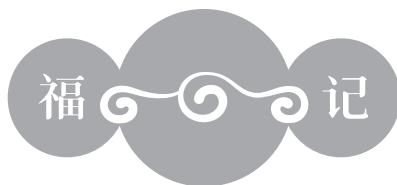


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## **FU JI FOOD AND CATERING SERVICES HOLDINGS LIMITED**

**福記食品服務控股有限公司**

*(Incorporated in Cayman Islands with limited liability)*

**(Stock Code: 1175)**

### **DISCLOSEABLE TRANSACTION:**

### **ACQUISITION OF 60% OF THE ISSUED SHARE CAPITAL IN SKY CHARM GROUP LIMITED AND RESUMPTION OF TRADING**

#### **THE ACQUISITION**

On 27 September 2007, the Company entered into the Share Purchase Agreement with the Vendor, pursuant to which the Company has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Sale Shares, representing 60% of the entire issued share capital of Sky Charm for the Aggregate Purchase Price, which is to be determined based on Sky Charm's audited consolidated net profit for two consecutive 12 months periods from the date of Completion, subject to a cap of HK\$800,000,000.

Completion is conditional upon fulfillment or waiver (as the case may be) of the conditions in the Share Purchase Agreement. Upon Completion, Sky Charm will be owned as to 60% by the Company and will become a non-wholly owned subsidiary of the Company. The remaining 40% of the issued share capital of Sky Charm will be owned by the Vendor.

#### **DISCLOSEABLE TRANSACTION**

As the Aggregate Purchase Price (based on a maximum cap of HK\$800,000,000) represents more than 5% but less than 25% under the applicable ratios under Chapter 14 of the Listing Rules, the Acquisition constitutes a discloseable transaction for the Company under the Listing Rules.

## **SUSPENSION AND RESUMPTION OF TRADING**

Trading of the Shares was suspended at the request of the Company with effect from 9:30 a.m. on 27 September 2007 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 2 October 2007.

### **WARNING**

**Shareholders and potential investors should note that the Acquisition which is subject to a number of conditions, may or may not be completed. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.**

## **THE SHARE PURCHASE AGREEMENT**

The principal terms of the Share Purchase Agreement are as follows:

### **Date**

27 September 2007

### **Parties to the Share Purchase Agreement**

Purchaser : FU JI Food and Catering Services Holdings Limited, a company incorporated in the Cayman Islands with limited liability

Vendor : Zhou Li (周麗), an Australian Citizen who is the owner of 100% of the issued capital of Sky Charm

### **Subject matter of the Share Purchase Agreement**

Pursuant to the Share Purchase Agreement, the Company has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Sale Shares, representing 60% of the entire issued share capital of Sky Charm.

### **Consideration**

The consideration for the Acquisition is the Aggregate Purchase Price, which is lower of (a) HK\$800,000,000 or (b) the sum of Purchase Price I and Purchase Price II, where:

- (1) “**Purchase Price I**” means an amount equal to (A) Sky Charm’s audited consolidated net profit for Observation Period I, multiplied by (B) 8.0 (or 8.5, if such net profit is more than HK\$99,000,000), multiplied by (C) 30%; and

- (2) “**Purchase Price II**” means an amount equal to (X) Sky Charm’s audited consolidated net profit for the Observation Period II, multiplied by (Y) 8.0 (or 8.5, if such net profit is more than HK\$148,500,000), multiplied by (Z) 30%.

The formula for the consideration was determined after arms’ length negotiations between the parties taking into account, amongst others, the financial position and operating results of Sky Charm Group and the market potential of the business of Sky Charm Group and its existing and expected continual growth.

The consideration will be settled by the Company paying the Deposit in cash within seven business days from entering into the Share Purchase Agreement and the balance of the Estimated Aggregate Purchase Price (net of the Deposit), i.e. HK\$435,000,000, in cash to the Vendor upon Completion.

The Deposit will be secured by the Share Mortgage, which will be released upon Completion. If Completion fails to take place, the Vendor shall refund the Deposit to the Company.

Within 30 days from the time Purchase Price I is ascertained, if:

- (1) Purchase Price I is greater than the Estimated Purchase Price I, the Company shall pay an amount equal to Purchase Price I minus the Estimated Purchase Price I to the Vendor; and
- (2) Purchase Price I is less than Estimated Purchase Price I, the Vendor shall pay an amount equal to Estimated Purchase Price I minus Purchase Price I to the Company.

Within 30 days from the time Purchase Price II is ascertained, if:

- (3) Purchase Price II is greater than the Estimated Purchase Price II, the Company shall pay an amount equal to Purchase Price II minus the Estimated Purchase Price II to the Vendor; and
- (4) Purchase Price II is less than Estimated Purchase Price II, the Vendor shall pay an amount equal to Estimated Purchase Price II minus Purchase Price II to the Company.

The maximum additional amount that the Company may have to pay following the ascertainment of Purchase Price I and Purchase Price II is HK\$260,000,000.

### **Conditions precedent**

This Share Purchase Agreement is conditional on:

- (1) if necessary, the passing of resolutions by the shareholders of the Company approving the purchase of Sale Shares contemplated by the Share Purchase Agreement;
- (2) all government approvals necessary for the Share Purchase Agreement and the transactions contemplated by the Share Purchase Agreement having been obtained;
- (3) Restructuring having been completed;

(4) there having been no material adverse change to the financial condition, business operations or prospects of Sky Charm and its subsidiaries; and

(5) the Company having completed a financing of at least US\$100,000,000 (or equivalent amount).

Should the Company complete a financing of at least US\$100,000,000 as set out in the above condition (5), part of the proceeds will be used to fund the Acquisition. The Company is contemplating external debt or equity financing, and will look into different possible forms of financing opportunities. The Company shall comply with all the disclosure requirements that may apply to any financing obtained by the Company.

If the conditions precedent above are not fulfilled or waived by the Purchaser on or before 31 January 2008 (or such later date as agreed in writing by the parties), the Share Purchase Agreement (other than certain surviving provisions in the Share Purchase Agreement which include, among others, the confidentiality clause, governing laws clause and dispute resolution clause) shall terminate automatically and no party to the Share Purchase Agreement shall have any liability under Share Purchase Agreement (without prejudice to the rights of any of the parties to the Share Purchase Agreement in respect of claims arising out of antecedent breach of the Share Purchase Agreement).

### **Completion**

On Completion, the Vendor shall deliver to the Company, among other things, the share certificate(s) in respect of all Sale Shares, together with valid and registrable share transfer form(s) in respect of the Sale Shares, duly executed by the Vendor in favour of the Company and/or its nominee(s) and all other documents required in connection with the transfer of the Sale Shares to the Company

On Completion, the Vendor shall also procure that resolutions are passed by the Board of Sky Charm to approve the transfer of the Sale Shares to the Company and/or such nominee(s) as may be directed by the Company.

Subject to the fulfilment or waiver (as the case may be) of the conditions precedent, Completion shall take place on the Business Day following the fulfilment or waiver (as the case may be) of the conditions precedent of the Share Purchase Agreement or on such other date as the parties may agree.

If the Vendor is unable to satisfy the conditions precedent or any other condition required to be satisfied on or prior to Completion by 31 January 2008 under the Share Purchase Agreement, the Company may elect to (i) terminate the Share Purchase Agreement, (ii) proceed with Completion as between the Company and the Vendor so far as practicable and set a new deadline for the satisfaction of conditions which have not been satisfied as of the date of Completion; or (iii) defer Completion to a later date (but no later than 180 business days thereafter).

## **THE SHAREHOLDERS AGREEMENT**

In connection with the Acquisition, the Company has entered into the Shareholders Agreement. Under the Shareholders Agreement, the Board of Sky Charm shall comprise of three directors and the Company has the right to appoint two out of the three directors. In respect of proceedings of Board of Sky Charm, there shall be a quorum of two directors, of which one director shall be nominated by the Company and the other nominated by the Vendor. The Shareholders Agreement also provides that Reserved Matters shall be approved by (a) a vote representing not less than 75% of the Board present and voting at a board meeting, (b) written resolution signed by all members of the Board, or (c) a vote representing not less than 75% of the shareholders present and voting at a general meeting.

## **INFORMATION OF THE COMPANY**

The Company is an investment holding company. Its subsidiaries are principally engaged in the provision of food and catering services in the PRC. The Group currently provides three principal complementary lines of business, namely catering services, Chinese restaurants and convenience food products.

## **INFORMATION OF SKY CHARM AND ITS SUBSIDIARIES**

### **Overview**

Sky Charm is a private company incorporated on 9 July 2007 with limited liability under the laws of British Virgin Islands, with an authorised share capital of US\$50,000 divided into 50,000 ordinary shares of US\$1 each, 100 shares of which have been issued and are fully paid-up and beneficially owned by the Vendor, which is a third party independent of the Company and its connected persons.

Sky Charm is the holding company for the Sky Charm Group and it owns 100% of the entire issued share capital of South Champ. Both Sky Charm and South Champ are incorporated for the purposes of the Restructuring. Under the Restructuring, 35 PRC domestic companies, which are beneficially owned as to 100% interest or a majority interest by the Vendor, will be restructured into wholly-owned subsidiaries of South Champ. The Vendor is in the advanced stages of obtaining the necessary regulatory approvals for restructuring of the 35 PRC domestic companies into wholly owned subsidiaries of South Champ.

The 35 PRC domestic companies are principally engaged in the business of operating the Golden Hans restaurant chain, a chain of buffet restaurants that offers western-styled barbecued food and self-brewed beer. The 35 PRC domestic companies include 33 companies engaged in the operation of 33 restaurants spread over 24 cities, including among others, Beijing, Shanghai, Tianjin, Changchun, Harbin, Hefei and Dalian, a company engaged in the operation of a food processing centre and a company engaged in handling of the administrative matters for the restaurant chain.

## **Financial Information**

For the two financial years ended 31 December 2005 and 2006, Sky Charm Group recorded combined profit before taxation of approximately RMB31,613,000 and RMB58,831,000. Combined profit after taxation of Sky Charm Group for each of the two financial years ended 31 December 2005 and 2006 were approximately RMB25,964,000 and RMB48,596,000 respectively. As at 30 June 2007, the combined net asset value of Sky Charm Group was approximately RMB150,135,000. The figures are presented based on the unaudited management accounts of the companies comprising Sky Charm Group, as if the Restructuring had been completed, and adjusted as appropriate based on HK GAAP.

## **REASONS FOR AND BENEFITS OF THE ACQUISITION**

The Group operates three principal complementary lines of business, namely catering services, Chinese restaurants and convenience food products. The Group's Chinese restaurants offers a selection of mainly traditional Chinese dishes, including dishes from the eight traditional Chinese culinary styles, namely Su, Xiang, Chuan, Zhe, Yue, Lu, Min and Hui and other culinary specialities from across the PRC.

The Golden Hans buffet restaurants offers western-style barbequed food and self-brewed beer. The Directors believe that such food and dining concept are gaining popularity in PRC, and that the Golden Hans chain of restaurants is a distinct line of business, which is different from the principal lines of business that the Group is currently pursuing. The Directors believe that the Acquisition provides an attractive opportunity for the Group to acquire a restaurant chain that offers diners a different dining experience, which is growing in popularity in PRC. The Acquisition will also allow the Group to procure and process food ingredients and raw materials for the Golden Hans restaurants through its centralised system of sourcing, processing and distribution centres to achieve higher profit margin for the acquired restaurants through economies of scale and sharing of resources.

In view of the above and the fact that the consideration for the Acquisition is dependent on the financial performance of Sky Charm Group in Observation Period I and Observation Period II, the Directors believe that the terms and conditions of the Share Purchase Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

## **DISCLOSEABLE TRANSACTION**

As the Aggregate Purchase Price (based on a maximum cap of HK\$800,000,000) represents more than 5% but less than 25% under the applicable ratios under Chapter 14 of the Listing Rules, the Acquisition constitutes a discloseable transaction for the Company under the Listing Rules. A circular containing, amongst other things, further information on the Acquisition and the Share Purchase Agreement will be despatched to the Shareholders as soon as practicable.

## SUSPENSION AND RESUMPTION OF TRADING

Trading of the Shares was suspended at the request of the Company with effect from 9:30 a.m. on 27 September 2007 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 2 October 2007.

## WARNING

**Shareholders and potential investors should note that the Acquisition which is subject to a number of conditions precedent, may or may not be completed. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.**

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the meaning set opposite them below:

“Acquisition”	the acquisition of the Sale Shares by the Company from the Vendor
“Aggregate Purchase Price”	the lower of (A) HK\$800,000,000 or (B) the sum of Purchase Price I and Purchase Price II
“Announcement”	the announcement to be submitted by the Purchaser to the Stock Exchange for its approval
“Board”	the board of directors
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Company”	FU JI Food and Catering Services Holdings Limited
“Completion”	the completion of the Acquisition
“Deposit”	an amount equal to HK\$105,000,000
“Directors”	the directors of the Company
“Estimated Aggregate Purchase Price”	an amount equal to HK\$540,000,000
“Estimated Purchase Price I”	an amount equal to HK\$216,000,000
“Estimated Purchase Price II”	an amount equal to HK\$324,000,000
“Group”	the Company and its Subsidiaries

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules governing the Listing of Securities on the Stock Exchange
“Observation Period I”	the 12 month period starting from the date of Completion, provided that if a force majeure event (which includes without limitation, war, severe natural disaster and wide-spread epidemic) results in material adverse effect to the Sky Charm Group in such period, the commencement date of “Observation Period I” shall be deferred by 12 months
“Observation Period II”	the 12 month period starting from the date following Observation Period I, provided that if a force majeure event (which includes without limitation, war, severe natural disaster and wide-spread epidemic) results in material adverse effect to the Sky Charm Group in such period, the commencement date of “Observation Period II” shall be deferred by 12 months
“PRC”	mainland China (excluding Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan, for the purposes of the Share Purchase Agreement)
“Purchaser”	the Company
“Reserved Matters”	the list of matters set out in the Shareholders Agreement which includes among others, the amendment of articles of association of any company within the Sky Charm Group, the winding-up, dissolution or liquidation of any company within the Sky Charm Group and the sale or disposal of the business or assets of any company within the Sky Charm Group
“Restructuring”	the restructuring of 35 PRC domestic companies, which are beneficially owned as to 100% interest or minority interest by the Vendor, into wholly-foreign owned subsidiaries of South Champ
“Sale Shares”	the 60 Shares to be sold by the Vendor, which represents 60% of the entire issued share capital of Sky Charm
“Shares”	the ordinary shares of US\$1.00 each in the issued share capital of Sky Charm



“Share Mortgage”	the share mortgage to be entered into between the Company and Sky Charm, whereby Sky Charm will charge 60% of its shares in the entire issued share capital of South Champ in favour of the Company
“Share Purchase Agreement”	the agreement dated 27 September 2007 entered into between the Company and the Vendor in respect of the Acquisition
“Shareholder(s)”	the shareholder(s) of the Company
“Shareholders Agreement”	the shareholders agreement dated 27 September 2007 entered into among the Company, the Vendor, Sky Charm and South Champ
“Sky Charm”	Sky Charm Group Limited, a company incorporated with limited liability under the laws of British Virgin Islands, the entire issued share capital of which was owned by the Vendor
“Sky Charm Group”	Sky Charm and its Subsidiaries
“South Champ”	South Champ Limited, a company incorporated with limited liability under the laws of Hong Kong, and wholly-owned by Sky Charm
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiaries”	the subsidiaries as defined in Section 2 of the Companies Ordinance
“Vendor”	Zhou Li (周麗), an Australian citizen
“%”	percentage

By order of the Board  
**Mr Wei Dong**  
*Chairman*

PRC, 28 September 2007

*As of the date hereof, the board of directors of the Company comprises Mr Wei Dong, Ms Yao Juan, Mr Tung Fai and Ms Ku Wang (executive directors); Ms Tsui Wai Ling, Carlyle, Mr Wong Chi Keung, Ms Yang Liu and Mr Su Gang Bing (independent non-executive directors); and Ms Josephine Price (non-executive director).*