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 2010

INTERIM RESULTS HIGHLIGHTS

- Turnover rose by 26.8% to HK$1,188 million (corresponding period of 2009: HK$937 million)
- Profit from core operations of the Group rose by 48.3% to HK$233.9 million (corresponding period of 2009: HK$157.8 million)
- Gross profit margin improved by 0.2 percentage point to 69.1% (corresponding period of 2009: 68.9%)
- Profit attributable to owners of the Company grew by 44.9% to HK$192.8 million (corresponding period of 2009: HK$133.1 million)
- Basic earnings per share increased by HK5.59 cents to HK18.05 cents, representing an increase of 44.9% (corresponding period of 2009: HK12.46 cents)
- Total number of restaurants reached 450 by 30 June 2010 and 461 as at the date of this announcement

The Board of directors (the "Board") of Ajisen (China) Holdings Limited (the "Company" or "Ajisen") announces the unaudited interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2010, together with the comparative figures for the corresponding period in 2009 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2010

		Six months ended 30 June	
	NOTES	**2010**	2009
		HK$'000	*HK$'000*
		(Unaudited)	(Unaudited)
Turnover	*2*	**1,188,133**	936,951
Other income		**36,540**	23,174
Other gains and losses		**(1,563)**	432
Cost of inventories consumed		**(366,949)**	(291,815)
Staff costs		**(210,637)**	(163,730)
Depreciation		**(58,867)**	(58,476)
Property rentals and related expenses		**(162,476)**	(138,870)
Other operating expenses		**(155,271)**	(126,267)
Finance costs		**–**	(879)
Profit before taxation	*3*	**268,910**	180,520
Taxation	*4*	**(67,634)**	(41,814)
Profit for the period		**201,276**	138,706
Other comprehensive income			
Exchange differences arising on translation		**22,228**	664
Fair value gain on available-for-sale investments		**–**	50
Reclassification adjustment of fair value gain to profit or loss on disposal of available-for-sale investments		**–**	(86)
Other comprehensive income for the period		**22,228**	628
Total comprehensive income for the period		**223,504**	139,334
Profit for the period attributable to:			
Owners of the Company		**192,830**	133,081
Non-controlling interests		**8,446**	5,625
		201,276	138,706
Total comprehensive income for the period attributable to:			
Owners of the Company		**214,429**	133,545
Non-controlling interests		**9,075**	5,789
		223,504	139,334
		HK cents	*HK cents*
Earnings per share	*5*		
– Basic		**18.05**	12.46
– Diluted		**17.92**	12.46

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	**30 June 2010** **HK$'000** **(Unaudited)**	31 December 2009 *HK$'000* (Audited)
Non-current assets			
Investment properties		**268,493**	122,987
Property, plant and equipment		**613,379**	546,757
Prepaid lease payments		**55,987**	51,762
Deposits paid for acquisition of investment properties		**–**	22,795
Deposits paid for acquisition of property, plant and equipment		**1,541**	1,522
Deposits paid for acquisition of land leases		**30,723**	36,321
Rental deposits		**44,368**	34,832
Goodwill		**37,135**	37,135
Deferred tax assets		**3,882**	3,247
Available-for-sale investments		**5,537**	537
		1,061,045	857,895
Current assets			
Inventories		**55,710**	55,737
Trade and other receivables	*6*	**116,880**	100,450
Amounts due from related parties		**27**	27
Taxation recoverable		**1,562**	2,042
Other financial assets		**69,000**	68,182
Bank balances and cash		**1,769,850**	1,701,690
		2,013,029	1,928,128
Current liabilities			
Trade and other payables	*7*	**290,900**	241,365
Amounts due to related companies		**7,183**	8,924
Amounts due to directors		**181**	544
Amount due to a shareholder		**16,365**	18,679
Dividend payable		**160,329**	5
Taxation payable		**55,897**	50,893
		530,855	320,410

	30 June 2010 HK$'000 (Unaudited)	31 December 2009 HK$'000 (Audited)
Net current assets	**1,482,174**	1,607,718
Total assets less current liabilities	**2,543,219**	2,465,613
Non-current liability		
Deferred tax liabilities	**20,381**	15,289
Net assets	**2,522,838**	2,450,324
Capital and reserves		
Share capital	**106,936**	106,791
Reserves	**2,360,882**	2,297,588
Equity attributable to owners of the Company	**2,467,818**	2,404,379
Non-controlling interests	**55,020**	45,945
Total equity	**2,522,838**	2,450,324

Notes:

1. GENERAL

The Company is incorporated and registered as an exempted company with limited liability on 6 April 2006 under the Companies Law of the Cayman Islands and acts as an investment holding company. Its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 30 March 2007. Its immediate holding company is Favour Choice Limited, a company which is incorporated in the British Virgin Islands and wholly-owned by Anmi Holdings Limited, a company which is incorporated in the British Virgin Islands and wholly-owned by Anmi Trust, which is founded by Ms. Poon Wai who is a director of the Company. The addresses of the registered office and the principal place of business of the Company are disclosed in the "Corporation Information" section of the interim financial statements.

Basis Of Preparation

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

Principal Accounting Policies

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2009, except as described below.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners

The Group applies HKFRS 3 (Revised) Business Combinations prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The requirements in HKAS 27 (Revised) Consolidated and Separate Financial Statements in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010.

As there was no transaction during the current interim period in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

The application of other new and revised HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

The Group has not early applied the following new or revised standards, amendments or interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs 2010[1]
HKAS 24 (Revised)	Related Party Disclosures[4]
HKAS 32 (Amendment)	Classification of Rights Issues[2]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[3]
HKFRS 9	Financial Instruments[5]
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[4]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[3]

1 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2010, as appropriate
2 Effective for annual periods beginning on or after 1 February 2010
3 Effective for annual periods beginning on or after 1 July 2010
4 Effective for annual periods beginning on or after 1 January 2011
5 Effective for annual periods beginning on or after 1 January 2013

HKFRS 9 *Financial Instruments* introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

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

2. SEGMENT INFORMATION

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

For the period ended 30 June 2010 (unaudited)

	Operation of restaurants			Manufacturing and sales of noodles and related products	Investment holding	Elimination	Total
	PRC	Hong Kong	Total				
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue							
– external sales	**1,002,929**	**135,733**	**1,138,662**	**49,471**	**–**	**–**	**1,188,133**
– inter-segment sales *(note)*	**–**	**–**	**–**	**212,433**	**–**	**(212,433)**	**–**
	1,002,929	**135,733**	**1,138,662**	**261,904**	**–**	**(212,433)**	**1,188,133**
Segment profit	**253,860**	**14,992**	**268,852**	**8,899**	**4,412**	**–**	**282,163**
Unallocated income							**13,841**
Unallocated expenses							**(27,094)**
Profit before taxation							**268,910**
Taxation							**(67,634)**
Profit for the period							**201,276**

For the period ended 30 June 2009 (unaudited)

	Operation of restaurants			Manufacturing and sales of noodles and related products	Investment holding	Elimination	Total
	PRC	Hong Kong	Total				
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue							
– external sales	771,410	120,911	892,321	44,630	–	–	936,951
– inter-segment sales *(note)*	–	–	–	153,352	–	(153,352)	–
	771,410	120,911	892,321	197,982	–	(153,352)	936,951
Segment profit	178,724	12,364	191,088	7,221	2,309	–	200,618
Unallocated income							6,604
Unallocated expenses							(25,823)
Finance costs							(879)
Profit before taxation							180,520
Taxation							(41,814)
Profit for the period							138,706

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

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

Other information

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

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

	30 June 2010	31 December 2009
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
The PRC	**833,430**	607,507
Hong Kong	**218,196**	246,604
	1,051,626	854,111

All of the Group's revenue from external customers is attributed to the location of the relevant group entities, which is the PRC and Hong Kong, during the six months ended 30 June 2010 and 30 June 2009.

None of the customers accounted for 10% or more of the total turnover of the Group during the six months ended 30 June 2010 and 30 June 2009.

3. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging:		
Cost of inventories consumed *(note a)*	**366,949**	291,815
Advertising and promotion expenses	**8,856**	6,924
Fuel and utility expenses	**58,249**	49,004
Operating lease rentals in respect of		
– land lease	**1,228**	673
– rented premises *(note b)*	**144,577**	122,876

Notes:

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

b. Included in the operating lease rentals in respect of rental premises are minimum lease payments of approximately HK$91,619,000 (six months ended 30 June 2009: HK$82,766,000) and contingent rent of approximately HK$52,958,000 (six months ended 30 June 2009: HK$40,110,000).

4. TAXATION

	Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Hong Kong profit tax		
– current period	**4,894**	2,307
– overprovision in prior periods	**(123)**	–
	4,771	2,307
PRC income tax		
– current period	**58,102**	36,886
– underprovision in prior periods	**–**	889
	58,102	37,775
	62,873	40,082
Deferred taxation	**4,761**	1,732
	67,634	41,814

The income tax expenses in Hong Kong and the PRC are recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated weighted average annual tax rate used is for Hong Kong Profit Tax and PRC income tax used are 16.5% (six months ended 30 June 2009: 16.5%) and 25% (six months ended 30 June 2009: 25%), respectively, for the periods under review.

Certain of the Group's subsidiaries operating in the PRC are eligible for certain tax holidays and concessions for both periods.

5. 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	
	2010	2009
	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	**192,830**	133,081
	Number of shares	
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,068,308,059**	1,067,687,070
Effect of dilutive potential ordinary shares relating to:		
– outstanding share options	**7,692,518**	–
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,076,000,577**	1,067,687,070

The outstanding share options do not have a dilutive effect to the Company's earnings per share during the six months ended 30 June 2009 because the exercise prices of the Company's share options were higher than the average market prices of the Company's shares during that period.

6. TRADE AND OTHER RECEIVABLES

	30 June	31 December
	2010	2009
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables		
– related companies	**561**	382
– others	**28,871**	30,788
	29,432	31,170
Rental and utility deposits	**29,846**	33,421
Property rentals paid in advance for restaurants	**17,992**	15,852
Advance to suppliers	**16,872**	3,220
Other receivables and prepayments	**22,738**	16,787
	116,880	100,450

The related companies are companies in which certain directors of the Company, Ms. Poon Wai, Mr. Poon Ka Man, Jason and Mr. Kasuaki Shigemitsu, have significant beneficial interests or a shareholder of the Company, Mr. Cheng Wai Tao, has significant beneficial interest.

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

	30 June 2010	31 December 2009
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 to 30 days	**18,198**	17,632
31 to 60 days	**3,180**	4,657
61 to 90 days	**2,007**	2,161
91 to 180 days	**1,655**	2,976
Over 180 days	**4,392**	3,744
	29,432	31,170

7. TRADE AND OTHER PAYABLES

	30 June 2010	31 December 2009
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade payables		
– related companies	**7,600**	4,883
– others	**115,825**	94,416
	123,425	99,299
Payroll and welfare payables	**37,977**	32,287
Customers' deposits received	**7,345**	5,831
Payable for acquisition of property, plant and equipment	**27,898**	32,086
Payable for property rentals	**38,543**	37,093
Other taxes payable	**29,859**	16,866
Others	**25,853**	17,903
	290,900	241,365

The related companies are companies in which Mr. Kasuaki Shigemitsu has significant beneficial interest.

The following is an analysis of trade payables by age, presented based on invoice date:

	30 June 2010 *HK$'000* **(Unaudited)**	31 December 2009 *HK$'000* (Audited)
0 to 30 days	**69,865**	74,421
31 to 60 days	**34,139**	11,244
61 to 90 days	**5,634**	3,215
91 to 180 days	**8,334**	3,787
Over 180 days	**5,453**	6,632
	123,425	99,299

DIVIDENDS

	Six months ended 30 June	
	2010 *HK$'000* **(Unaudited)**	2009 *HK$'000* (Unaudited)
Dividends recognised as distribution during the period:		
Final, declared – HK7.50 cents per share for 2009 (2009: declared – HK5.25 cents per share for 2008)	**80,162**	56,054
Special, declared – HK7.50 cents per share for 2009 (2009: HK4.20 cents per share for 2008)	**80,162**	44,842
	160,324	100,896

The directors do not recommend the payment of an interim dividend.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Review

During the first half of 2010, the global economy continued to recover gradually. However, the foundation of recovery was not solid, and the progress of recovery was relatively slow. Under such extremely complicated situation during the first half of 2010, the macro-economic policies of China upheld its sustainability and stability, and the overall economy showed remarkable trend of growth. According to the data of the National Bureau of Statistics of China, the gross domestic product ("GDP") in China was approximately RMB17,284 billion for the first half of 2010, a year-on-year increase of 11.1%, and total income from the food and beverages ("F&B") industry during the first half of 2010 was approximately RMB818.1 billion, a year-on-year increase of 16.9%, which was higher than the growth rate of GDP.

The enormous growth potential in the F&B industry in China is gradually emerging. The structure of consumption was changed as a result of rapid urbanisation and the continuous increase in domestic income. The consumption in urban areas has entered into a new era. Fast causal restaurants ("FCR") will undoubtedly benefit from such change in consumption. With the high speed railway completed gradually, the pace of life also accelerated. Families are more accustomed to dine out. According to the latest report by the China Cuisine Association, a double-digit growth is forecasted for the F&B industry in 2010. The F&B industry in China will advance into a new phase of development.

It is believed that the trend of rapid development of the F&B industry in China would remain in the long run. This is definitely a process with both challenges and opportunities. During the first half of 2010, notwithstanding the steady recovery in the macro-economy, the F&B industry was still filled with challenges in business environment. The data of the National Bureau of Statistics of China showed that the consumer price index ("CPI") was basically on an upward trend, and the increase rate in the food prices was greater. Inflation has imposed additional difficulty on the F&B industry in controlling the cost of raw materials. At the same time, many provinces in China increased the minimum wage standard during the first half of the year, which has added pressure to the management of staff costs for F&B operators.

Despite facing manifold challenges, the Group will maintain a cautiously optimistic attitude towards future development. We will fully leverage on our competitive edge in brand positioning, product quality, and business model and capitalise on the industry experience accumulated over the years, cope with the upcoming challenges with flexible adjustment whilst paying attention to the quality and operation efficiency of our restaurant network, thus ensuring the rapid and steady growth of the Group's business.

Business Review

During the first half of 2010, the recovery in the macro-economy brought along a gradual resumption in the F&B industry. The Group has utilised the opportunities to accelerate its development. Considerable growth in various key performance indicators was achieved during the reporting period. For the six months ended 30 June 2010, the Group's turnover increased from approximately HK$936,951,000 for the corresponding period of 2009 by approximately 26.8% to approximately HK$1,188,133,000. The gross profit of the Group reached HK$821,184,000, an increase of approximately 27.3% from approximately HK$645,136,000 for the corresponding period of 2009. Profit attributable to the owners of the Company increased by approximately 44.9% to HK$192,830,000 from approximately HK$133,081,000 for the corresponding period of 2009. Correspondingly, basic earnings per share rose from HK Cents 12.46 for the corresponding period last year to HK Cents 18.05 per ordinary share.

During the reporting period, the Group accelerated its pace for the expansion of FCR network as planned. The Group adopted more focused strategies in its development, and continued to expand the restaurant network and deepened the density in mature markets, such as Jiangsu, Zhejiang and Shanghai. Additional efforts were devoted to expand the markets in Central and Western China. As at 30 June 2010, the Group had a total of 450 fast causal chain restaurants, an increase of 100 restaurants from 350 restaurants for the corresponding period in 2009. The Group's restaurant network covers 76 cities in 25 provinces and municipalities of China, an addition of 6 provinces and 15 cities from the corresponding period in 2009.

The production and logistics system offers strong support to the expansion of the chain restaurant network in a rapid and steady manner. The Group's 2 major production bases in Shanghai and Shenzhen and 12 food manufacturing and processing centres throughout China comprised a comprehensive and state-of-the-art support system. During the reporting period, the construction of 4 new production bases in Shanghai, Tianjin, Chengdu and Dongguan proceeded as planned and scheduled, which together will lay a solid foundation for the accelerated expansion of the restaurant network in the future.

In the first half of 2010, the Group has achieved a double-digit growth in the key performance indicators of all its main businesses. In particular, the sales for the same restaurant steadily resumed growth due to the increase in consumption and the mature development of the chain restaurant network. At the same time, through the accelerated expansion of its restaurant network, together with the strong flow of customers introduced from Shanghai World Expo, the Group's turnover has achieved fast growth at a rate of 26.8%. Nevertheless, despite pressure of the rising prices of food ingredients and labor costs, the Group managed to reduce the ratios of various costs to turnover in steady rate through stringent and effective control measures.

During the reporting period, the Group's cost of inventories as a proportion to turnover was approximately 30.9%, a decrease of approximately 0.2 percentage point from that of the corresponding period last year. Accordingly, gross profit margin has increased from approximately 68.9% for the corresponding period last year to approximately 69.1%. During the first half of the year, the prices of various food ingredients, such as cooking oil and vegetables rose. Nevertheless, through different means such as integrating and centralizing the purchase channels and agreed inventory management, the Group obtained preferential and steady costs on its purchases. At the same time, during the reporting period, the Group adjusted the prices by approximately 2-3% for certain items on the menu as a result of inflation. During the second half of the year, the prices of raw materials may continue to rise. However, the Group is confident to stabilise the gross profit margin at a relatively high level.

During the reporting period, the Group's labor costs accounted for approximately 17.7% of the turnover, there was a small increase of approximately 0.2 percentage point over the corresponding period last year. During the reporting period, the standard of minimum wage in a number of provinces and municipalities in China successively was increased. As such, the Group also adjusted the wages of its staff according to the relevant laws and regulations. Nonetheless, during the reporting period, turnover recorded relatively faster growth and the Group has been consistently paying attention to the utilisation rate of staff at different operating segments, the effect of increase in labor costs was mitigated to a certain extent.

During the reporting period, the ratio of the rental and related costs against the turnover of the Group was approximately 13.7%, which was approximately 1.1 percentage points lower than that of the corresponding period last year. During the reporting period, the Group maintained stringent criteria in location selection for new restaurants to ensure the rate of success of the new establishment. Also, a large number of medium– and small-size restaurants was developed so as to enhance the output per unit area. On the other hand, with our branding effect becoming stronger, the Group has secured fixed leases on a long-term basis. With a relatively rapid increase in turnover, rental costs will be further diluted, the ratio of rental and related costs proportion to turnover will decrease correspondingly.

By leveraging on the business opportunities arising from the gradual recovery of the F&B market, the Group has timely introduced a number of enriched and attractive marketing activities, the results of which within expectation. During the reporting period, the Group featured the promotional sales of various attractive premiums. The feedback was excellent and the promotions facilitated an increase in transaction amount. The traditional redemption activities further improved the sales profit margin. These activities did not only encourage new and existing customers to visit the restaurants, but also helped the Group to fully benefit from the market recovery.

The highly effective operation of over 400 restaurants under the Group would not be achieved without our efficient management and intensive staff training. During the reporting period, the Group placed emphasis on the guidance and training of restaurant managers and regional supervisors. The operation efficiency of each restaurant was enhanced through constant upgrading of its basic management level. The Group also launched inter-restaurant competitions so as to fully mobilise its staff. Amicable inter-restaurant competition also created significant contribution to the Group's turnover.

During the reporting period, the Group has made further progress in the construction of the Enterprise Resource Planning ("ERP") platform. At present, the ERP system of the Group has been fully online in Jiangsu, Zhejiang, Shanghai, Shandong and Beijing. It is expected that the system will be implemented in Southern and Central China during the year. On this basis, data analysis and intelligent tapping tools will be gradually put into operation. Upon completion of the construction, this information management system covering the whole Group will further optimise the resource allocation in different operational aspects such as purchasing, inventory management, scheduling and finance. Speed in decision-making will be enhanced significantly through centralized and integrated management model. The Group will be set to expand in a more hasty and steady manner with more effective management.

Retail Chain Restaurants

In 2010, the Group's major business and primary source of income continue to stem from the retail chain restaurant business. During the reporting period, the Group's restaurant business income recorded approximately HK$1,138,662,000 (corresponding period in 2009: HK$892,321,000), accounted for approximately 95.8% (2009: 95.2%) of the Group's total revenue.

As at 30 June 2010, the Group's restaurant portfolio consisted of 450 Ajisen chain restaurants, comprising the following:

	30 June 2010	31 December 2009	+/–
By type:			
Owned and managed	**448**	396	52
Owned but not managed	**2**	2	0
Total	**450**	398	52
By provinces:			
Shanghai	**102**	92	10
Beijing	**31**	31	0
Tianjin	**4**	3	1
Guangdong (excluding Shenzhen)	**36**	31	5
Shenzhen	**36**	36	0
Jiangsu	**39**	35	4
Zhejiang	**23**	15	8
Sichuan	**19**	17	2
Chongqing	**11**	10	1
Fujian	**15**	14	1
Hunan	**6**	5	1
Hubei	**12**	9	3
Liaoning	**11**	11	0
Shandong	**25**	21	4
Guangxi	**3**	3	0

	30 June 2010	31 December 2009	+/–
Guizhou	**4**	4	0
Jiangxi	**3**	3	0
Shaanxi	**11**	8	3
Yunnan	**6**	5	1
Henan	**3**	2	1
Hebei	**2**	1	1
Anhui	**3**	2	1
Gansu	**2**	0	2
Xinjiang	**3**	0	3
Hainan	**1**	1	0
Hong Kong	**37**	37	0
Taiwan*	**2**	2	0
Total	**450**	398	52
Total saleable area	**116,224 sq. meters**	102,509 sq. meters	13,715 sq. meters

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

	30 June 2010	31 December 2009	+/–
By geographical region:			
Northern China	**73**	67	6
Eastern China	**164**	142	22
Southern China	**130**	124	6
Central China	**83**	65	18
Total	**450**	398	52

	30 June 2010	31 December 2009	+/–
By scale:			
Flagship	**41**	41	0
Standard	**397**	345	52
Economic	**12**	12	0
Total	**450**	398	52

Sales of Packaged Noodle and Related Products

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

For the six months ended 30 June 2010, revenue from the sales of packaged noodle and related products was approximately HK$49,471,000 (corresponding period in 2009: HK$44,630,000), accounted for approximately 4.2% (corresponding period in 2009: 4.8%) 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 2010, the total number of points-of-sale in this network reached approximately 7,750, of which approximately 1,750 were new additions compared to the corresponding period in last year. The distribution network covers over 30 cities in China. These distributors include nationwide retailers such as Wal-Mart, Carrefour and Metro, and regional retailers such as China Resources Vanguard, Sanjiang in Ningbo and Century Lianhua, as well as reputable convenient chain stores such as Allday, Kedi and C-Store.

Financial review

Turnover

For the six months ended 30 June 2010, the Group's turnover increased by approximately 26.8%, or approximately HK$251,182,000, to approximately HK$1,188,133,000 from approximately HK$936,951,000 for the corresponding period in 2009. Such increase was mainly due to the increase in the number of FCR of the Group during the reporting period and the improvement in the growth of sales for the same outlet.

Cost of inventories consumed

For the six months ended 30 June 2010, the Group's cost of inventories increased by approximately 25.7%, or approximately HK$75,134,000, to approximately HK$366,949,000 from approximately HK$291,815,000 for the corresponding period in 2009. However, the increase of inventories cost was less than the increase in turnover. During the reporting period, the ratio of inventories cost to turnover was approximately 30.9%, even lower than 31.1% for the corresponding period in 2009. Such decrease was attributable to the effective control measures by the Group over the purchasing cost, such as integrated centralized purchasing and agreed inventory management with suppliers.

Gross profit and gross profit margin

Driven by the above factors, gross profit for the six months ended 30 June 2010 increased by approximately 27.3%, or approximately HK$176,048,000, to approximately HK$821,184,000 from approximately HK$645,136,000 for the corresponding period in 2009. Gross profit margin of the Group also further increased from approximately 68.9% for the corresponding period in 2009 to approximately 69.1%.

Property rentals and related expenses

For the six months ended 30 June 2010, property rentals and related expenses of the Group increased by approximately 17.0% from approximately HK$138,870,000 for the corresponding period in 2009 to approximately HK$162,476,000. Its proportion to turnover dropped from approximately 14.8% for the corresponding period in 2009 to approximately 13.7%. Such a decrease was mainly attributable to the fact that the positive same store sales growth exposure for the period and rental costs can be further diluted.

Staff costs

For the six months ended 30 June 2010, staff costs of the Group increased by approximately 28.6% from approximately HK$163,730,000 for the corresponding period in 2009 to approximately HK$210,637,000, primarily due to the increase in headcount resulting from the opening of new restaurants. Staff costs as a proportion to turnover increased from approximately 17.5% for the corresponding period in 2009 by 0.2 percentage point to approximately 17.7%, which reflected the increase in minimum wage in a number of provinces and municipalities in China.

Depreciation

For the six months ended 30 June 2010, depreciation of the Group increased by approximately 0.7% or approximately HK$391,000 from approximately HK$58,476,000 for the corresponding period in 2009 to approximately HK$58,867,000. Such an increase was mainly attributable to the increase in the number of restaurants.

Other operating expenses

Other operating expenses mainly included expenses for fuel and utility, consumables, advertising and promotion and franchise fee. For the six months ended 30 June 2010, other operating expenses increased by approximately 23.0%, or approximately HK$29,004,000, to approximately HK$155,271,000 from approximately HK$126,267,000 for the corresponding period in 2009. However, its proportion to turnover was further reduced by 0.4 percentage point from 13.5% to approximately 13.1%, which reflected the effectiveness of the Group’s control over its expenses.

Other income

For the six months ended 30 June 2010, other income of the Group increased by approximately 57.7%, or approximately HK$13,366,000, to approximately HK$36,540,000 from approximately HK$23,174,000 for the corresponding period in 2009. The increase mainly originated from the rise in interest income resulting from an upward trend in fixed deposit rates offered by Banks during the period.

Other gains and losses

For the six months ended 30 June 2010, other gains and losses of the Group decreased by approximately 461.8% to a loss of approximately HK$1,563,000 from approximately HK$432,000 for the corresponding period in 2009. The drop was primarily due to an increase in foreign exchange loss for the period.

Finance costs

For the six months ended 30 June 2010, no finance costs were incurred as opposed to approximately HK$879,000 for the corresponding period in 2009. Loans which were obtained in the second half of 2008 were fully repaid in September 2009.

Profit before taxation

Being affected by the factors referred to above in aggregate, the Group's profit before taxation for the six months ended 30 June 2010 increased by approximately 49.0%, or approximately HK$88,390,000 to approximately HK$268,910,000 from approximately HK$180,520,000 for the corresponding period in 2009.

Profit attributable to owners of the Company

Being affected by the factors referred to above in aggregate, profit attributable to owners of the Company for the six months ended 30 June 2010 increased by approximately 44.9%, or approximately HK$59,749,000, to approximately HK$192,830,000 from approximately HK$133,081,000 for the corresponding period in 2009.

Assets and liabilities

The Group's net current assets were approximately HK$1,482,174,000 and the current ratio was 3.8 as at 30 June 2010 (31 December 2009: 6.0). 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 2010.

Cash flows

Net cash inflow from operating activities for the six months ended 30 June 2010 was approximately HK$286,002,000, while profit before taxation for the same period was approximately HK$268,910,000. The difference was primarily due to the increase in trade and other payables. During the reporting period, the number of FCR operated by the Group increased, which resulted in more purchase of raw materials and other goods from suppliers. This, in turn, increased the amount of trade and other payables.

Capital expenditure

For the six months ended 30 June 2010, the Group's capital expenditure was approximately HK$250,777,000 (corresponding period in 2009: HK$101,808,000), which was due to the increase in purchase of property, plant and equipment for new restaurants and acquisition of an investment property in Shanghai.

Key operating ratios for restaurant operations

	Hong Kong			PRC		
	1-6/2010	1-12/2009 **(approximate) (unaudited)**	1-6/2009	**1-6/2010**	1-12/2009 **(approximate) (unaudited)**	1-6/2009
Comparable restaurant sales growth:	**0.6%**	-14.3%	-16.3%	**6.8%**	-1.3%	-2.8%
Turnover per GFA (per day/sq.m.):	**HK$190**	HK$184	HK$186	**RMB50**	RMB45	RMB50
Turnover per day per restaurant:	**HK$21,308**	HK$21,277	HK$21,207	**RMB13,200**	RMB12,602	RMB13,404
Per capita spending:	**HK$58.3**	HK$57.1	HK$57	**RMB37.9**	RMB36	RMB36
Table turnover per day (times per day):	**6**	6	6	**5**	5.1	4.8

OTHER INFORMATION

Compliance with the Code on Corporate Governance Practices

The Company has complied with all applicable code provisions under the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules for the six months ended 30 June 2010, save and except for the deviation from the code provision A.2.1, namely, the roles of the Chairman and chief executive officer ("CEO") have not been separated. Although Ms. Poon Wai performs both the roles of Chairman and CEO, the division of responsibilities between the Chairman and CEO are clearly established and set out in writing. In general, the Chairman is responsible for supervising the functions and performance of the Board, while the CEO is responsible for the management of the business of the Group. The two roles are performed by Ms. Poon distinctly. The Board believes that at the current stage of development of the Group, vesting the roles of both Chairman and CEO in the same person provides the Company with strong and consistent leadership, and allows for effective and efficient planning and implementation of business decisions and strategies. The relevant deviation is therefore considered reasonable. It also considers that the current structure does not impair the balance of power and authority between the Board and the management of the Company given the appropriate delegation of the power of the Board and the effective functions of the independent non-executive Directors (number of which exceeds one-third of the members of the Board). However, it is the long-term objective of the Company to have these two roles performed by separate individuals when suitable candidates are identified.

Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers

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

The Company has made specific enquiry to all Directors, and all Directors have confirmed that, throughout the six months ended 30 June 2010, they were in compliance with the Required Standard.

Audit Committee Review

The Audit Committee, which comprises three independent non-executive Directors, namely Mr. Jen Shek Voon, Mr. Lo Peter and Mr. Wang Jincheng and one non-executive Director, Mr. Wong Hin Sun, Eugene, reviews the accounting principles and practices adopted by the Company and discusses auditing, internal controls and financial reporting matters. The Company's unaudited interim results for the six months ended 30 June 2010 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 2010.

Employee's Remuneration and Policy

As at 30 June 2010, the Group employed 12,653 persons (31 December 2009: 10,447 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 2010 was HK$210,637,000 (30 June 2009: HK$163,730,000).

The 2010 Interim Report of the Company will be dispatched to the shareholders of the Company and will also be published on the Company's websites at <www.ajisen.com.hk> and <www.ajisen.com.cn> and the Stock Exchange's website at <www.hkexnews.hk> in due course.

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

Hong Kong, 18 August 2010

As at the date of this announcement the Board comprises, Ms. Poon Wai, Mr. Yin Yibing and Mr. Poon Ka Man, Jason as executive Directors; Mr. Katsuaki Shigemitsu and Mr. Wong Hin Sun, Eugene as non-executive Directors; and Mr. Lo Peter, Mr. Jen Shek Voon and Mr. Wang Jincheng as independent non-executive Directors.