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 2012

INTERIM RESULTS HIGHLIGHTS

- Turnover decreased by 9.2% to HK$1,512 million (corresponding period of 2011: HK$1,665 million)
- Profit from core operations of the Group decreased by 87.5% to HK$41.4 million (corresponding period of 2011: HK$332.3 million)
- Gross profit margin decreased by 2.7 percentage point to 65.8% (corresponding period of 2011: 68.5%)
- Profit attributable to owners of the Company decreased by 81.6% to HK$46.9 million (corresponding period of 2011: HK$255.2 million)
- Basic earnings per share decreased by HK19.46 cents to HK4.37 cents, representing an decrease of 81.7% (corresponding period of 2011: HK23.83 cents)
- Total number of restaurants reached 672 by 30 June 2012

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 2012, together with the comparative figures for the corresponding period in 2011 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2012

		Six months ended 30 June	
		2012	2011
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Turnover	*4*	**1,512,126**	1,664,730
Other income	*5*	**48,448**	50,558
Other gains and losses		**(37)**	4,701
Cost of inventories consumed		**(516,696)**	(524,851)
Staff costs		**(376,063)**	(303,512)
Depreciation		**(86,833)**	(69,100)
Property rentals and related expenses		**(237,593)**	(218,771)
Other operating expenses		**(253,560)**	(216,243)
Finance costs		**(1,637)**	(1,918)
Profit before taxation	*6*	**88,155**	385,594
Taxation	*7*	**(36,324)**	(118,034)
Profit for the period		**51,831**	267,560
Other comprehensive income			
Exchange differences arising on translation		**(10,254)**	30,266
Total comprehensive income for the period		**41,577**	297,826
Profit for the period attributable to:			
Owners of the Company		**46,934**	255,243
Non-controlling interests		**4,897**	12,317
		51,831	267,560
Total comprehensive income attributable to:			
Owners of the Company		**37,094**	284,277
Non-controlling interests		**4,483**	13,549
		41,577	297,826
		HK cents	*HK cents*
Earnings per share			
– Basic		**4.37**	23.83
– Diluted		**4.34**	23.56

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2012

	Notes	**30 June 2012**	31 December 2011
		HK$'000	*HK$'000*
		(Unaudited)	(Audited)
Non-current assets			
Investment properties		**327,161**	327,161
Property, plant and equipment		**1,088,130**	1,075,167
Prepaid lease payments		**107,615**	109,935
Intangible assets		**15,800**	15,800
Deposits paid for acquisition of property, plant and equipment		**10,183**	10,241
Deposits paid for acquisition of land leases		**15,346**	26,838
Rental deposits		**80,857**	74,147
Goodwill		**44,791**	44,791
Deferred tax assets		**3,022**	3,032
Available-for-sale investments		**21,150**	5,537
		1,714,055	1,692,649
Current assets			
Inventories		**91,990**	98,258
Trade and other receivables	*9*	**129,646**	149,669
Amounts due from related parties		**14**	1,084
Taxation recoverable		**3,419**	3,402
Bank balances and cash		**1,681,230**	1,887,104
		1,906,299	2,139,517

	Notes	30 June 2012 HK$'000 (Unaudited)	31 December 2011 HK$'000 (Audited)
Current liabilities			
Trade and other payables	10	**370,687**	407,590
Amounts due to related companies		**5,359**	4,222
Amounts due to directors		**606**	544
Amount due to a shareholder		**24,126**	31,169
Amounts due to non-controlled shareholders		**16,758**	12,941
Dividend payable		**129,710**	11
Taxation payable		**59,660**	62,761
Bank loans		**60,000**	293,490
		666,906	812,728
Net current assets		**1,239,393**	1,326,789
Total assets less current liabilities		**2,953,448**	3,019,438
Non-current liability			
Deferred tax liabilities		**23,309**	22,353
Net assets		**2,930,139**	2,997,085
Capital and reserves			
Share capital		**107,371**	107,302
Reserves		**2,743,084**	2,814,772
Equity attributable to owners of the Company		**2,850,455**	2,922,074
Non-controlling interests		**79,684**	75,011
Total equity		**2,930,139**	2,997,085

Notes:

1. GENERAL

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

2. 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 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").

3. PRINCIPAL ACCOUNTING POLICIES

The 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.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2012 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"):

– Amendments to HKFRS 7 Financial Instruments: Disclosures – Transfers of Financial Assets

– Amendments to HKAS 12 Deferred Tax – Recovery of Underlying Assets

Under the amendments to HKAS 12 Deferred Tax: Recovery of Underlying Assets, investment properties that are measured using the fair value model in accordance with HKAS 40 Investment Property are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The Group measures its investment properties using the fair value model. The directors of the Company concluded that the Group's investment properties located in Hong Kong are not held under a business model whose objective is to consume substantially all of the economic benefits embodies in the investment properties over time and that the Group did not recognise any deferred taxes on changes in fair value of these investment properties as the Group is not subject to any income taxes on disposal of its investment properties previously. As a result, the application of the amendments to HKAS 12 did not have material effect to the Group's condensed consolidated financial statements.

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

4. SEGMENT INFORMATION

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

	Operation of restaurants			Manufacture and sales of noodles and related products	Investment holding	Segment total	Elimination	Total
	PRC	Hong Kong	Total					
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue								
– external sales	**1,298,032**	**160,082**	**1,458,114**	**54,012**	**–**	**1,512,126**	**–**	**1,512,126**
– inter-segment sales	**–**	**–**	**–**	**315,729**	**–**	**315,729**	**(315,729)**	**–**
	1,298,032	**160,082**	**1,458,114**	**369,741**	**–**	**1,827,855**	**(315,729)**	**1,512,126**
Segment profits	**86,499**	**16,584**	**103,083**	**5,184**	**7,493**	**115,760**	**–**	**115,760**
Unallocated income								**23,446**
Unallocated expenses								**(49,414)**
Finance cost								**(1,637)**
Profit before taxation								**88,155**
Taxation								**(36,324)**
Profit for the period								**51,831**

For the period ended 30 June 2011 (unaudited)

	Operation of restaurants			Manufacture and sales of noodles and related products	Investment holding	Segment total	Elimination	Total
	PRC	Hong Kong	Total					
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue								
– external sales	1,445,088	157,968	1,603,056	61,674	–	1,664,730	–	1,664,730
– inter-segment sales	–	–	–	310,747	–	310,747	(310,747)	–
	1,445,088	157,968	1,603,056	372,421	–	1,975,477	(310,747)	1,664,730
Segment profits	357,368	19,237	376,605	4,100	7,737	388,442	–	388,442
Unallocated income								17,742
Unallocated expenses								(18,672)
Finance cost								(1,918)
Profit before taxation								385,594
Taxation								(118,034)
Profit for the period								267,560

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

5. OTHER INCOME

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Royalty income from sub-franchisee	**8,072**	8,312
Government grant	**3,682**	16,396
Bank interest income	**22,269**	13,012
Property rental income, negligible outgoings	**7,493**	7,737
Others	**6,932**	5,101
	48,448	50,558

6. PROFIT BEFORE TAXATION

	Six months ended 30 June 2012 HK$'000 (Unaudited)	2011 HK$'000 (Unaudited)
Profit before taxation has been arrived at after charging:		
Cost of inventories consumed *(note a)*	**516,696**	524,851
Advertising and promotion expenses	**13,957**	11,042
Fuel and utility expenses	**91,112**	80,210
Operating lease rentals in respect of		
– land lease	**1,336**	581
– rented premises *(note b)*	**208,171**	194,181

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$129,630,000 (six months ended 30 June 2011: HK$108,466,000) and contingent rent of approximately HK$78,541,000 (six months ended 30 June 2011: HK$85,715,000).

7. TAXATION

	Six months ended 30 June 2012 HK$'000 (Unaudited)	2011 HK$'000 (Unaudited)
Hong Kong Profits Tax		
– current period	**2,165**	5,809
– underprovision in prior periods	**–**	374
	2,165	6,183
PRC income tax		
– current period	**25,213**	76,242
– withholding taxes paid	**–**	13,541
– underprovision in prior periods	**7,980**	14,546
	33,193	104,329
	35,358	110,512
Deferred taxation	**966**	7,522
	36,324	118,034

The income tax expense in Hong Kong and the PRC is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated weighted average annual tax rates used for Hong Kong Profit Tax and PRC income tax used are 16.5% (six months ended 30 June 2011:16.5%) and 25% (six months ended 30 June 2011:25%), respectively, for the periods under review, except the followings:

(a) Pursuant to the relevant provincial policy and with written approval obtained from the State Tax Bureau in Chongqing ("Chongqing STB") in the year ended 31 December 2009, Chongqing Weiqian Food & Restaurant Management Co., Ltd. 重慶味千餐飲管理有限公司 ("Chongqing Weiqian") which is located in Chongqing, China applied a preferential tax rate of 15% ("Preferential Tax Treatment") during the years ended 31 December 2009 and 31 December 2010.

During the six months ended 30 June 2011, the Company received notice that the PRC National Audit Office recently issued a letter to the Chongqing STB stating that a few restaurant companies, including Chongqing Weiqian, should not have been granted the Preferential Tax Treatment for the year ended 31 December 2009. The PRC National Audit Office's ruling is that Chongqing Weiqian should pay enterprise income tax at the standard rate of 25%. During the six months ended 30 June 2011, the Group made additional enterprise income tax provision of approximately HK$3.8 million (equivalent to approximately RMB3.2 million) for the year ended 31 December 2009 and paid such amount to the Chongqing STB on a timely manner as requested. As such, the Group applied the standard enterprise income tax rate of 25% for Chongqing Weiqian for each of the six months ended 30 June 2011 and 2012.

As a result of the foregoing, during the six months ended 30 June 2011, the Group recognised a one-time tax liability of approximately HK$14.5 million (equivalent to approximately RMB12.2 million) related to the change in the Preferential Tax Treatment for the years ended 31 December 2009 and 2010. The directors of the Company believe that the Preferential Tax Treatment Chongqing Weiqian previously enjoyed was appropriate under relevant published government rules and regulations and the written approval it received in the year ended 31 December 2009.

(b) The tax rates of Weiqian Noodle Food Service (Shenzhen) Co., Ltd. and Weiqian Noodle (Shenzhen) Co., Ltd. increased progressively from 15% and 15% to 25% and 25%, respectively, from 1 January 2008 onwards. The relevant tax rates for these entities were 25% and 25% during the six months ended 30 June 2012 (2011: 24% and 24%).

8. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2012	2011
	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	**46,934**	255,243
	Number of shares	
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,073,485,845**	1,071,190,812
Effect of dilutive potential ordinary shares relating to: – outstanding share options	**7,335,574**	12,396,611
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,080,821,419**	1,083,587,423

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 2012 and 30 June 2011 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.

9. TRADE AND OTHER RECEIVABLES

	30 June 2012	31 December 2011
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables		
– a related company	**599**	602
– others	**19,070**	29,876
	19,669	30,478
Rental and utility deposits	**29,457**	34,423
Property rentals paid in advance for restaurants	**39,453**	21,030
Advance to suppliers	**21,258**	18,709
Other receivables and prepayments	**19,809**	45,029
	129,646	149,669

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

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

	30 June 2012	31 December 2011
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 to 30 days	**13,754**	25,282
31 to 60 days	**2,446**	1,931
61 to 90 days	**665**	329
91 to 180 days	**550**	454
Over 180 days	**2,254**	2,482
	19,669	30,478

10. TRADE AND OTHER PAYABLES

	30 June 2012 *HK$'000* **(Unaudited)**	31 December 2011 *HK$'000* (Audited)
Trade payables		
– related companies	**3,841**	7,279
– others	**149,643**	155,495
	153,484	162,774
Payroll and welfare payables	**50,231**	54,356
Customers' deposits received	**8,049**	7,442
Payable for acquisition of property, plant and equipment	**47,649**	49,428
Payable for property rentals	**38,539**	31,336
Other taxes payable	**29,875**	33,873
Others	**42,860**	68,381
	370,687	407,590

The related companies are companies in which Mr. Kasuaki Shigemitsu, has controlling interests.

The average credit period of purchase of goods is 60 (2011: 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 2012 *HK$'000* **(Unaudited)**	31 December 2011 *HK$'000* (Audited)
0 to 30 days	**104,935**	109,388
31 to 60 days	**33,770**	43,392
61 to 90 days	**4,083**	4,018
91 to 180 days	**7,036**	1,507
Over 180 days	**3,660**	4,469
	153,484	162,774

11. DIVIDENDS

	Six months ended 30 June 2012 HK$'000 (Unaudited)	2011 HK$'000 (Unaudited)
Dividends recognised as distribution during the period:		
Final, declared – HK2.28 cents per share for 2011 (2011: declared – HK10.50 cents per share for 2010)	**24,480**	112,525
Special, declared – HK9.80 cents per share for 2011 (2011: HK12.50 cents per share for 2010)	**105,221**	133,958
	129,701	246,483

An interim dividend of HK2.19 cents per ordinary share (six months ended 30 June 2011: HK5.95) has been declared by the directors for the period ended 30 June 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

During the first half of 2012, the macro-economic environment in both Hong Kong and Mainland China have stayed sluggish, and the European sovereign debt crisis in particular continues to be a key focus of the financial markets. The weak global environment has led to lower the growth forecasts for the PRC. The Growth of the gross domestic product ("GDP') is expected to fall to 7.5% this year. It is the lowest growth rate since 2006. Inflation has peaked at 6.5% in July 2011 and fell to 4.1% at the end of 2011 and continued to fall steadily in the first half of 2012. Furthermore, there was a general labour shortage in the food and beverages ("F&B") industry, and labour costs increased rapidly, pushing the operating costs of the F&B industry on a continuous upward track. As an indicator of economic environment, retail sales will be slow but its growth rates are still high in comparison with most other industries. The government's effort to encourage consumption through policies to boost income will be the main drivers of economic growth.

Since the Ajisen soup base incident in July 2011, we have carried out a series of public relations and promotion activities to restore our customer flow, however, due to the macro-economic environment in both Hong Kong and Mainland China have stayed sluggish, with lower-than-expected sales growth, operating cost efficiency in the first half of 2012 were trending behind the levels achieved last year, which resulted in a certain increase in costs and expenditures. Meanwhile we were still under the pressure of rising food prices and labor costs as mentioned above. Despite facing all these challenges, we are confident that, through fully leveraging on our competitive edge and our accumulated industry experience over all these years, we are able to tackle this incident in a flexible manner and stick to the quality and operation efficiency of our restaurant network, so as to restore the Company's various economic indicators to the level before the incident as soon as possible.

BUSINESS REVIEW

For the six months ended 30 June 2012, the Group's turnover decreased from approximately HK$1,664,730,000 for the corresponding period of 2011 by approximately 9.2% to approximately HK$1,512,126,000. The gross profit of the Group reached HK$995,430, a decrease of approximately 12.7% from approximately HK$1,139,879,000 for the corresponding period of 2011. Profit attributable to the owners of the Company decreased by approximately 81.6% to approximately HK$46,934,000 from approximately HK$255,243,000 for the corresponding period of 2011. Correspondingly, basic earnings per share decreased from HK Cents 23.83 for the corresponding period of last year to HK Cents 4.37 per ordinary share.

During the reporting period, the Group decelerated its pace for the expansion of Fast Casual Restaurant ("FCR") network as planned. The Group adopted more focused strategies in its development, and continued to expand the restaurant network and deepened the density in mature markets, such as Jiangsu, Zhejiang and Shanghai. As at 30 June 2012, the Group had a total of 672 fast causal chain restaurants, an increase of 96 restaurants from 576 restaurants for the corresponding period in 2011. The Group's restaurant network covers 121 cities in 29 provinces and municipalities of China, an addition of 26 cities and 2 provinces from the corresponding period in 2011.

The production and logistics system offers strong support to the expansion of the chain restaurant network in a rapid and steady manner. The Group's two major production bases in Shanghai and Shenzhen and seven food manufacturing and processing centres throughout China comprised a comprehensive and state-of-the-art support system. The Group also steadily pursued the construction of three new production bases in order to accommodate the pace and demand from the planned expansion of restaurant network in the future.

During the reporting period, the Group's cost of inventories as a proportion to turnover was approximately 34.2%, an increase of approximately 2.7 percentage point from that of the corresponding period of last year. Accordingly, gross profit margin has decreased from approximately 68.5% for the corresponding period of last year to approximately 65.8%; which due to various discounts and promotion were offered and increased in materials cost. The Group will closely follow the price trend of materials and is confident to stabilise the gross profit margin at expected level.

During the reporting period, the Group's labour costs accounted for approximately 24.9% of the turnover, an increase of approximately 6.7 percentage point over the corresponding period of last year. During the reporting period, the standard of minimum wage in a number of provinces and municipalities in China was successively raised. As such, the Group also adjusted the wages of its staff according to the relevant laws and regulations. At the same time, the Group increased the bonus for staff and implementing new human resources policy, leading to an increase in labour costs.

During the reporting period, the ratio of the rental and related costs against the turnover of the Group was approximately 15.7%, which was approximately 2.6 percentage point higher than that of the corresponding period of last year. During the reporting period, the Group maintained stringent criteria in location selection for new restaurants to ensure the rate of success of the new establishment. Also, a large number of medium and small size restaurants was developed so as to enhance the output per unit area. With our expanding restaurant network, the Group has secured fixed leases on a long-term basis. However, due to the negative-same store sales growth, the fixed component in the rental structure will account for a larger portion compared with the corresponding period last year, so that the ratio of the rental and related costs against the turnover of the Group became higher.

The highly effective operation of over 650 restaurants under the Group would not be achieved without our efficient management and intensive staff training. During the reporting period, the Group placed emphasis on the guidance and training of restaurant managers and regional supervisors. The operation efficiency of each restaurant was enhanced through constant upgrading of its basic management level. The Group continued to launch inter-restaurant competitions this year so as to fully mobilise its staff, which created significant contribution to the Group's turnover.

RETAIL CHAIN RESTAURANTS

During the first half of 2012, 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$1,458,114,000 (2011: HK$1,603,056,000), accounted for approximately 96.4% (2011: 96.3%) of the Group's total revenue, a decrease of 9.0% from the corresponding period in last year.

As at 30 June 2012, the Group's restaurant portfolio consisted of 672 Ajisen chain restaurants, comprising the following:

	30 June 2012	31 December 2011	+/–
By type:			
Owned and managed	670	660	10
Owned but not managed	2	2	0
Total	672	662	10
By provinces:			
Shanghai	133	134	-1
Beijing	33	36	-3
Tianjin	12	8	4
Guangdong (excluding Shenzhen)	70	64	6
Shenzhen	35	35	0
Jiangsu	71	70	1
Zhejiang	49	48	1
Sichuan	23	23	0
Chongqing	14	13	1
Fujian	25	25	0
Hunan	16	13	3
Hubei	17	18	-1
Liaoning	13	13	0
Shandong	40	37	3
Guangxi	9	9	0
Guizhou	8	9	-1
Jiangxi	6	7	-1
Shaanxi	13	13	0
Yunnan	7	7	0
Henan	4	4	0
Hebei	4	5	-1
Anhui	12	13	-1
Gansu	2	2	0
Xinjiang	4	3	1
Hainan	3	3	0
Shanxi	1	1	0
Neimenggu	4	4	0
Heilongjiang	3	3	0
Ningxia, Qinghai	2	2	0
Hong Kong	37	38	-1
Taiwan*	2	2	0
Total	672	662	10
Total saleable area (sq. meters)	153,636	151,989	1,647

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

	30 June 2012	31 December 2011	+/–
By geographical region:			
Northern China	**112**	108	4
Eastern China	**253**	252	1
Southern China	**179**	175	4
Central China	**126**	125	1
Taiwan	**2**	2	0
Total	**672**	662	10

	30 June 2012	31 December 2011	+/–
By scale:			
Flagship	**44**	44	0
Standard	**618**	608	10
Economic	**10**	10	0
Total	**672**	662	10

SALES OF PACKAGED NOODLE AND RELATED PRODUCTS

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

For the six months ended 30 June 2012, revenue from the sales of packaged noodle and related products was approximately HK$54,012,000 (2011: HK$61,674,000), accounted for approximately 3.6% (2011: 3.7%) 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 2012, the total number of points-of-sale in this network reached approximately 8,000, which was the same compared to the corresponding period in last year. The distribution network covers over 30 cities in China. These distributors include nationwide retailers such as Wal-Mart, Carrefour and Metro, and regional retailers such as China Resources Vanguard, Sanjiang in Ningbo and Century Lianhua, as well as reputable convenient chain stores such as Allday, Kedi and C-Store.

Financial review

Turnover

For the six months ended 30 June 2012, the Group's turnover decreased by approximately 9.2%, or approximately HK$152,604,000, to approximately HK$1,512,126,000 from approximately HK$1,664,730,000 for the corresponding period in 2011. Such decrease was mainly due to the decrease in the comparing same store growth of the Group during the reporting period.

Cost of inventories consumed

For the six months ended 30 June 2012, the Group's cost of inventories decreased by approximately 1.6%, or approximately HK$8,155,000, to approximately HK$516,696,000 from approximately HK$524,851,000 for the corresponding period in 2011. However, the increase of inventories cost was higher than the increase in turnover. During the reporting period, the ratio of inventories cost to turnover was approximately 34.2%, higher than 31.5% for the corresponding period in 2011. Such increase was attributable to the increase in the purchasing cost and various discounts and promotion were offered for the period.

Gross profit and gross profit margin

Driven by the above factors, gross profit for the six months ended 30 June 2012 decreased by approximately 12.7%, or approximately HK$144,449,000 to approximately HK$995,430,000 from approximately HK$1,139,879,000 for the corresponding period in 2011. Gross profit margin of the Group also further decreased from approximately 68.5% for the corresponding period in 2011 to approximately 65.8%.

Property rentals and related expenses

For the six months ended 30 June 2012, property rentals and related expenses of the Group increased by approximately 8.6% from approximately HK$218,771,000 for the corresponding period in 2011 to approximately HK$237,593,000. Its proportion to turnover increased by 2.6 percentage point from approximately 13.1% for the corresponding period in 2011 to approximately 15.7%. Such a increase was mainly attributable to the fact that the negative same store sales growth for the period.

Staff costs

For the six months ended 30 June 2012, staff costs of the Group increased by approximately 23.9% from approximately HK$303,512,000 for the corresponding period in 2011 to approximately HK$376,063,000, primarily due to the increase in headcount resulting from the opening of new restaurants. Staff costs as a proportion to turnover increased from approximately 18.2% for the corresponding period in 2011 by 6.7 percentage point to approximately 24.9%, which reflected the increase in minimum wage in a number of provinces and municipalities in China and in Hong Kong and negative same store sales growth for the period.

Depreciation

For the six months ended 30 June 2012, depreciation of the Group increased by approximately 25.7% or approximately HK$17,733,000 from approximately HK$69,100,000 for the corresponding period in 2011 to approximately HK$86,833,000. Such an increase was mainly attributable to the increase in the number of restaurants and commencement of operation of new factory in Shanghai.

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 2012, other operating expenses increased by approximately 17.3%, or approximately HK$37,317,000, to approximately HK$253,560,000 from approximately HK$216,243,000 for the corresponding period in 2011. Its proportion to turnover was increased by 3.8 percentage point from 13.0% to approximately 16.8%, which was mainly attributable to the increase in the number of restaurants and the negative same store sales growth for the period.

Other income

For the six months ended 30 June 2012, other income of the Group decreased by approximately 4.2%, or approximately HK$2,110,000, to approximately HK$48,448,000 from approximately HK$50,558,000 for the corresponding period in 2011. The decrease mainly originated from the decrease in government grant during the period.

Other gains and losses

For the six months ended 30 June 2012, other gains and losses of the Group decreased by approximately 100.8% to losses of approximately HK$37,000 from approximately gains of HK$4,701,000 for the corresponding period in 2011. The decrease were due to decrease in foreign exchange gain for the period and there is a loss on disposal of property, plant and equipment as more shops closed for the period.

Finance costs

For the six months ended 30 June 2012, finance costs decreased by approximately 14.7%, or approximately HK$281,000 to approximately HK$1,637,000 from approximately HK$1,918,000 for the corresponding period in 2011. The decrease mainly due to repayment of loans for the period.

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 2012 decreased by approximately 77.1%, or approximately HK$297,439,000 to approximately HK$88,155,000 from approximately HK$385,594,000 for the corresponding period in 2011.

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 2012 decreased by approximately 81.6%, or approximately HK$208,309,000, to approximately HK$46,934,000 from approximately HK$255,243,000 for the corresponding period in 2011.

Assets and liabilities

The Group's net current assets were approximately HK$1,239,393,000 and the current ratio was 2.9 as at 30 June 2012 (31 December 2011: 2.5). As the Group is primarily engaged in the restaurant business, most of the sales are settled in cash. As a result, the Group was able to maintain a relatively high current ratio. The increase in current ratio was mainly attributable to the decrease in bank loans as at 30 June 2012.

Cash flows

Net cash inflow from operating activities for the six months ended 30 June 2012 was approximately HK$161,351,000 while profit before taxation for the same period was approximately HK$88,155,000. The operating cash inflows was mainly due to increase in number of FCR operated by the Group which the increase in size of operation of the Group strengthened the bargaining power of the Group with the suppliers and slowed down settlement of purchases.

Capital expenditure

For the six months ended 30 June 2012, the Group's capital expenditure was approximately HK$112,265,000 (corresponding period in 2011: HK$209,524,000), which was due to the increase in purchase of property, plant and equipment for new restaurants.

Key operating ratios for "Ajisen Ramen" restaurant

		Hong Kong			**PRC**	
	1-6/2012	1-12/2011 **(approximate) (unaudited)**	1-6/2011	**1-6/2012**	1-12/2011 **(approximate) (unaudited)**	1-6/2011
Comparable restaurant sales growth:	**-2.4%**	4.6%	5.8%	**-24.7%**	-6.0%	14.0%
Turnover per Gross Floor Area (per day/sq. meters):	**HK$196**	HK$212	HK$213	**RMB38.7**	RMB45.2	RMB53.3
Turnover per day per restaurant:	**HK$23,317**	HK$23,310	HK$23,490	**RMB9,160**	RMB11,950	RMB13,619
Per capita spending:	**HK$60.1**	HK$59.1	HK$59.3	**RMB40.0**	RMB40.6	RMB41.2
Table turnover per day (times per day):	**5.6**	5.6	6	**3.3**	4.0	5.2

OTHER INFORMATION

Compliance with the Corporate Governance Code

The Company has complied with all applicable code provisions under the Code on Corporate Governance Practices (from 1 January 2012 to 31 March 2012) and Corporate Governance Code (from 1 April 2012 to 30 June 2012) (the "Code") as set out in Appendix 14 to the Rules Governing the listing of securities on the Stock Exchange (the "Listing Rules") for the six months ended 30 June 2012, 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 2012, 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, reviewed the accounting principles and practices adopted by the Company and discussed auditing, internal controls and financial reporting matters. The Company's unaudited interim results for the six months ended 30 June 2012 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 2012.

Employee's Remuneration and Policy

As at 30 June 2012, the Group employed 13,834 persons (31 December 2011: 15,681 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 2012 was approximately HK$376,063,000 (30 June 2011: HK$303,512,000).

Dividend

An interim dividend of HK2.19 cents per ordinary share (for six months ended 30 June 2011: HK$5.95 cents) for the six months ended 30 June 2012 have been declared by the Board to shareholders and such interim dividend will be paid on or about 30 September 2012 to shareholders whose names appear on the register of members of the Company on 21 September 2012.

Closure of the Register of Members

The register of members of the Company will be closed from 19 September 2012 to 21 September 2012 (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 18 September 2012.

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

Hong Kong, 22 August 2012

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.