was approximately HK$407,494,000, representing a decrease of approximately 1.0 percentage point as compared with the corresponding period last year. Accordingly, the gross profit margin increased to approximately 70.8% from approximately 69.8% during the corresponding period last year, which was attributable to the stability in raw material costs and benefit from value added tax ("VAT") reform in PRC effective on 1 May 2016. The Group will properly control the raw material costs, and is therefore confident in achieving the expected gross profit margin.

During the current reporting period, the Group's labour costs accounted for approximately 24.5% of the turnover, which was approximately 0.4 percentage point lower than that of the corresponding period last year. During the reporting period, the level of minimum wage was raised in a number of provinces and cities in China successively, and the Group has adjusted its employee wages in compliance with the relevant law and regulations.

During the current reporting period, rent and related costs as a proportion to turnover of the Group was approximately 16.9%, which was approximately 0.8 percentage point higher than that of the corresponding period last year. During the reporting period, the Group applied stringent criteria in location selection, so as to guarantee the success rate of new stores. Also, a large number of medium-size and small-size restaurants were developed to enhance the output per unit area. The Group was able to secure long-term fixed lease terms as it expands the restaurant network.

The operation of over 660 restaurants under the Group is dependent upon the efficacy of our management and staff training. During the current reporting period, the Group placed emphasis on the guidance and training of restaurant managers and regional supervisors. The operation efficiency of each restaurant was enhanced through constant upgrading of its basic management level. This year, the Group continued to host the inter-restaurant competition to fully mobilize its staff, thus making prominent contribution the Group's turnover.

Important events after the current reporting period

On 4 August 2016, Ajisen Investments Limited, an indirect wholly-owned subsidiary of the Company ("Ajisen Investments"), entered into a share purchase agreement in relation to the investment in 7,147,945 series B preferred shares in Yunnex Inc. for a cash consideration of US$10 million. Yunnex Inc. is principally engaged in the design, distribution, sale and/or operation of the software and hardware products. The major product of Yunnex Inc. is code-scanning point of sales machine. Details of this acquisition transaction has been disclosed in the Company's announcement dated 4 August 2016.

Retail Chain Restaurants

During the first half of 2016, the Group's major business and primary source of income continued to stem from the retail chain restaurant business. During the reporting period, the Group's restaurant business income recorded approximately HK$1,331,060,000 (2015: HK$1,513,474,000), accounted for approximately 95.4% (2015: 96.4%) of the Group's total revenue, a decrease of 12.1% from the corresponding period last year.

As at 30 June 2016, the Group's restaurant portfolio consisted of 662 Ajisen chain restaurants, comprising the following:

	30 June 2016	30 June 2015	+/–
By type:			
Owned and managed	**662**	663	-1
Owned but not managed	**0**	1	-1
Total	**662**	664	-2
By provinces:			
Shanghai	**140**	140	0
Beijing	**41**	39	2
Tianjin	**6**	7	-1
Guangdong (excluding Shenzhen)	**54**	56	-2
Shenzhen	**28**	28	0
Jiangsu	**80**	81	-1
Zhejiang	**52**	52	0
Sichuan	**21**	22	-1
Chongqing	**17**	17	0
Fujian	**22**	18	4
Hunan	**15**	17	-2
Hubei	**15**	16	-1
Liaoning	**13**	10	3
Shandong	**35**	40	-5
Guangxi	**7**	6	1
Guizhou	**2**	3	-1
Jiangxi	**10**	10	0
Shaanxi	**14**	13	1
Yunnan	**7**	6	1
Henan	**5**	4	1
Hebei	**4**	4	0
Anhui	**12**	14	-2
Gansu	**1**	1	0
Xinjiang	**2**	2	0
Hainan	**3**	3	0
Shanxi	**1**	1	0
Neimenggu	**5**	5	0
Heilongjiang	**7**	5	2
Ningxia, Qinghai	**3**	2	1
Jilin	**3**	2	1
Hong Kong	**37**	39	-2
Taiwan*	**0**	1	-1
Total	**662**	664	-2
Total saleable area (sq. meters)	**151,842**	152,114	-272

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

	30 June 2016	30 June 2015	+/–
By geographical region:			
Northern China	**118**	115	3
Eastern China	**272**	273	-1
Southern China	**151**	150	1
Central China	**121**	125	-4
Taiwan	**0**	1	-1
Total	**662**	664	-2

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 2016, revenue from the sales of packaged noodle and related products was approximately HK$64,328,000 (2015: HK$56,082,000), accounted for approximately 4.6% (2015: 3.6%) of the Group's total revenue.

The Group has an extensive distribution network for the packaged noodle and related products in China. As of 30 June 2016, the total number of points-of-sale in this network reached approximately 8,000, which was the same compared to the corresponding period last year. The distribution network covers over 30 cities in China. These distributors include nationwide retailers such as Wal-Mart, Carrefour and Metro, and regional retailers such as China Resources Vanguard, Sanjiang in Ningbo and Century Lianhua, as well as reputable convenient chain stores such as Allday, Kedi and C-Store.

Financial Review

Turnover

For the six months ended 30 June 2016, the Group's turnover decreased by approximately 11.1%, or approximately HK$174,168,000 to approximately HK$1,395,388,000 from approximately HK$1,569,556,000 for the corresponding period in 2015. Such decrease was mainly due to the decrease in the same store growth and number of stores of the Group during the reporting period.

Cost of inventories consumed

For the six months ended 30 June 2016, the Group's cost of inventories decreased by approximately 14.0%, or approximately HK$66,593,000, to approximately HK$407,494,000 from approximately HK$474,087,000 for the corresponding period in 2015. During the reporting period, the ratio of inventories cost to turnover was approximately 29.2%, lower than 30.2% for the corresponding period in 2015. Such decrease was attributable to the stability in the purchasing cost and benefit from VAT reform in PRC effective on 1 May 2016 for the period.

Gross profit and gross profit margin

Driven by the above factors, gross profit for the six months ended 30 June 2016 decreased by approximately 9.8%, or approximately HK$107,575,000 to approximately HK$987,894,000 from approximately HK$1,095,469,000 for the corresponding period in 2015. Gross profit margin of the Group also further increased from approximately 69.8% for the corresponding period in 2015 to approximately 70.8%.

Property rentals and related expenses

For the six months ended 30 June 2016, property rentals and related expenses of the Group decreased by approximately 6.5% from approximately HK$252,299,000 for the corresponding period in 2015 to approximately HK$235,949,000. Its proportion to turnover increased by 0.8 percentage point from approximately 16.1% for the corresponding period in 2015 to approximately 16.9%. Such increase was mainly attributable to the increase in rentals for certain shops for the period.

Staff costs

For the six months ended 30 June 2016, staff costs of the Group decreased by approximately 12.5% from approximately HK$390,250,000 for the corresponding period in 2015 to approximately HK$341,572,000. Staff costs as a proportion to turnover decreased from approximately 24.9% for the corresponding period in 2015 by 0.4 percentage point to approximately 24.5%, which reflected the implementing efficient management system such as increasing number of part time staff for the period.

Depreciation

For the six months ended 30 June 2016, depreciation of the Group decreased by approximately 4.7% or approximately HK$4,678,000 from approximately HK$100,186,000 for the corresponding period in 2015 to approximately HK$95,508,000. Such decrease was mainly attributable to the decrease in number of stores in first half of 2016.

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 2016, other operating expenses decreased by approximately 13.9%, or approximately HK$31,957,000, to approximately HK$197,626,000 from approximately HK$229,583,000 for the corresponding period in 2015. Its proportion to turnover was decreased by 0.4 percentage point from 14.6% to approximately 14.2%, which was mainly attributable to the decrease in expenses spent on consumables, and fuel and utility for the period, while expenses spent on advertising and promotion had decreased to approximately HK$14,411,000 from approximately HK$39,746,000 for the corresponding period in 2015.

Other income

For the six months ended 30 June 2016, other income of the Group decreased by approximately 10.2%, or approximately HK$6,358,000, to approximately HK$55,894,000 from approximately HK$62,252,000 for the corresponding period in 2015. The decrease was mainly originated from the decrease in government grant and royalties from sub-franchisees during the period.

Other gains and losses

For the six months ended 30 June 2016, other gains and losses of the Group increased by approximately 5,400.8% or approximately HK$750,014,000, to approximately HK$736,127,000 from approximately a loss of HK$13,887,000 for the corresponding period in 2015. The increase was due to change in the fair value of approximately HK$745,938,000 of financial asset designated as at FVTPL for the period.

Finance costs

For the six months ended 30 June 2016, finance costs increased by approximately 384.5%, or approximately HK$5,337,000 to approximately HK$6,725,000 from approximately HK$1,388,000 for the corresponding period in 2015. The increase was mainly due to raise of certain loans during the second half of 2015.

Profit before taxation

Being affected by the factors referred to above, the Group's profit before taxation for the six months ended 30 June 2016 increased by approximately 429.7%, or approximately HK$731,425,000 to approximately HK$901,648,000 from approximately HK$170,223,000 for the corresponding period in 2015.

Profit attributable to owners of the Company

Being affected by the factors referred to above profit attributable to owners of the Company for the six months ended 30 June 2016 increased by approximately 506.2%, or approximately HK$560,437,000, to approximately HK$671,152,000 from approximately HK$110,715,000 for the corresponding period in 2015.

Assets and liabilities

The Group's net current assets were approximately HK$1,138,554,000 and the current ratio was 2.0 as at 30 June 2016 (31 December 2015: 2.1). 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 2016.

Cash flows

Net cash inflow from operations of the Group for the six months ended 30 June 2016 was approximately HK$240,058,000 while profit before taxation for the same period was approximately HK$901,648,000. The operating cash inflows was mainly due to increase in profitability of FCR operated by the Group which the increase in size of operation of the Group strengthened the bargaining power of the Group with the suppliers and slowed down settlement of purchases.

Liquidity and financial resources

The liquidity and financial position of the Group as at 30 June 2016 remained healthy and strong, with bank balances amounting to HK$2,050,352,000 (31 December 2015: HK$1,955,645,000) and a current ratio of 2.0 (31 December 2015: 2.1).

As at 30 June 2016, the Group had bank borrowings of HK$663,533,000 (31 December 2015: 665,193,000) and therefore the gearing ratio (expressed as a percentage of total borrowings over total assets) was 12.3 (31 December 2015: 14.3).

Exposure to exchange rates

Presently, most of the Group's business transactions, assets and liabilities are denominated in RMB and settled in RMB. The Group's exposure to currency risk is minimal as the Group's assets and liabilities as at 30 June 2016 and 31 December 2015 were denominated in the respective group companies' functional currencies. The Group does not have any currency hedging policy and has not entered into any hedging or other instrument to reduce currency risks. However, the management will closely monitor the Group's exposure to the fluctuation of exchange rates and take appropriate measures as necessary to minimise any adverse impact that may be caused by such fluctuation.

Significant investments held, material acquisitions and disposals of subsidiaries, and future plans for material investments or capital assets

Save for those disclosed in this announcement, there were no other significant investments held, nor were there any material acquisitions or disposals of subsidiaries during the period under review. Apart from those disclosed in this announcement, there was no plan authorised by the Board for other material investments or additions of capital assets at the date of this announcement.

Interest rate risk

As the Group has no significant interest-bearing assets (other than structured deposit, pledged bank deposits and bank balances and cash), the Group's income and operating cash flows are substantially independent of changes in market interest rates.

Credit risk

The Group has no significant concentrations of credit risk. The carrying amounts of trade receivables, deposits and other receivables, bank balances and cash and structured deposit, pledged bank deposits included in the consolidated balance sheets represent the maximum exposure to credit risk in relation to the Group's financial assets. The Group typically does not require collaterals from customers. Provisions are made for the balance that is past due when the management considers the loss from non-performance by the customers is likely. Sales to retail customers are settled in cash or using major credit cards. The Group also makes deposits to the relevant landlords for lease of certain of the self-managed outlets. The management does not expect to incur any loss from non-performance by these counterparties.

As of 30 June 2016 and 31 December 2015, all of the bank balances and pledged bank deposits were deposited with highly reputable and sizable banks and financial institutions without significant credit risk in the PRC and Hong Kong. The management does not expect to incur any loss from non-performance by these banks and financial institutions.

Contingent liabilities

As of 30 June 2016, the Group did not have any significant contingent liabilities.

Capital expenditure

For the six months ended 30 June 2016, the Group's capital expenditure was approximately HK$59,411,000 (corresponding period in 2015: HK$72,787,000), which was due to the decrease in purchase of property, plant and equipment.

Key operating ratios for "Ajisen Ramen" restaurants

	Hong Kong			PRC		
	1-6/2016	1-12/2015 (approximate) (unaudited)	1-6/2015	**1-6/2016**	1-12/2015 (approximate) (unaudited)	1-6/2015
Comparable restaurant sales growth:	**-1.4%**	6.0%	4.3%	**-7.7%**	-7.5%	-7.8%
Per capita spending:	**HK$65.3**	HK$66.1	HK$65.6	**RMB46.7**	RMB46.7	RMB44.6
Table turnover per day (times per day):	**4.9**	5.2	5.0	**3.4**	3.4	3.4

OTHER INFORMATION

Compliance with the Corporate Governance Code

The Company has complied with all applicable code provisions under the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules for the six months ended 30 June 2016, 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 at the current stage. 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 the 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 2016, they were in compliance with the Required Standard.

Audit Committee Review

The audit committee of the Company ("Audit Committee"), which comprises three independent non-executive Directors, namely Mr. Jen Shek Voon, Mr. Lo Peter and Mr. Wang Jincheng reviewed the accounting principles and practices adopted by the Company and discussed auditing, internal controls and financial reporting matters. The Company's unaudited interim results for the six months ended 30 June 2016 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 2016.

Employee's Remuneration and Policy

As at 30 June 2016, the Group employed 10,339 persons (30 June 2015: 12,773 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 2016 was approximately HK$341,572,000 (30 June 2015: HK$390,250,000).

Dividend

An interim dividend of HK4.90 cents per ordinary share (for six months ended 30 June 2015: HK4.70 cents) for the six months ended 30 June 2016 have been declared by the Board to shareholders and such interim dividend will be paid on 25 November 2016 to shareholders whose names appear on the register of members of the Company on 14 September 2016.

Closure of the Register of Members

The register of members of the Company will be closed from 12 September 2016 to 14 September 2016 (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 9 September 2016.

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

Hong Kong, 23 August 2016

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 as non-executive Director and Mr. Lo Peter, Mr. Jen Shek Voon and Mr. Wang Jincheng as independent non-executive Directors.