



福記食品服務控股有限公司

FU JI FOOD AND CATERING SERVICES HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

(stock code: 1175)

**FINAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 MARCH 2007**

FINANCIAL HIGHLIGHTS:

	Audited		YOY Changes (%)
	Year ended 31 March		
	2007 (RMB'000)	2006 (RMB'000)	
Turnover	1,199,415	796,750	+50.5%
Catering Services	932,323	573,870	+62.5%
Chinese Restaurants	232,940	200,448	+16.2%
Convenience Food	34,152	22,432	+52.2%
Profit from operations	433,666	308,191	+40.7%
Profit for the year	348,087	251,386	+38.5%
Basic earnings per share (RMB cents)	68.9	56.5	+21.9%

MANAGEMENT DISCUSSION AND ANALYSIS

The fiscal year 2006/07 was a fruitful year for FU JI Food and Catering Services Holdings Limited (the "Company") and its subsidiaries (known together as the "Group"). Apart from support from strong economy in China, the Group put major efforts into expanding its vertically integrated business model and customer base as well as extending geographical coverage of its operations. These factors together explained the Group's sound financial results during the year ended 31 March 2007. Turnover for the year reached a new high to approximately RMB1,199.4 million, up 50.5% compared with the fiscal year 2005/06. The Group's gross profit reached RMB695.4 million and net profit surged to RMB348.1 million, up 53.6% and 38.5% respectively against the previous fiscal year. Basic earnings per share were RMB68.9 cents (fiscal year 2005/06: RMB56.5 cents).

Turnover

With demand for its catering services on the rise, the Catering Services segment of the Group continued to be its principal growth driver during the year under review. The segment recorded a remarkable 62.5% increase in turnover compared with fiscal year 2005/06. Apart from continuing to expand capacity, the Group was able to retain existing customers and secured new contracts. All these contributed significantly to the excellent performance of the Catering Services operations.

Gross and Net Profits

During the current year under review, the Group's gross profit margin and operating profit margin remained high at 58.0% and 36.2%, respectively. Such healthy margins were attributable to the overall remarkable utilization rate of the Group's centralized processing centres and its vertically integrated operational model achieving greater economies of scale and better cost control. These achievements have helped to mitigate the negative impact of rising costs of food materials and ingredients in China.

The Company issued three-year zero coupon convertible bonds (the "Bonds 2009") in an aggregate principal amount of HK\$1 billion due 2009 in November 2006. The approximately HK\$972.0 million in net proceeds raised was and will be invested principally in expanding capacities along the entire value chain to develop and strengthen the Group's vertically integrated business model.

To comply with Hong Kong Accounting Standards 32 and 39, which require convertible bonds issued by the Group to be split into equity and liability components at initial recognition and the liability component be recognized at fair value, the Group is obliged to subsequently carry the liability component at amortized cost taking into account the redemption premium that would have been paid upon maturities, notwithstanding that the exercise prices of the bonds are far below the market price of the Company's shares subsequent to their issuance. As a result, there was a non-cash charge of approximately RMB30,562,000 (fiscal year 2005/06: RMB13,866,000) incurred, which was recognized as part of the Group's finance cost for the year ended 31 March 2007.

In addition, Hong Kong Financial Reporting Standard 2 requires the Group to recognize the fair value of employee share options as an expense over the vesting period with a corresponding increase in capital reserve within equity. As a result of granting share options to one Executive Director of the Company and certain employees of the Group on 25 May 2006, the Group incurred non-cash charge totalled RMB9,250,000 (fiscal year 2005/06: nil), which was recognized as part of the Group's staff costs for the year under review.

Dividend

The Board of Directors (the "Board") had declared and paid an interim dividend of HK cents 10.2 per share for the fiscal year 2006/07 (fiscal year 2005/06: HK cents 7.5), and recommends payment of a final dividend of HK cents 10.4 per share for the fiscal year 2006/07 (fiscal year 2005/06: HK cents 7.8). The aggregate amount of dividends for the fiscal year 2006/07 represents approximately 30.0% of the consolidated profit attributable to Shareholders for the year.

MARKET REVIEW

Although still in the budding stage, the catering services sector in China has strong growth potential. The persistently robust Chinese economy in recent years has given birth to a growing number of industrial enterprises and prompted restructuring of the state-owned enterprises. These modernizing enterprises are embracing the outsourcing of non-core operations such as staff catering so that they can focus attention on their core operation and optimize allocation of corporate resources. This trend and the seeming low entry barriers to the sector explain the emergence of many local small caterers, when the number of established local caterers remains small but stable.

However, as the demand for quality catering services and food safety draws public attention, the government of the People's Republic of China (the "PRC") is stepping up regulation to lift food safety standards during the entire food production process from procurement, transportation to storage and distribution. The Group is one of the few caterers in China who can comply with the relevant food safety standards, giving it an unmatched competitive edge that allows it maintain dominance in the catering market in China.

BUSINESS REVIEW

The Group has developed a vertically integrated business model tailored to meet the needs of its businesses. The model is deemed pioneering giving the Group advantages over other players in the market. During the fiscal year under review, the Group placed great efforts into improving the facilities in its sourcing and initial processing centres (“SIPCs”) and local distribution and processing centres (“LDPCs”). For the year under review, the Group operated four SIPCs in Shandong, Jiangsu and Zhejiang, allowing for centralized bulk procurement of food materials and ingredients and effective control on food quality and costs. It also operated six LDPCs that abide by strict hygiene control in processing and delivery of food materials and products. Located in Sunqiao (Shanghai), Suzhou, Shenzhen, Songjiang (Shanghai), Kunshan (Suzhou) and Hangzhou, all the LDPCs together supported a total output of 850,000 sets of meals per day. The Group’s efforts to mechanize and standardize production and used automation facilities also resulted in improvement in operational efficiency.

The Group is strategically expanding from its solid base in the Yangtze River Delta region to coastal regions and economic zones including the Pearl River Delta region. It is building a regional distribution and processing centre (“RDPC”) in Jiading, Shanghai. The centre will serve as a logistics hub of the Group in the Huadong region on top of playing an instrumental role in facilitating planning and control of procurement, movement of inventories and products, and research and development.

With such a strong nationwide network in place, the Group is apt to provide integrated food services of the best quality guaranteed by stringent internal hygiene control. It targets to gain the trust of modern consumers with contemporary dining values, expectations and aspirations.

The Group’s proven vertically integrated business model and network has given it full control of the entire supply chain — from initial sourcing and processing of certain food ingredients to delivering meals and dishes to customers. The Group is able to flexibly provide customized catering services that meet the specific needs of diverse customers.

Food safety and hygiene is the Group’s first and foremost focus as reflected in its insistence on using fresh, high quality food ingredients in its meals and dishes to ensure their high nutritional value. The Group believes that upholding these values will allow to thrive even in intense competition and to maintain dominance in the Chinese restaurants and catering services industries in China.

Catering Services

Catering Services business continued to expand as the Group’s principal revenue and profit growth driver. During the year ended 31 March 2007, revenue from the business increased by 62.5% to approximately RMB932.3 million, and operating profit grew by 38.1% to approximately RMB326.6 million. As at 31 March 2007, the Group produced a total of approximately 567,500 sets of meals daily, representing a 62.1% growth compared to approximately 350,000 sets as at the end of the previous fiscal year. Catering Services business accounted for 77.7% of the Group’s total turnover.

Continued strong growth of the Catering Services business was a result of organic growth of the Group’s existing customer portfolios and its efforts to enlarge and diversify its customer base and expand into new market segments.

The Group operated three main types of Catering Services, including institutional catering, school catering and exhibition and event catering during the fiscal year.

Institutional catering

Riding on its firm presence in the Yangtze River Delta region, the Group actively expanded its Catering Services to labour-intensive industrial zones in the Pearl River Delta. The Group’s targeted customers included large-scale multinational corporations, state-owned enterprises and privately owned industrial enterprises.

School catering

The Group provided Catering Services to various tertiary educational institutions in Shanghai and Suzhou. During the year under review, the Group had made success in securing new customers for this business, thanks to the relevant authorities encouraging outsourcing of school meals to professional caterers. The Group was able to satisfy the needs of these institutions by supplying students and staff with tasty, highly nutritious and good value-for-money meals.

Exhibition and event catering

The Group won contracts from two leading exhibition centres in Shanghai during the year under review. This new segment will allow the Group to benefit from the flourishing Shanghai exhibition industry and see it gain exposure outside the country riding on the high flow of exhibition visitors. The Group believes the new business will also boost the gross profit margin of its Catering Services business and become a future growth driver of its overall results.

The Group signed two catering service contracts for the 2008 Beijing Olympics in April 2007, making it an official food caterer of the global sports event. A testament to the high quality of the Group's products and services, the contract will boost the Group's brand and reputation which will enable it to expand business coverage in Beijing and other areas of the PRC.

Chinese Restaurants

Chinese Restaurants business is the Group's second largest revenue contributor, accounting for 19.4% of the Group's total turnover. As at the end of fiscal year 2006/07, the Group operated six Chinese Restaurants with the three latest additions being the Shanghai Jiading Restaurant (which commenced operation in August 2006), Shanghai Caojiadu Restaurant and Shanghai Wuzhong Road Restaurant (both commenced operation in January 2007).

During the fiscal year, the Group's Chinese Restaurants business managed stable growth, achieving a 16.2% rise in turnover to RMB232.9 million. The growth was mainly attributable to the increased average per head consumption among mid- to high-end customers targeted by the Group and the increase in the number of operating Chinese Restaurants under the Group.

Heeding the trend of medium-to-high income customers and corporate executives dining out more frequently, the Group strived to capture these customers by providing comprehensive and frequently updated menus that include dishes of traditional and contemporary culinary styles in its restaurants. The Group has also introduced a "FU JI Club" fine dining concept available exclusively to members of the Suzhou Industrial Park Restaurant, Shanghai Pudong Restaurant, Shanghai Jiading Restaurant and the new Shanghai Wuzhong Road Restaurant. The Group plans to introduce the concept selectively in its other restaurants in the near future.

Convenience Food

The Group achieved satisfactory performance in sales for Convenience Food during the fiscal year with the support of an efficient logistics network and distribution channels. Turnover increased to RMB34.2 million, representing a 52.2% growth. The Group's centralized system allows the business to share cost and resources in providing high nutritious and healthy convenience food to primarily urban dwellers in Shanghai and Suzhou. Convenience Food accounted for 2.9% of the Group's total turnover.

FINANCIAL REVIEW

Liquidity and Financial Resources

The Group's financial position is sound with stable cash flow. As at 31 March 2007, the Group's total Shareholders' equity amounted to RMB1,792,386,000, representing an increase of 24.0% compared with 31 March 2006. As at 31 March 2007, the Group's cash and cash equivalents totalled RMB556,630,000 (31 March 2006: RMB281,744,000). Net current assets were RMB448,933,000 (31 March 2006: RMB220,241,000).

On 9 November 2006, the Company issued the Bonds 2009 convertible into ordinary shares of the Company. The net proceeds from the issuance of the bonds, less commission and all other directly attributable costs, amounted to approximately HK\$972.0 million.

With the Bonds 2009 proceeds, available bank loans and strong operational cash flows, the management is confident that the Group will have adequate resources to settle any debts and finance its daily operational and capital expenditures.

The reporting currency of the Group is Renminbi and the Group's monetary assets, monetary liabilities and transactions are principally denominated in Renminbi, Hong Kong dollars and US dollars. As the fluctuation in the exchange rates among these currencies was minimal during the year and is expected to be insignificant going forward, the Group believes its exposure to risks from exchange rate movement is limited.

Capital Structure

As at 31 March 2007, the Group had total debts made up of bank loans bearing annual interest rates of 4.860% to 6.732% (31 March 2006: between 5.22% and 7.02%) and the Bonds 2009 (RMB1,296,835,000 in total) (31 March 2006: RMB303,334,000). As at 31 March 2007, the Group's total Shareholders' equity was RMB1,792,386,000 (31 March 2006: RMB1,445,561,000). Based on the above, its gearing ratio was approximately 72.4% (31 March 2006: 21.0%).

On 14 October 2005, the Company issued zero coupon convertible bonds in an aggregate principal amount of HK\$600,000,000 due 2010 (the "Bonds 2010") convertible into ordinary shares of the Company. The bondholders of the Bonds 2010 have the right to convert them into ordinary shares of the Company at any time beginning 25 November 2005 and thereafter up to the close of business on 30 September 2010 at the conversion price of HK\$10.253 per share, which was adjusted on 15 August 2006 to HK\$10.125 per share. During the year under review, the Company issued and allotted a total of 7,888,900 new shares as a result of conversion of the bonds in the total amount of HK\$80,000,000. After the issuance, as at 31 March 2007, the number of issued shares of the Company was increased to 510,251,463 and the outstanding principal amount of the Bonds 2010 became nil.

Save as disclosed above, there has been no change in the share capital of the Company during the year under review.

Holder of the Bonds 2009 has the right to convert the bonds into ordinary shares of the Company at any time beginning 20 December 2006 and thereafter up to the close of business on 25 October 2009 at the conversion price of HK\$17.51 per share (subject to adjustment) (the "Conversion Price"). During the year under review, no new share has been issued resulting from the conversion of the Bonds 2009. Subsequent to the balance sheet date, the Company issued and allotted a total of 7,310,104 new shares as a result of conversion of the bonds in the total amount of HK\$128,000,000 at the Conversion Price.

The detailed terms and particulars of the Bonds 2009 were set out in the Group's financial statements for the year ended 31 March 2007 and the press announcement dated 10 October 2006.

Group Structure

Other than establishing and acquiring 11 wholly-owned subsidiaries in the PRC — Shanghai Ke Qian Logistics Co. Ltd.*, Shanghai Duo Xian Le Food Sales Co. Ltd.*, Ningbo Auterlan Sea Food Development Co. Ltd.*, Fu Ji United Jiading Catering Co. Ltd.*, Fu Ji United Yu Hua Yuan Catering Co. Ltd.*, Guangxi Mei Tong Co. Ltd.*, Jianan Duo Xian Le Food Sales Co. Ltd.*, Shanghai Wei Fu Calering Co. Ltd.*, Wuxi Duo Xian Le Trade Ltd.*, Wuxi Mei Tong Food Technology Co. Ltd. and Qing Yang Mei Tong Agricultural Development Co. Ltd.*, during the year under review, there has been no material change in the Group's structure.

Charge on Assets and Contingent Liabilities

As at 31 March 2007, the Group had fixed deposits denominated in US dollars and Hong Kong dollars, equivalent to RMB262,544,000 (31 March 2006: RMB116,441,000), which are pledged to secure bank loans.

As at 31 March 2007, the Group had contingent liabilities in the amount of approximately RMB32,686,000 (31 March 2006: RMB21,663,000) in respect of adoption of the preferential tax treatments in determining the income tax liabilities of two wholly owned subsidiaries in Shanghai.

Use of proceeds from initial public offering

Shares of the Company were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "HKSE") on 17 December 2004 with a total of 115,000,000 offer shares and net proceeds from the new shares issue were approximately HK\$324,612,000 (equivalent to approximately RMB344,089,000) (the "Net Proceeds"). As at 31 March 2007, the Net Proceeds had been utilized as follows:

- all of the approximately RMB143 million as stated in the listing prospectus was spent on establishing centralized processing centres;
- all of the approximately RMB72 million as stated in the listing prospectus was spent on establishing sourcing and initial processing centres;
- all of the approximately RMB38 million as stated in the listing prospectus was spent on establishing large scale Chinese restaurants; and
- all of the approximately RMB30 million as stated in the listing prospectus was used as general working capital.

Going forward, the Group will continue to utilize the remaining Net Proceeds to grow its businesses according to the Group's strategies. These strategies will be closely monitored and reviewed by the Board with reference to actual business conditions.

HUMAN RESOURCE

As at 31 March 2007, the Group had 4,653 employees in the PRC and Hong Kong (31 March 2006: 3,924 employees). All employees are remunerated according to their performance, experience and prevailing market rates. The Group provides retirement benefits in the form of Mandatory Provident Fund entitlement to employees in Hong Kong. A similar scheme is also provided to employees in the PRC.

The Group has adopted a share option scheme for the purpose of providing incentives and rewards to eligible participants who have contributed to the success of the Group's operations. The Directors may, at their discretion, invite any employees of the Group or Directors of the Company to take up any options to subscribe for shares of the Company.

* for identification only

To realize the full potential of its human resources, the Group invests heavily in providing intensive staff training programmes. The purpose of these programmes is to ensure employees deliver good performance in their individual capacity and also that they know thoroughly and abide by various regulations and internal hygiene control requirements. The Group continues to recruit experienced management and site personnel to improve overall operational efficiency.

OUTLOOK

The Group expects more and more enterprises in China to outsource catering to professional caterers. To seize arising business opportunities, the Group will focus on upgrading its centralized system with the aims of improving productivity and maximizing utilization of its facilities.

Two new RDPCs in Jiading and Beijing are now under construction. They will serve as logistic hubs of the Group in Huadong region and areas in the vicinity of Beijing respectively. When the two centres commence operation, they are expected to each add 300,000 meals per day to the total production capacity of the Group. The RDPC in Beijing will also facilitate expansion of the Group's business coverage to key economic regions in the Bohai Bay Rim area, including Beijing itself, Tianjin and Qingdao.

Looking forward, the Group will continue to look for opportunities to develop new markets especially those offering higher gross profit margins. It will push for expansion in the prospering exhibition segment followed by the railway segment.

To satisfy the needs of busy city dwellers who wish to dine conveniently, the Group will strive to improve the packaging of its Convenience Food products on top of ensuring their high quality, hygiene and good taste. The Group's highly nutritious pre-packaged meals are expected to become another key growth driver of the Group.

The Group has strong faith in the performance of its Chinese Restaurants taking into account the rising per capita income and average consumption of the Chinese population. The Group will target to attract mid-to-high income customers who are willing to spend more on quality food. More effort will also be put on menu innovation and quality assurance to match customers' increasingly sophisticated tastes and demands. The Group is confident of expanding its market share and consolidating its leadership as a domestic catering services provider in China.

RESULTS

The Board has pleasure to present the audited consolidated results of the Group for the year ended 31 March 2007, prepared on the basis set out in Note 1 below, together with the comparative figures for the year ended 31 March 2006, as follows:

Consolidated Income Statement

For the year ended 31 March 2007

	Note	2007 RMB'000	2006 RMB'000
Turnover	2	1,199,415	796,750
Other revenue		52,000	31,912
Cost of materials consumed		(504,054)	(344,038)
Staff costs		(97,841)	(56,234)
Operating lease rentals		(29,422)	(14,816)
Depreciation and amortization		(94,388)	(45,526)
Fuel and utility costs		(24,905)	(13,847)
Other operating expenses		<u>(67,139)</u>	<u>(46,010)</u>
Profit from operations	2	433,666	308,191
Finance costs		<u>(49,911)</u>	<u>(23,138)</u>
Profit before taxation	3	383,755	285,053
Income tax	4	<u>(35,668)</u>	<u>(33,667)</u>
Profit for the year		<u>348,087</u>	<u>251,386</u>
Dividends payable to equity shareholders of the Company attributable to the year	5	<u>104,588</u>	<u>75,418</u>
Earnings per share			
— basic	6(a)	<u>RMB68.9 cents</u>	<u>RMB56.5 cents</u>
— diluted	6(b)	<u>RMB68.9 cents</u>	<u>RMB56.0 cents</u>

Consolidated Balance Sheet

As at 31 March 2007

	Note	2007 RMB'000	2006 RMB'000
Non-current assets			
Fixed assets		2,229,754	1,181,150
Goodwill		10,300	—
Deposit for acquisition of a subsidiary		—	7,200
Deposits for acquisition and construction of fixed assets		<u>80,734</u>	<u>177,867</u>
		2,320,788	1,366,217
Current assets			
Inventories		27,848	15,225
Trade and other receivables	7	77,079	59,358
Pledged bank deposits		262,544	116,441
Cash and cash equivalents		<u>556,630</u>	<u>281,744</u>
		924,101	472,768
Current liabilities			
Bank loans		319,500	162,437
Trade and other payables	8	132,292	67,964
Current income tax		<u>23,376</u>	<u>22,126</u>
		<u>475,168</u>	<u>252,527</u>
Net current assets		<u>448,933</u>	<u>220,241</u>
Total assets less current liabilities		2,769,721	1,586,458
Non-current liabilities			
Bank loans		—	59,738
Convertible bonds		<u>977,335</u>	<u>81,159</u>
		<u>977,335</u>	<u>140,897</u>
NET ASSETS		<u>1,792,386</u>	<u>1,445,561</u>
CAPITAL AND RESERVES			
Share capital		5,386	5,308
Reserves		<u>1,787,000</u>	<u>1,440,253</u>
Total equity attributable to equity shareholders of the Company		<u>1,792,386</u>	<u>1,445,561</u>

Consolidated Statement of Changes in Equity

For the year ended 31 March 2007

	Share capital RMB'000	Share premium RMB'000	Statutory reserve RMB'000	Capital reserve RMB'000	Merger reserve RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 April 2005	4,399	339,691	—	1,128	23,000	—	308,384	676,602
Shares issued under conversion of convertible notes	381	38,425	—	(1,128)	—	—	—	37,678
Equity component of convertible bonds issued	—	—	—	11,247	—	—	—	11,247
Shares issued under conversion of convertible bonds	528	530,585	—	(9,747)	—	—	—	521,366
Exchange difference on translation into presentation currency	—	—	—	—	—	(565)	—	(565)
Dividends approved in respect of the previous year	—	—	—	—	—	—	(17,487)	(17,487)
Dividends declared in respect of the current year	—	—	—	—	—	—	(34,666)	(34,666)
Profit for the year	—	—	—	—	—	—	251,386	251,386
At 31 March 2006	<u>5,308</u>	<u>908,701</u>	<u>—</u>	<u>1,500</u>	<u>23,000</u>	<u>(565)</u>	<u>507,617</u>	<u>1,445,561</u>
At 1 April 2006	5,308	908,701	—	1,500	23,000	(565)	507,617	1,445,561
Equity component of convertible bonds issued	—	—	—	11,541	—	—	—	11,541
Equity settled share-based transactions	—	—	—	9,250	—	—	—	9,250
Share issued under conversion of convertible bonds	78	82,101	—	(1,500)	—	—	—	80,679
Exchange difference on translation into presentation currency	—	—	—	—	—	(12,584)	—	(12,584)
Dividends approved in respect of the previous year	—	—	—	—	—	—	(38,848)	(38,848)
Dividends declared in respect of the current year	—	—	—	—	—	—	(51,300)	(51,300)
Transfer to statutory reserve	—	—	11,500	—	—	—	(11,500)	—
Profit for the year	—	—	—	—	—	—	348,087	348,087
At 31 March 2007	<u>5,386</u>	<u>990,802</u>	<u>11,500</u>	<u>20,791</u>	<u>23,000</u>	<u>(13,149)</u>	<u>754,056</u>	<u>1,792,386</u>

Notes:

1. BASIS OF PRESENTATION AND PRINCIPAL ACCOUNTING POLICY

The Group's consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the HKSE (the "Listing Rules").

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. However, the adoption of these new and revised HKFRSs did not result in significant change to the Group's accounting policies applied on these financial statements for the years presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

2. TURNOVER AND SEGMENT INFORMATION

Turnover represents the sales value of goods supplied and services provided to customers, which excludes business tax and other government surcharges, less sales returns and discounts. An analysis of the Group's audited segment revenue and audited segment results for business segments for the year is as follows:

	Year ended 31 March	
	2007	2006
	RMB'000	RMB'000
Turnover		
— Catering Services business	932,323	573,870
— Chinese Restaurants business	232,940	200,448
— Convenience Food business	34,152	22,432
	<u>1,199,415</u>	<u>796,750</u>
Segment results		
— Catering Services business	326,609	236,509
— Chinese Restaurants business	67,421	50,033
— Convenience Food business	17,766	8,540
	411,796	295,082
Unallocated income, net	<u>21,870</u>	<u>13,109</u>
Profit from operations	<u>433,666</u>	<u>308,191</u>

Geographical segment information is not presented as the Group operates predominantly in the PRC.

Certain comparative figures have been reclassified to conform with the current year's presentation.

3. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	Year ended 31 March	
	2007	2006
	RMB'000	RMB'000
a) Finance costs:		
Interest on bank borrowings wholly repayable within five years	19,349	6,383
Interest on convertible bonds	30,562	11,804
Interest on the convertible notes and other loan payable	—	3,613
Loss on exchange	—	1,338
	<u>49,911</u>	<u>23,138</u>
b) Other items:		
Interest income	(23,145)	(8,560)
Rental income from sub-letting	(913)	(1,664)
Government grants	(22,914)	(20,664)
Transportation income	(3,099)	—
Net foreign exchange gain	(8,886)	—
Cost of materials consumed	504,054	344,038
Staff costs	97,841	56,234
Impairment loss for trade and other receivables	1,367	450
Depreciation and amortization	94,388	45,526
Operating leases rentals in respect of premises	29,422	14,816
Loss on disposal of property, plant and equipment	185	535

4. INCOME TAX

Income tax expense represents:

	Year ended 31 March	
	2007	2006
	RMB'000	RMB'000
Current tax — the PRC		
Provision for the year	<u>35,668</u>	<u>33,667</u>

No provision Hong Kong Profits Tax has been made as the Group has no estimated assessable profits arising in Hong Kong for each of the years ended 31 March 2007 and 2006.

Taxation for the PRC subsidiaries is charged at the approximate current rates of taxation ruling in the PRC. During the year, certain PRC subsidiaries are subject to tax at 50% of the standard tax rates or fully exempt from income tax under the relevant tax rules and regulations.

The Group had no significant potential deferred tax assets and liabilities for the years ended 31 March 2007 and 2006.

5. DIVIDENDS ATTRIBUTABLE TO THE YEAR

	Year ended 31 March	
	2007	2006
	RMB'000	RMB'000
Interim dividend declared and paid of HK cents 10.2 (2006: HK cents 7.5) per ordinary share	51,300	34,666
Final dividend proposed of HK cents 10.4 (2006: HK cents 7.8) per ordinary share	<u>53,288</u>	<u>40,752</u>
	<u>104,588</u>	<u>75,418</u>

The proposed final dividend for the year ended 31 March 2007 is subject to the approval of the Company's shareholders at the forthcoming annual general meeting of the Company scheduled to be held on 21 August 2007. The proposed final dividend is not reflected as a dividend payable in the financial statements.

6. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the year ended 31 March 2007 is based on the profit attributable to shareholders of RMB348,087,000 (2006: RMB251,386,000) and on the weighted average of 504,908,488 (2006: 445,167,179) ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares:

	2007	2006
Issued ordinary shares at 1 April	502,362,563	415,000,000
Effect of convertible notes/bonds exercised	<u>2,545,925</u>	<u>30,167,179</u>
Weighted average number of ordinary shares at 31 March	<u>504,908,488</u>	<u>445,167,179</u>

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB348,087,000 (2006: RMB253,767,000) and the weighted average number of 505,069,265 ordinary shares (2006: 452,969,773 ordinary shares), calculated as follows:

(i) *Profit attributable to ordinary equity shareholders of the Company (diluted):*

	2007 RMB'000	2006 RMB'000
Profit attributable to ordinary equity shareholders	348,087	251,386
After tax effect of effective interest on liability component of convertible notes/bonds	<u>—*</u>	<u>2,381</u>
Profit attributable to ordinary equity shareholders (diluted)	<u>348,087</u>	<u>253,767</u>

* *Because diluted earnings per share is increased when taking the convertible bonds into account, the convertible bonds are antidilutive and are ignored in the calculation of diluted earnings per share.*

(ii) *Weighted average number of ordinary shares (diluted):*

	2007	2006
Weighted average number of ordinary shares at 31 March	504,908,488	445,167,179
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	160,777	—
Effect of conversion of convertible notes/bonds	<u>—*</u>	<u>7,802,594</u>
Weighted average number of ordinary shares (diluted) at 31 March	<u>505,069,265</u>	<u>452,969,773</u>

* *Because diluted earnings per share is increased when taking the convertible bonds into account, the convertible bonds are antidilutive and are ignored in the calculation of diluted earnings per share.*

7. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade debtors with the following ageing analysis as of the balance sheet date:

	2007 <i>RMB'000</i>	2006 <i>RMB'000</i>
Within 1 month	12,383	11,811
More than 1 month but less than 3 months	10,619	4,681
More than 3 months but less than 6 months	7,665	8,229
More than 6 months	<u>3,671</u>	<u>1,877</u>
	34,338	26,598
Less: Impairment loss for doubtful debts	<u>(3,244)</u>	<u>(1,877)</u>
	<u>31,094</u>	<u>24,721</u>

8. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade creditors with the following ageing analysis as of the balance sheet date:

	2007 <i>RMB'000</i>	2006 <i>RMB'000</i>
Within 1 month	11,637	3,852
After 1 month but within 3 months	6,783	3,169
After 3 months but within 6 months	1,658	590
After 6 months	<u>1,403</u>	<u>1,619</u>
	21,481	9,230
	<u>21,481</u>	<u>9,230</u>

FINAL DIVIDEND

The Board has resolved to recommend the payment of a final dividend of HK cents 10.4 (approximately equivalent to RMB10.291 cents) per share (fiscal year 2005/06: HK cents 7.8 (approximately equivalent to RMB8.112 cents) per share) for the year ended 31 March 2007, to the shareholders whose names appear on the Register of Members of the Company at the close of business on 21 August 2007, subject to the approval in the annual general meeting on the same date.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 15 August 2007 to 21 August 2007 (both days inclusive), during which no transfer of shares in the Company can be registered. In order to qualify for the final dividend, all completed transfer forms together with the relevant share certificates must be lodged with the Company's Hong Kong branch registrar, Computershare Hong Kong Investor Services Limited at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on 14 August 2007.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on 21 August 2007. A notice of the annual general meeting will be published and dispatched to the shareholders of the Company in due course.

REVIEW OF RESULTS

The audit committee of the Company has reviewed with the Group's management the Group's quarterly hygiene reports, the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the audited consolidated financial statements of the Group for the year ended 31 March 2007.

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2007 have been agreed by the Company's auditors, CCIF CPA limited, to the amounts set out in the Group's audited consolidated financial statements for the year.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 March 2007, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE PRACTICES (THE "CODE")

The Company has complied with the code provisions of the Code as set out in Appendix 14 of the Listing Rules throughout the year ended 31 March 2007, with deviations from code provisions A.2.1 of the Code in respect of the separate roles of chairman and chief executive officer.

Under the code provision of A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company currently does not have the position of Chief Executive Officer at the Board level and the Chairman, Mr. Wei Dong, currently assumes this role. The Board believes that vesting the roles of both Chairman and Chief Executive Officer in the same position provides the Group with stronger and more consistent leadership and allows for more effective planning. Further, the Board considers that this structure will not impair the balance of power, which has been closely monitored by the Board, which comprises experienced and high caliber individuals. The Board has full confidence in Mr. Wei Dong and believes that the current arrangement is beneficial to the business prospect of the Group.

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Wei Dong, Ms. Yao Juan, Mr. Tung Fai and Ms. Ku Wang, a non-executive Director, namely Ms. Josephine Price, and four independent non-executive Directors, namely Ms. Tsui Wai Ling, Carlye, Mr. Wong Chi Keung, Mr. Siu Gang Bing and Ms. Yang Liu.

By Order of the Board
FU JI Food and Catering Services Holdings Limited
Wei Dong
Chairman

The PRC, 20 July 2007