AJISEN RAMEN
味千拉麵

Ajisen (China) Holdings Limited
味千(中國)控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 538)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018

INTERIM RESULTS HIGHLIGHTS

- Turnover increased by 0.1% to RMB1,153 million (corresponding period of 2017: RMB1,152 million)
- Profit from core operations of the Group decreased by 10.2% to RMB121 million (corresponding period of 2017: RMB135 million)
- Gross profit margin increased by 2.1 percentage points to 75.2% (corresponding period of 2017: 73.1%)
- Profit attributable to owners of the Company increased by 11.7% to RMB121 million (corresponding period of 2017: RMB109 million)
- Basic earnings per share increased by RMB0.01 to RMB0.11, representing an increase of 10.0% (corresponding period of 2017: RMB0.10)
- Total number of restaurants was 718 by 30 June 2018

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 2018, together with the comparative figures for the corresponding period in 2017 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

		Six months ended 30 June	
		2018	2017
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	**1,153,448**	1,151,734
Cost of inventories consumed		**(286,512)**	(310,130)
Staff costs		**(302,612)**	(291,300)
Depreciation and amortisation		**(78,781)**	(76,440)
Property rentals and related expenses		**(198,901)**	(186,821)
Other operating expenses		**(165,501)**	(152,143)
Profit from operation		**121,141**	134,900
Other income	*4*	**39,712**	42,016
Other gains and losses	*5*	**24,523**	(3,015)
Share of profit (loss) of associates		**735**	(2,158)
Share of loss of a joint venture		**(1,996)**	–
Finance costs		**(3,388)**	(2,735)
Profit before taxation	*6*	**180,727**	169,008
Income tax expense	*7*	**(46,957)**	(49,665)
Profit for the period		**133,770**	119,343
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Gain on revaluation of property, plant and equipment on transfer to investment properties		**41,609**	–
		41,609	–

	Notes	Six months ended 30 June 2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Items that may be reclassified subsequently to profit or loss:			
Reclassification adjustment of cumulative gain on fair value change previously recognised in other comprehensive income to profit or loss on an available-for-sale investment		**–**	(1,626)
Exchange differences arising on translation of financial statements of foreign operations		**2,848**	(41,776)
Other comprehensive income (expense) for the period, net of income tax		**44,457**	(43,402)
Total comprehensive income for the period		**178,227**	75,941
Profit for the period attributable to:			
Owners of the Company		**121,290**	108,603
Non-controlling interests		**12,480**	10,740
		133,770	119,343
Total comprehensive income for the period attributable to:			
Owners of the Company		**156,963**	71,579
Non-controlling interests		**21,264**	4,362
		178,227	75,941
		RMB	*RMB*
Earnings per share	*9*		
– Basic		**0.11**	0.10
– Diluted		**0.11**	0.10

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

	Notes	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Non-current assets			
Investment properties		**558,308**	492,042
Property, plant and equipment		**913,404**	874,763
Prepaid lease payments		**56,484**	64,999
Intangible assets		**5,396**	5,350
Interests in associates		**145,379**	144,644
Interest in a joint venture		**10,862**	5,143
Loan to an associate		**1,250**	1,250
Rental deposits		**87,730**	81,802
Goodwill		**6,859**	6,801
Deferred tax assets		**1,494**	1,484
Available-for-sale investments		**–**	6,906
Financial assets designated as at fair value through profit and loss ("FVTPL")	*10*	**302,002**	–
Financial assets designated as at FVTPL		**–**	245,487
Long term receivables		**14,422**	–
		2,103,590	1,930,671
Current assets			
Inventories		**74,274**	70,397
Trade and other receivables	*11*	**147,279**	135,524
Amounts due from a related party		**12**	12
Taxation recoverable		**1,487**	2,335
Pledged bank deposits		**380**	380
Bank balances and cash		**1,510,365**	1,534,103
		1,733,797	1,742,751
Current liabilities			
Trade and other payables	*12*	**229,975**	224,898
Contract liabilities		**9,858**	–
Amounts due to related companies		**4,070**	5,071
Amounts due to directors		**164**	441
Amount due to a shareholder		**15,594**	27,756
Amounts due to non-controlling interests		**13,519**	13,516
Amount due to associates		**11,207**	12,063
Dividend payable		**46,035**	24
Taxation payable		**47,292**	50,162
Bank loans		**288,743**	269,532
		666,457	603,463

	Notes	**30 June 2018** **RMB'000** **(Unaudited)**	31 December 2017 *RMB'000* (Audited)
Net current assets		**1,067,340**	1,139,288
Total assets less current liabilities		**3,170,930**	3,069,959
Non-current liabilities			
Long-term bank loans		**49,463**	50,586
Deferred tax liabilities		**74,434**	73,424
Financial liabilities at FVTPL		**79,370**	–
		203,267	124,010
Net assets		**2,967,663**	2,945,949
Capital and reserves			
Share capital		**108,404**	108,404
Reserves		**2,732,265**	2,623,575
Equity attributable to owners of the Company		**2,840,669**	2,731,979
Non-controlling interests		**126,994**	213,970
Total equity		**2,967,663**	2,945,949

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

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. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

In the current interim period, the Group has applied, for the first time, certain new and amendments to HKFRSs issued by the HKICPA that are mandatorily effective for the Group's financial year beginning on or after 1 January 2018.

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 Revenue.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 Revenue.

Except that advances from customers in respect of contracts previously included in trade and other payables were reclassified to contract liabilities, the application of HKFRS15 in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments

In the current period, the Group has applied HKFRS 9 *Financial Instruments* and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement.*

The table below illustrates the classification and measurement (including impairment) of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	Available-for-sale investment	Financial assets designated as at FVTPL	Trade receivables	Financial assets at FVTPL required by HKAS39/ HKFRS 9	Retained profits
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Closing balances at 31 December 2017 – HKAS 39	6,906	245,487	37,246	–	898,276
Effect arising from initial application of HKFRS 9:					
Reclassification					
From available-for-sale investments *(a)*	(6,906)	–	–	6,906	–
From designated at FVTPL *(b)*	–	(245,487)	–	245,487	–
Remeasurement					
Impairment under ECL model *(c)*	–	–	(2,956)	–	(2,956)
From cost less impairment to fair value *(a)*	–	–	–	(2,664)	(2,664)
Opening balance at 1 January 2018	–	–	34,290	249,729	892,656

3. SEGMENT INFORMATION

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

For the six months ended 30 June 2018 (unaudited)

	Operation of restaurants							
	PRC	Hong Kong	Total	Manufacture and sales of noodles and related products	Investment holding	Segment total	Elimination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue								
– external sales	**988,748**	**88,742**	**1,077,490**	**75,958**	**–**	**1,153,448**	**–**	**1,153,448**
– inter-segment sales	**–**	**–**	**–**	**369,564**	**–**	**369,564**	**(369,564)**	**–**
	988,748	**88,742**	**1,077,490**	**445,522**	**–**	**1,523,012**	**(369,564)**	**1,153,448**
Segment profits	**175,627**	**2,586**	**178,213**	**7,348**	**21,473**	**207,034**	**–**	**207,034**
Unallocated income								**6,328**
Unallocated expenses								**(29,247)**
Finance costs								**(3,388)**
Profit before taxation								**180,727**
Taxation								**(46,957)**
Profit for the period								**133,770**

For the six months ended 30 June 2017 (unaudited)

	Operation of restaurants							
	PRC *RMB'000*	Hong Kong *RMB'000*	Total *RMB'000*	Manufacture and sales of noodles and related products *RMB'000*	Investment holding *RMB'000*	Segment total *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
Revenue								
– external sales	970,205	96,942	1,067,147	84,587	–	1,151,734	–	1,151,734
– inter-segment sales	–	–	–	315,851	–	315,851	(315,851)	–
	970,205	96,942	1,067,147	400,438	–	1,467,585	(315,851)	1,151,734
Segment profits	174,110	2,102	176,212	6,934	13,298	196,444	–	196,444
Unallocated income								5,527
Unallocated expenses								(30,228)
Finance costs								(2,735)
Profit before taxation								169,008
Taxation								(49,665)
Profit for the period								119,343

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

Segment information reported to the chief operating decision maker for the purposes of resources allocation and assessment of segment performance does not include any assets and liabilities. Accordingly, no segment assets and liabilities are presented.

4. OTHER INCOME

	Six months ended 30 June	
	2018 ***RMB'000*** **(Unaudited)**	2017 *RMB'000* (Unaudited)
Royalty and other income from sub-franchisees	**13,252**	10,535
Property rental income, net of direct outgoings	**12,255**	11,672
Bank interest income	**6,328**	5,527
Government grant *(note)*	**4,175**	11,651
Others	**3,702**	2,631
	39,712	42,016

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

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Gain from disposal of the financial asset designated as at FVTPL	**11,313**	–
Gain (loss) on disposal of property, plant and equipment	**13,821**	(3,861)
Loss on revaluation of property, plant and equipment on transfer to investment properties	**(834)**	–
Net foreign exchange gain (loss)	**223**	(780)
Reclassification adjustment of cumulative gain on fair value change previously recognised in other comprehensive income to profit or loss on an available-for-sale investment	**–**	1,626
	24,523	(3,015)

6. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit before taxation has been arrived at after charging the following items:		
Cost of inventories consumed *(note a)*	**286,512**	310,130
Advertising and promotion expenses	**3,437**	7,945
Depreciation of property, plant and equipment	**78,013**	75,427
Fuel and utility expenses	**54,739**	52,518
Operating lease rentals in respect of		
– land lease	**768**	1,013
– rented premises *(note b)*	**171,151**	161,691

Notes:

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

b. For the six months ended 30 June 2018, the amount included in the operating lease rentals in respect of rental premises are minimum lease payments of approximately RMB139,567,000 (for the six months ended 30 June 2017: RMB115,318,000) and contingent rent of approximately RMB31,584,000 (for the six months ended 30 June 2017: RMB46,373,000).

7. TAXATION

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Hong Kong Profits Tax		
– current period	**2,044**	2,426
PRC Enterprise Income Tax ("EIT")		
– current period	**44,850**	47,759
– over-provision in prior periods	**(5,568)**	(4,384)
	39,282	43,375
Deferred taxation	**5,631**	3,864
	46,957	49,665

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 2017: 16.5%) and 25% (for the six months ended 30 June 2017: 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 2016, 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, the PRC, applied a preferential tax rate of 15% ("Preferential Tax Treatment") from 2016 to 2020.

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

During the six months ended 30 June 2018, Chongqing Weiqian was granted a preferential tax rate of 15% for year 2017, the Group reversed the income tax liability of approximately RMB5.6 million which was previously recognised for year 2017.

During the six months ended 30 June 2017, Chongqing Weiqian was granted a preferential tax rate of 15% for year 2016, the Group reversed the income tax liability of approximately RMB4.4 million which was previously recognised for year 2016.

8. DIVIDENDS

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Dividends recognised as distribution during the period:		
Final, declared – RMB0.04 (HK5.00 cents) per share for 2017 (2017: declared – RMB0.08 (HK9.30 cents) per share for 2016)	**43,662**	89,455

At a meeting of the board of directors held on 23 August 2018, the directors of the Company resolved to declare an interim dividend of RMB0.02 (HK2.80 cents) per ordinary share for the six months ended 30 June 2018 (for the six months ended 30 June 2017: RMB0.02 (HK2.50 cents) per ordinary share).

9. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'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	**121,290**	108,603
	Number of shares	
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,091,538,820**	1,091,538,820
Effect of dilutive potential ordinary shares relating to: – outstanding share options	**24,486**	–
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,091,563,306**	1,091,538,820

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 2018 and 30 June 2017 because the exercise prices of these Company's share options were higher than the average market prices of the Company's shares during both periods.

10. FINANCIAL ASSETS AT FVTPL

	RMB'000
At 31 December 2017	–
Reclassification of financial assets from the financial assets designated as at FVTPL to the financial assets at FVTPL	245,487
Reclassification of financial assets from available-for-sale investments to the financial assets at FVTPL	6,906
Remeasurement from cost less impairment to fair value	(2,664)
At 1 January 2018 (restated)	249,729
Exchange realignment	783
Addition	115,760
Disposal	(64,270)
At 30 June 2018 (unaudited)	302,002

The components of financial assets designated as at FVTPL are as follow:

	30 June 2018 ***RMB'000*** **(Unaudited)**	1 January 2018 *RMB'000* (Restated)
Ele. Me *(Note a)*	**–**	63,487
Yunxi *(Note b)*	**132,000**	122,000
Jiahua Anyuan Fund *(Note c)*	**70,000**	60,000
Hezhi *(Note d)*	**95,760**	–
Others	**4,242**	4,242
	302,002	249,729

Notes:

a. During the period, Ali Panini Investment Limited, an independent third company which has significant influence on the holding company of the Ele.me ("Ele.me"), entered into a share purchase agreement with other shareholders of Ele.me and purchased all shares of Ele.me held by other shareholders (the "Acquisition"). After the Acquisition, the Group was paid in aggregate RMB75,583,000 (US$11,525,000) for all the Series G-1 Shares of Ele.me held by the Company.

Based on the share purchase price in the Acquisition, the management of the Group recognised a disposal gain from the financial asset at FVTPL of approximately RMB11,313,000 (US$1,725,000) in the condensed consolidated statement of profit and loss and other comprehensive income for the period ended 30 June 2018. As at 30 June 2018, the Group has been partially paid with cash of RMB61,161,000 (US$9,335,000), and the rest consideration of RMB14,422,000 (US$2,190,000) will be paid in two years.

b. During the period, the Group made an additional cash capital contribution of RMB10,000,000 in Shanghai Jingjing Investment Center (Limited Partnership) ("Jingjing"), a subsidiary of the Company. During the period, Jingjing invested an additional RMB10,000,000 in Guangzhou Yunxi Information Technology Co., Ltd. ("Yunxi"). Therefore, as at 30 June 2018, Jingjing invested RMB132,000,000 in Yunxi, which represents approximately 8.3824% equity interest of Yunxi.

The fair values of the investment in Yunxi as at 30 June 2018 were determined by the management of the Group with reference to the price agreed and accepted by other independent third party investors in recent funding rounds. Based on such assessment, the management of the Group concluded there was no material change in the fair value of the investment as at 30 June 2018 as compare with that of as at 31 December 2017.

c. During the period, Jiahua Mingde (Tianjin) Enterprise Management and Consulting Partnership (Limited Partnership) ("Jiahua Mingde"), a subsidiary of the Company, made an additional investment of RMB10,000,000 in Anhui Jiahua Anyuan Investment Fund Partnership (Limited Partnership) ("Jiahua Anyuan Fund"). Therefore, as at 30 June 2018, Jiahua Mingde invested RMB70,000,000 in Jiahua Anyuan Fund, which represents approximately 12% equity interest of Jiahua Anyuan Fund.

The management of the Group considers that the carrying amounts of the investment costs approximate its fair values and as such no fair value change was recognised during the period.

d. During the period, Weiqian Noodle Food Service (Shenzhen) Co., Ltd. ("Weiqian Shenzhen"), a wholly-owned subsidiary of the Company, together with other two independent third parties to the Company, as the limited partners, and Beijing Housheng Investment & Management Center (Limited Partnership) and Guangzhou Hezhi Investment & Management Co., Ltd., two independent third parties to the Company, as the general partners, entered into a limited partnership agreement in relation to the admission and management of Guangzhou Hezhi Investment Center (Limited Partnership) ("Hezhi"). The total capital contribution of Hezhi was RMB1,000,000,000, and Weiqian Shenzhen invested an amount of RMB95,760,000, which took up approximately 9.58% equity interest. As Weiqian Shenzhen has no control, joint control nor significant influence in the limited partnership, this investment was presented as financial asset at FVTPL in the condensed consolidated statement of financial position of the Group. The fair value of the investment is made with reference to the recent investment cost of its investment on initial recognition, and as such no fair value change was recognised during the six months ended 30 June 2018.

11. TRADE AND OTHER RECEIVABLES

	30 June 2018 *RMB'000* **(Unaudited)**	31 December 2017 *RMB'000* (Audited)
Trade receivables		
– related companies	**993**	935
– others	**36,880**	36,311
	37,873	37,246
Less: allowance for doubtful debts	**(2,956)**	–
	34,917	37,246
Rental and utility deposits	**16,116**	16,962
Property rentals paid in advance for restaurants	**25,044**	24,638
Advance to suppliers	**32,332**	23,434
Deductible value added tax	**21,218**	15,839
Prepaid lease payment – current portion	**1,533**	1,799
Other receivables	**16,119**	15,606
	147,279	135,524

The related companies are a company in which Ms. Poon has controlling interests and a joint venture of the Group.

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 2017: 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 2017: 180 days). There is 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 2018 *RMB'000* **(Unaudited)**	31 December 2017 *RMB'000* (Audited)
Age		
0 to 30 days	**31,351**	32,739
31 to 60 days	**2,307**	134
61 to 90 days	**670**	674
91 to 180 days	**589**	–
181 to 365 days	**–**	714
Over 365 days	**–**	2,985
	34,917	37,246

12. TRADE AND OTHER PAYABLES

	30 June 2018 *RMB'000* **(Unaudited)**	31 December 2017 *RMB'000* (Audited)
Trade payables		
– a related company	**5,259**	6,474
– others	**84,988**	89,348
	90,247	95,822
Payroll and welfare payables	**36,830**	33,651
Customers' deposits received	**3,289**	8,618
Payable for acquisition of property, plant and equipment	**44,772**	15,418
Payable for property rentals	**24,456**	26,376
Other taxes payable	**21,415**	22,645
Others	**8,966**	22,368
	229,975	224,898

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

The average credit period for the purchase of goods is 60 days (for the year ended 31 December 2017: 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 2018 *RMB'000* **(Unaudited)**	31 December 2017 *RMB'000* (Audited)
0 to 30 days	**51,918**	60,373
31 to 60 days	**31,131**	26,496
61 to 90 days	**510**	1,252
91 to 180 days	**360**	1,221
Over 180 days	**6,328**	6,480
	90,247	95,822

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Review

In the first half of 2018, China's economy continued to grow in a steady and positive trend. During the period, China's GDP grew by 6.8% year-on-year (the first half of 2017: 6.9%) to RMB41,896.1 billion, with the national consumer price rising by 2.0% year-on-year.

According to the National Bureau of Statistics of PRC, China's catering market developed steadily with a revenue of RMB1,945.7 billion in the first half of 2018, representing an increase of 9.9% on a year-on-year basis (the corresponding period of 2017: 11.2%), leading the growth of the entire consumer market (9.4%) by 0.5 percentage point. In June, the national catering revenue regained a double-digit growth, 1.1 percentage points higher than that of the entire consumer market (9.0%), signifying that the development of the catering industry has been driving the growth of the entire consumer market.

In terms of the number of restaurants, as of May 2018, a total of 10.39 million restaurants were registered at Meituan, with a growth rate surpassing that of the overall catering revenue. As shown in the "2017 Supply-side Development Report on China's Catering Industry (二零一七中國餐飲供給側發展報告)" released by Meituan, the average life expectancy of the shut-down restaurants is 508 days, indicating the increasingly intense competition in the catering industry. The rapid growth in the number of restaurants and relentless elimination of the weak and small participants has become a common scene in this industry, while the area of a single restaurant continued to shrink, and the level of standardization continued to rise.

With regard to the takeaway market, according to the "2018 China Catering Report (二零一八年中國餐飲報告)", the online takeaway market grew to RMB300 billion in 2017, representing an increase of 13.7 times compared with RMB20.37 billion in 2011. The growth of the takeaway market is expected to continue, and it is estimated that by 2020, the online catering of food and beverage will amount to RMB700 billion, representing 13.5%-14% in the entire catering market as compared with 7.7% in 2017.

Since the beginning of this year, benefiting from the deepening of the supply-side structural reform, China's catering market has been developing steadily, showing increasingly improved quality, efficiency and momentum of its economic development, delivering convincing results of a series of reform and innovation policies. On 17 July 2018, The Commission on Food Safety of the State Council launched the food safety promotion campaign in 2018 and rolled out food safety promotion activities nationwide. With the support of the policies, it is expected that the catering industry will usher in the supply-side structural reform in the second half of this year, whereby the catering industry has to vigorously prepare itself to be innovation-driven while continuously enhancing its organic growth and promoting the high-quality development of the catering industry. The Group will adhere to its refined management, carefully maintain food quality and safety, actively develop intelligent technologies to turn its restaurants into smart restaurants so as to enhance customer experience. At the same time, our management is aggressively opening new restaurants to increase the total number of our restaurants as well as the turnover, aiming to secure our business growth and generate greater benefits for our Shareholders.

Business Review

For the six months ended 30 June 2018, the Group's turnover increased from approximately RMB1,151,734,000 during the corresponding period in 2017, by approximately 0.1% to approximately RMB1,153,448,000. The gross profit of the Group reached approximately RMB866,936,000, an increase of approximately 3.0% from approximately RMB841,604,000 during the corresponding period in 2017; the profit attributable to the owners of the Company reached approximately RMB121,290,000, an increase of approximately 11.7% from approximately RMB108,603,000 in 2017. The basic earnings per share increased to RMB0.11 from RMB0.10 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 restaurant network and deepened the density in mature markets, such as Beijing, Jiangsu, Zhejiang and Shanghai. As at 30 June 2018, the Group had a total of 718 fast casual chain restaurants, an increase of 69 from 649 during the corresponding period in 2017; the Group's restaurant network extended its reach to 31 provinces and municipalities nationwide, amounting over 140 cities in aggregate, increasing 10 cities as compared with the corresponding period in 2017.

The construction and operation of the six major production bases in China guaranteed the steady growth and food quality of the Group's chain restaurant network. The Group's six major factories in Shanghai, Chengdu, Tianjin, Qingdao, Wuhan 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 as a proportion to turnover was approximately 24.8%, representing a decrease of approximately 2.1 percentage points as compared with the corresponding period last year. Accordingly, the gross profit margin increased to approximately 75.2% from approximately 73.1% 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 the PRC effective from 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 26.2% of the turnover, which was approximately 0.9 percentage point higher than that of the corresponding period last year. During the current 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 17.2%, which was approximately 1.0 percentage point higher than that of the corresponding period last year. During the current 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-sized and small-sized 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 710 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. During the current reporting period, the Group continued to host the inter-restaurant competition to fully mobilize its staff, thus making prominent contribution to the Group's turnover.

Retail Chain Restaurants

During the first half of 2018, the Group's major business and primary source of income continued to stem from the retail chain restaurant business. During the current reporting period, the Group's restaurant business income recorded approximately RMB1,077,490,000 (2017: RMB1,067,147,000), accounted for approximately 93.4% (2017: 92.7%) of the Group's total revenue, an increase of 1.0% from the corresponding period last year.

As at 30 June 2018, the Group's restaurant portfolio consisted of 718 Ajisen chain restaurants, comprising the following:

	30 June 2018	30 June 2017	+/–
By provinces:			
Shanghai	**126**	132	-6
Beijing	**46**	43	3
Tianjin	**7**	5	2
Guangdong (excluding Shenzhen)	**49**	48	1
Shenzhen	**24**	24	0
Jiangsu	**84**	78	6
Zhejiang	**64**	60	4
Sichuan	**15**	15	0
Chongqing	**14**	13	1
Fujian	**24**	22	2
Hunan	**19**	17	2
Hubei	**17**	12	5
Liaoning	**21**	15	6
Shandong	**43**	35	8
Guangxi	**11**	8	3
Guizhou	**4**	2	2
Jiangxi	**15**	14	1
Shaanxi	**14**	12	2
Yunnan	**9**	8	1
Henan	**10**	6	4
Hebei	**8**	5	3
Anhui	**16**	10	6
Xinjiang	**2**	2	0
Hainan	**8**	7	1
Shanxi	**1**	1	0
Neimenggu	**5**	5	0
Heilongjiang	**12**	10	2
Ningxia, Qinghai	**3**	3	0
Jilin	**15**	6	9
Tibet	**1**	1	0
Hong Kong	**30**	29	1
Rome	**1**	1	0
Total	**718**	649	69

	30 June 2018	30 June 2017	+/–
By geographical region:			
Northern China	**153**	128	25
Eastern China	**290**	270	20
Southern China	**161**	138	23
Central China	**113**	112	1
Italy	**1**	1	0
Total	**718**	649	69

Sales of packaged noodle and related products

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

For the six months ended 30 June 2018, revenue from the sales of packaged noodle and related products was approximately RMB75,958,000 (2017: RMB84,587,000), accounted for approximately 6.6% (2017: 7.3%) of the Group's total revenue.

The Group has an extensive distribution network for the packaged noodle and related products in China. As of 30 June 2018, 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 Alldays, Kedi and C-Store.

Financial Review

Turnover

For the six months ended 30 June 2018, the Group's turnover increased by approximately 0.1%, or approximately RMB1,714,000 to approximately RMB1,153,448,000 from approximately RMB1,151,734,000 for the corresponding period in 2017. Such increase was mainly due to the increase in number of stores of the Group during the current reporting period.

Cost of inventories consumed

For the six months ended 30 June 2018, the Group's cost of inventories decreased by approximately 7.6%, or approximately RMB23,618,000, to approximately RMB286,512,000 from approximately RMB310,130,000 for the corresponding period in 2017. During the current reporting period, the ratio of inventories cost to turnover was approximately 24.8%, lower than 26.9% for the corresponding period in 2017. Such decrease was attributable to the stability in the purchasing cost and benefit from VAT reform in the PRC effective from 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 2018 increased by approximately 3.0%, or approximately RMB25,332,000 to approximately RMB866,936,000 from approximately RMB841,604,000 for the corresponding period in 2017. Gross profit margin of the Group also further increased from approximately 73.1% for the corresponding period in 2017 to approximately 75.2%.

Property rentals and related expenses

For the six months ended 30 June 2018, property rentals and related expenses of the Group increased by approximately 6.5% from approximately RMB186,821,000 for the corresponding period in 2017 to approximately RMB198,901,000. Its proportion to turnover increased by 1.0 percentage point from approximately 16.2% for the corresponding period in 2017 to approximately 17.2%. Such increase was mainly attributable to the increase in number of stores of the Group for the period.

Staff costs

For the six months ended 30 June 2018, staff costs of the Group increased by approximately 3.9% from approximately RMB291,300,000 for the corresponding period in 2017 to approximately RMB302,612,000. Staff costs as a proportion to turnover increased from approximately 25.3% for the corresponding period in 2017 by 0.9 percentage point to approximately 26.2%, which reflected the raise in level of minimum wage in a number of provinces and cities in China for the period.

Depreciation

For the six months ended 30 June 2018, depreciation of the Group increased by approximately 3.1% or approximately RMB2,341,000 from approximately RMB76,440,000 for the corresponding period in 2017 to approximately RMB78,781,000. Such increase was mainly attributable to the increase in number of stores in first half of 2018.

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 2018, other operating expenses increased by approximately 8.8%, or approximately RMB13,358,000, to approximately RMB165,501,000 from approximately RMB152,143,000 for the corresponding period in 2017. Its proportion to turnover increased by 1.1 percentage points from 13.2% to approximately 14.3%, which was mainly attributable to the increase in expenses spent on consumables, and fuel and utility for the period, while expenses spent on advertising and promotion decreased to approximately RMB3,437,000 from approximately RMB7,945,000 for the corresponding period in 2017.

Other income

For the six months ended 30 June 2018, other income of the Group decreased by approximately 5.5%, or approximately RMB2,304,000, to approximately RMB39,712,000 from approximately RMB42,016,000 for the corresponding period in 2017. The decrease was mainly originated from the decrease in government grant during the period.

Other gains and losses

For the six months ended 30 June 2018, other gains and losses of the Group increased by approximately 913.4% or approximately RMB27,538,000, to approximately RMB24,523,000 from a loss of approximately RMB3,015,000 for the corresponding period in 2017. The increase was due to gain in the fair value of approximately RMB11,313,000 of financial asset designated as at FVTPL for the corresponding period in 2017.

Finance costs

For the six months ended 30 June 2018, finance costs increased by approximately 23.9%, or approximately RMB653,000 to approximately RMB3,388,000 from approximately RMB2,735,000 for the corresponding period in 2017. The increase was mainly due to more loans outstanding compared to corresponding period in 2017.

Profit before taxation

Being affected by the factors referred to above, the Group's profit before taxation for the six months ended 30 June 2018 increased by approximately 6.9%, or approximately RMB11,719,000 to approximately RMB180,727,000 from approximately RMB169,008,000 for the corresponding period in 2017.

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 2018 increased by approximately 11.7%, or approximately RMB12,687,000, to approximately RMB121,290,000 from approximately RMB108,603,000 for the corresponding period in 2017.

Assets and liabilities

The Group's net current assets were approximately RMB1,067,340,000 and the current ratio was 2.6 as at 30 June 2018 (31 December 2017: 2.9). 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.

Cash flows

Net cash inflow from operations of the Group for the six months ended 30 June 2018 was approximately RMB147,356,000 while profit before taxation for the same period was approximately RMB180,727,000. The operating cash inflow 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 2018 remained healthy and strong, with bank balances amounting to RMB1,510,365,000 (31 December 2017: RMB1,534,103,000) and a current ratio of 2.6 (31 December 2017: 2.9).

As at 30 June 2018, the Group had bank borrowings of RMB338,206,000 (31 December 2017: RMB320,118,000) and therefore the gearing ratio (expressed as a percentage of total borrowings over total assets) was 8.8 (31 December 2017: 8.7).

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 2018 and 31 December 2017 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.

Subsequent Events

Subsequent to 30 June 2018, no material events affecting the Company and its subsidiaries have occurred.

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 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 pledged bank deposits included in the condensed consolidated statement of financial position 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 by 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 2018 and 31 December 2017, 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 2018, the Group did not have any significant contingent liabilities.

Capital expenditure

For the six months ended 30 June 2018, the Group's capital expenditure was approximately RMB241,156,000 (corresponding period in 2017: RMB103,874,000), which was due to the increase in purchase of property, plant and equipment, acquisition of investment in an associate and purchase of financial assets designated as at FVTPL during the six months ended 30 June 2018.

Key operating ratios for restaurant operations

	Hong Kong			PRC		
	1-6/2018	1-12/2017	1-6/2017	**1-6/2018**	1-12/2017	1-6/2017
Comparable restaurant sales growth:	**-7.5%**	-6.8%	-3.3%	**-0.6%**	2.2%	-2.2%
Per capita spending:	**HK$65.1**	HK$65.3	HK$64.7	**RMB47.4**	RMB47.9	RMB47.8
Table turnover per day (times per day):	**4.0**	4.2	4.8	**3.4**	3.5	3.4

OTHER INFORMATION

Compliance with the Corporate Governance Code

The Company has complied with all applicable code provisions under the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the six months ended 30 June 2018, save and except for the deviation from the code provision A.2.1 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. Currently, the Company does not comply with code provision A.2.1, i.e., the roles of the Chairman and 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 is 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 is also considered 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 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 2018, they were in compliance with the Required Standard.

Audit Committee Review

The audit committee of the Company (the "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, risk management and internal controls, and financial reporting matters. The Company's unaudited interim results for the six months ended 30 June 2018 have been reviewed by the Audit Committee.

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 six months ended 30 June 2018.

Employee's Remuneration and Policy

As at 30 June 2018, the Group employed 11,615 persons (30 June 2017: 10,252 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 2018 was approximately RMB302,612,000 (30 June 2017: RMB291,300,000).

Dividend

An interim dividend of RMB0.02 (HK2.80 cents) per ordinary share for the six months ended 30 June 2018 (for the six months ended 30 June 2017: RMB0.02 (HK2.50 cents)) has been declared by the Board to shareholders and such interim dividend will be paid on 30 November 2018 to shareholders whose names appear on the register of members of the Company on 14 September 2018.

Closure of the Register of Members

The register of members of the Company will be closed from 12 September 2018 to 14 September 2018 (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 11 September 2018.

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

Hong Kong, 23 August 2018

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.