

**AJISEN (CHINA) HOLDINGS LTD:
THE PRICE-EARNINGS MULTIPLE IS HIGH, BUT IT MAY BE WORTH IT**

It would be very interesting to learn the true and full reason(s) that publicly listed Ajisen (China) Holdings Ltd (()) (Code: 538, Main Board, The Stock Exchange of Hongkong Ltd), in pitching its **Initial Public Offering (IPO)** on March 19, 2007, was extremely keen to retire about \$HK100 million of its debts, those debts, owed to 2 banks – when its total borrowings only amounted to about \$HK114.10 million, as at January 31, 2007.

That \$HK100-million, scheduled debt repayment represented, in terms of the IPO, about 7.43 percent of the anticipated Net Proceeds from the flotation, according to Page 221 of the Global Offering Prospectus.

But, in fact, due to the very successful launch of this Company on The Stock Exchange of Hongkong Ltd, that \$HK100 million turned out to represent only about 5.76 percent of the total net proceeds of the IPO.

Of course, there is absolutely nothing wrong with retiring all of a company's debts to 2 banks, such as Hang Seng Bank Ltd () (Code: 11, Main Board, The Stock Exchange of Hongkong Ltd) and Industrial and Commercial Bank of China (Asia) Ltd (()) (Code: 349, Main Board, The Stock Exchange of Hongkong Ltd), but, with a prospective amount of money, of the order of \$HK1.74 billion, coming into this Company's kitty via its IPO, it seems unlikely that banks of the stature of the above-mentioned would have been very concerned about not being paid, it seems to **TARGET ()**.

Then, for what reason would Management of Ajisen (China) want to retire about 88 percent of its total borrowings at the time of its IPO?

A careful look at the financing costs of this Company, over its 45-month, track-record period, ended September 30, 2006, does not appear to suggest that the weight of debt was dragging down the Bottom Lines, at all.

The Business

Ajisen (China) is, unashamedly, a restaurant chain, serving up Japanese-styled food.

It describes its operations at Page 93 of the Global Offering Prospectus as follows:

'HISTORY AND DEVELOPMENT

'Our business was founded by (Madame) Poon Wai () with the establishment of Shenzhen Factory (Wei Qian Noodle (Shenzhen) Company Ltd()) on 25th December 1995. We initially established Shenzhen Factory with the aim of manufacturing and distributing our packaged noodle products to consumers in Hong Kong. Realising the potential for our noodle food products in the Hong Kong market, we decided to vertically expand our business operations in Hong Kong, where we then had Cheng Wai Tao (), Shigemitsu and Katsuaki Shigemitsu () joining our Group as shareholders. In May 1996, we opened our first Ajisen restaurant in Causeway Bay, Hong Kong. Between 1996 and 1998, an additional seven Aijsen restaurants were added to our restaurant portfolio in Hong Kong. In 1998, in order to standardise and centralise food preparation for all our Hong Kong Ajisen chain restaurants, we set up a food processing facility in Hong Kong for the preparation and distribution of semi-cooked and cooked food items to them.

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