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**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)*

**PROPOSED ISSUE AND LISTING OF RMB1,500,000,000 HK\$ SETTLED ZERO COUPON  
CONVERTIBLE BONDS**

**DUE 2010 CONVERTIBLE INTO ORDINARY SHARES OF FU JI FOOD  
AND CATERING SERVICES HOLDINGS LIMITED**

**AND**

**RESUMPTION OF TRADING**

The Board is pleased to announce that on 11 October 2007 the Company and the Lead Manager entered into the Subscription Agreement, whereby the Lead Manager agreed to subscribe and pay for or to procure subscribers to subscribe and pay for the RMB denominated Firm Bonds to be issued at 100 per cent of the aggregate principal amount by the Company in an aggregate principal amount of RMB1,315,000,000. In addition, the Company also granted the Lead Manager an option to subscribe for the RMB denominated Optional Bonds up to a further aggregate principal amount of RMB185,000,000 at 100 per cent of the aggregate principal amount, exercisable on one or more occasions, in whole or in part, at any time on or before the 30th day following the Closing Date.

The Lead Manager exercised the Option in full on 12 October 2007, pursuant to which the Company shall issue RMB185,000,000 in aggregate principal amount of the Optional Bonds. The aggregate principal amount of the Firm Bonds and the Optional Bonds will be RMB1,500,000,000 and will be issued on the Closing Date, which is expected to be 18 October 2007.

The initial conversion price is HK\$32.825 per share. Assuming full conversion of the Bonds at the initial conversion price of HK\$32.825, the Bonds will be convertible into 47,162,207 Shares (subject to adjustment), representing approximately 8.72% of the current issued share capital of the Company, or 8.02% of the enlarged issued share capital of the Company.

**Completion of the Subscription Agreement is subject to the satisfaction and/or waiver of the conditions precedent therein. In addition, the Subscription Agreement may be terminated under certain circumstances. Please refer to the paragraphs headed "SUBSCRIPTION AGREEMENT DATED 11 OCTOBER 2007" below for further information.**

The Conversion Shares to be issued pursuant to the Bonds will be issued and allotted by the Company pursuant to the general mandate granted to the Directors at the annual general meeting held on 21 August 2007. As of the date of this announcement, no Share has been issued under such general mandate since 21 August 2007.

The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares. The Company intends to make an application for the listing of the Bonds on the Stock Exchange by way of selectively marketed securities.

The estimated net proceeds of the Bond Issue (including the Optional Bonds), after deduction of commissions and administrative expenses (amounting to approximately RMB42,000,000 in aggregate), are approximately RMB1,458,000,000 in aggregate.

The Company intends to use the net proceeds from the issue of the Bonds for general corporate purposes, including capital expenditure, working capital and for possible acquisitions of businesses, or investment in joint ventures and/or strategic alliances. The Company also intends to use approximately HK\$800,000,000 of the net proceeds for the acquisition of a majority stake in Sky Charm, the holding company of a group of companies which operates the Golden Hans chain of restaurants. Please refer to the section headed "RECENT DEVELOPMENTS AND PROSPECTS" below for further information.

**As the Subscription Agreement may or may not complete, and therefore the Bonds may or may not be issued and/or listed on the Stock Exchange, Shareholders and potential investors are advised to exercise caution when dealing in the Shares of the Company.**

**Trading in the Shares on the Stock Exchange was suspended at the request of the Company with effect from 9:30 am on 12 October 2007 pending release of this announcement. The Company has applied for a resumption of trading in its Shares with effect from 9:30 am on 15 October 2007.**

## **1. THE SUBSCRIPTION AGREEMENT DATED 11 OCTOBER 2007**

**Date:** 11 October 2007

**Parties:** The Company  
The Lead Manager

Subject to the fulfillment of the conditions set out below under the section headed "Conditions Precedent of the Subscription Agreement", the Lead Manager has agreed to subscribe and pay for or procure subscriber to subscribe and pay for the Firm Bonds with an initial aggregate principal amount of RMB1,315,000,000, and if the Option is exercised, to subscribe or procure subscribers for the Optional Bonds with an aggregate principal amount up to RMB185,000,000.

The Lead Manager has been granted an option which can be exercised on one or more occasions, in whole or in part, at any time, on or before the 30th day following the Closing Date, to require the Company to issue up to a further RMB185,000,000 in aggregate principal amount of Optional Bonds. The Option was exercised in full by the Lead Manager on 12 October 2007.

The Bonds will be offered and sold to not less than 6 persons, whose ordinary business involves buying, selling or investing in securities, outside the United States in reliance upon Regulation S of the US Securities Act. None of the Bonds will be offered to the public in Hong Kong nor will they be placed to any connected persons (as defined in the Listing Rules) of the Company.

In connection with the issue of the Bonds, the Lead Manager as the stabilising manager (the "Stabilising Manager") or any person acting on its behalf may, to the extent permitted by applicable laws and rules, over-allot the Bonds or effect transactions with a view to supporting the market price of the Bonds at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or any persons acting on its behalf) will undertake stabilisation action.

The subscribers and their ultimate beneficial owners are third parties independent of the Company and its connected persons. None of the initial purchasers of the Bonds will become substantial shareholders of the Company if the conversion rights attaching to the Bonds were to be exercised in full as of the date of this Announcement.

### **Undertaking**

The Company has, among other things, undertaken with the Lead Manager that neither it nor any of its subsidiaries or other affiliates over which it exercises management or voting control, nor any person acting on its or their behalf will, for a period from the date of the Subscription Agreement to 90 days after the Closing Date, without the prior written consent of the Lead Manager (such consent not to be unreasonably withheld), issue, offer, sell, contract to sell, pledge or otherwise dispose of (or publicly announce any such issuance, offer, sale or disposal), any Shares in the Company or securities convertible or exchangeable into or exercisable for Shares in the Company or warrants or other rights to purchase Shares or any security or financial product whose value is determined directly or indirectly by reference to the price of the Shares, including equity swaps, forward sales and options representing the right to receive any Shares, save for Shares issued pursuant to (i) the conversion provisions of the Bonds; (ii) the conversion

provisions of the Bonds 2009; or (iii) options granted under the existing share option scheme of the Company up to a maximum of 5.0 per cent. of the Company's issued share capital.

The Company has also undertaken with the Lead Manager that it will procure each of Million Decade Limited and Top Ample Limited, holding directly 38.84% and 13.87% interest in the Shares of the Company respectively, executes a lock-up agreement, whereby they each undertakes not to sell any Shares or enter into other transactions with a similar effect for a period from the date of the Subscription Agreement up to 90 days after the Closing Date.

#### **Conditions Precedent of the Subscription Agreement**

The obligations of the Lead Manager to subscribe and pay for the Bonds are subject to the following conditions precedent:

- (i) the execution of a trust deed constituting the Bonds and a paying and conversion agency agreement by all respective parties each in a form satisfactory to the Lead Manager on or prior to the Closing Date;
- (ii) the Stock Exchange shall have agreed, subject to any conditions reasonably satisfactory to the Lead Manager, to list the Bonds and the Stock Exchange shall have agreed to list the Shares to be issued upon conversion of the Bonds (or, in each case, the Lead Manager being reasonably satisfied that such listing will be granted);
- (iii) on each of the date of the Subscription Agreement, the Closing Date and the Option Closing Date (if any), the delivery to the Lead Manager comfort letters, dated the date of the Subscription Agreement in the case of the first letter and the Closing Date and the Option Closing Date in the case of subsequent letters and addressed to the Lead Manager from the auditors to the Company, in form and substance satisfactory to the Lead Manager;
- (iv) the delivery to the Lead Manager of legal opinions dated the Closing Date and the Option Closing Date from Cayman Islands, PRC, Hong Kong and English counsels on or prior to the Closing Date and the Option Closing Date, each in a form satisfactory to the Lead Manager and such other resolutions, consents, authorities and documents relating to the issue of the Bonds, as the Lead Manager may reasonably require;
- (v) the execution of a lock-up agreement by each of Million Decade Limited, and Top Ample Limited on or prior to the Closing Date;
- (vi) on the date of the Subscription Agreement and the Closing Date, the consolidated management accounts for the two months ended 31 August 2007 available, prepared and approved by the Company, shall be in a form satisfactory to Lead Manager;
- (vii) on or prior to the Closing Date, the delivery of any other documents with respect to the Bonds by the Company, as the Lead Manager may require in its sole discretion, the form and substance of which is reasonably satisfactory to the Lead Manager or with such amendments as the Lead Manager sees fit, in its absolute discretion;
- (viii) at the Closing Date and the Option Closing Date (i) the Company's representations and warranties being true, accurate and correct in all respects at, and as if made on such date; (ii) the Company having performed all of its obligations hereunder expressed to be performed on or before such date; and (iii) delivery to the Lead Manager a certificate dated as of such date, of a duly authorised officer of the Company to such effect;
- (ix) at the Closing Date and the Option Closing Date there shall not have occurred any change, or any development or event reasonably likely to involve a prospective change, in the financial condition, operations, legal environment, business or properties of the Company and its subsidiaries as a whole, which, in the opinion of the Lead Manager, is material and adverse and which makes it, in the opinion of the Lead Manager, impracticable to market the Bonds on the terms and in the manner contemplated in the Subscription Agreement;
- (x) on issue of the Bonds, there being no event of default under the Bonds 2009; and
- (xi) the Lead Manager shall have been satisfied with the results of its due diligence investigations on the Company and its subsidiaries for the purposes of the preparation of the Offering Circular, and the Offering Circular shall have been prepared in form and content satisfactory to the Lead Manager.

The Lead Manager, may at its discretion and upon such terms as it thinks fit, waive compliance with the whole or any part of the conditions precedent set out above.

## **Termination**

Notwithstanding anything contained herein, the Lead Manager may, by notice to the Company given at any time prior to payment of the net subscription monies for the Firm Bonds or the Optional Bonds to the Company, terminate the Subscription Agreement in any of the following circumstances:

- (i) if any of the conditions set out in the section headed “Conditions Precedent of the Subscription Agreement” have not been satisfied or waived by the Lead Manager on or prior to the Closing Date or the Option Closing Date, as the case may be;
- (ii) if there shall have come to the notice of the Lead Manager any breach of, or any event rendering untrue or incorrect in any respect, any of the warranties and representations contained in the Subscription Agreement or any failure by the Company to perform any of its undertakings or agreements in the Subscription Agreement;
- (iii) if there shall have been in the Lead Manager’s opinion since the date of the Subscription Agreement, any change, or any development involving a prospective change, in national or international monetary, financial, political or economic conditions (including any disruption to trading generally, or trading in any securities of the Company on any stock exchange or in any over the counter market) or currency exchange rates or foreign exchange controls which would in its view be likely to prejudice materially the success of the Bond Issue or the distribution of the Bonds or dealings in the Bonds in the secondary market;
- (iv) if there shall have occurred a general moratorium on commercial banking activities in the Cayman Islands, the United Kingdom or United States or Hong Kong by any Cayman Islands, United Kingdom, New York State, United States Federal or Hong Kong authorities which would in the Lead Manager’s view be likely to prejudice materially the success of the Bond Issue and the distribution of the Bonds and dealings in the Bonds in the secondary market;
- (v) if there shall have occurred an outbreak or escalation of hostilities, act of terrorism, epidemic, pandemic, act of God or disaster which would in the Lead Manager’s view be likely to prejudice materially the success of the Bond Issue or the distribution of the Bonds or dealings in the Bonds in the secondary market; or
- (vi) if on or after the date of the Subscription Agreement there shall have occurred either of the following: (i) a suspension or material limitation of trading in securities generally on the New York Stock Exchange, the Nasdaq Stock Market, Inc., the London Stock Exchange plc or the Hong Kong Stock Exchange; or (ii) a suspension in trading in the Company’s securities on the Stock Exchange (save in circumstances in which such suspension is routine in nature), which would in the Lead Manager’s view be likely to prejudice materially the success of the Bond Issue or the distribution of the Bonds or dealings in the Bonds in the secondary market.

Subject to the foregoing, the issue of the Firm Bonds and the Optional Bonds is expected to be completed on the Closing Date and the Option Closing Date.

## **Conversion**

The initial Conversion Price at HK\$32.825 per Share represents (i) a premium of 31.24% to the volume weighted average price (“VWAP”) of the Shares quoted on the Stock Exchange on 11 October 2007 of HK\$25.011; (ii) a premium of 30.00% to the closing price of the Shares on 11 October 2007 of HK\$25.25; (iii) a premium of 32.25% to the 5 day average closing price of the Shares over the 5 Trading Days up to and including 11 October 2007 of HK\$24.82; (iv) a premium of 33.25% to the 10 day average closing price of the Shares over the 10 Trading Days up to and including 11 October 2007 of HK\$24.635; and (v) a premium of 35.50% to the 20 day average closing price of the Shares over the 20 Trading Days up to and including 11 October 2007 of HK\$24.225. Therefore, under the terms and conditions of the Bonds 2009, the issue of the Bonds does not result in any adjustment to the conversion price of the Bonds 2009.

The initial Conversion Price of HK\$32.825 per Share is negotiated between the Company and the Lead Manager on an arm’s length basis and by reference to the VWAP of the Shares on the Stock Exchange on 11 October 2007.

The Conversion Shares (representing 8.02% of the enlarged issued share capital of the Company) will be issued and allotted by the Company pursuant to the 20% general mandate granted to the Directors at the annual general meeting held on 21 August 2007. As of the date of this announcement, no Share has been issued under such general mandate since 21 August 2007.

## **Principal Terms of the Bonds**

The principal terms of the Bonds, which will be constituted by a trust deed to be entered into between the Company and the Trustee are summarised as follows:

### *Company*

FU JI Food and Catering Services Holdings Limited, a company incorporated with limited liability in the Cayman Islands, the shares of which are listed on the Stock Exchange.

### *Principal Amount*

The aggregate principal amount of the Bonds (including the Optional Bonds) will be RMB1,500,000,000.

### *Issue Price*

100% of the aggregate principal amount of the Bonds.

### *Interest*

Save for default interest at the rate of 5.0% per annum, the Bonds bear no interest.

### *Conversion Period*

Bondholder(s) will, have the right to convert their Bonds into Shares at any time during the period beginning on and after 28 November 2007 up to the close of business (at the place where the certificate evidencing such Bonds is deposited for conversion) on 11 October 2010 or, if such Bond shall have been called for redemption before 18 October 2010, then up to the close of business (at the place aforesaid) on the date no later than 7 business days (at the place aforesaid) prior to the date fixed for redemption thereof. The number of Shares to be issued on conversion of a Bond will be determined by dividing the principal amount of the Bond to be converted translated into HK\$ at a fixed rate of HK\$1.00 = RMB0.96893 by the Conversion Price in effect at the date of Conversion. No fractional Shares will be issued as a result of the conversion of the Bonds.

### *Conversion Price*

The Bonds will be convertible into Shares at an initial Conversion Price of HK\$32.825 per share. The Conversion Price will be subject to adjustment for, among other things, subdivision or consolidation of Shares, bonus issues, rights issues, distributions and other dilutive events of similar nature.

### *Ranking of Conversion Shares*

Conversion Shares will rank pari passu in all respects with the Shares then in issue on the relevant date of registration of holders of such Shares on the register of members of the Company.

### *Transfer*

The Bonds are transferable without restrictions.

### *Maturity*

Unless previously redeemed, purchased and cancelled or converted, the Company will redeem each Bond at the HK\$ Equivalent of its RMB principal amount multiplied by 107.3399% on the Maturity Date.

### *Redemption at the Option of the Company*

On or at any time after 18 April 2009, the Company may redeem the Bonds in whole but not in part at the HK\$ Equivalent of their Early Redemption Amount, provided no such redemption may be made unless the Aggregate Value (as defined in the terms of the Bonds) translated into RMB at the spot rate applicable to the relevant Trading Day on each Trading Day during a period of not less than 20 consecutive Trading Days in the period of 30 consecutive Trading Days immediately preceding the date upon which notice of such redemption is given to the Bondholders, the Trustee and the Principal Agent, was at least 130% of the applicable Early Redemption Amount in respect of each RMB100,000 principal amount of Bonds on such Trading Day divided by the Conversion Ratio.

If there shall occur an event giving rise to a change in the Conversion Price during any such 20 consecutive Trading Day period, appropriate adjustments for the relevant days approved by a leading independent investment bank of international repute (acting as an expert) selected by the Company and approved in writing by the Trustee, shall be made for the purpose of calculating the closing price of the Shares for such days.

The Company may redeem all, but not in part, of the Bonds at the HK\$ Equivalent of their Early Redemption Amount in the event that the aggregate principal amount of the Bonds outstanding is less than 10% of the aggregate principal amount originally issued.

#### *Redemption for Taxation Reasons*

At any time the Company may, having given not less than 30 nor more than 60 days' notice to the Bondholders (a "Tax Redemption Notice") (which notice shall be irrevocable) redeem all, and not some only, of the Bonds at the HK\$ Equivalent of their Early Redemption Amount on the date fixed by for redemption in the tax Redemption Notice (the "Tax Redemption Date") if (i) the Company satisfies the Trustee immediately prior to the giving of such notice that the Company has or will become obliged to pay any additional amounts in respect of any payment by the Company under or in respect of the Trust Deed or Bonds as a result of any change in, or amendment to, the laws or regulations of the Cayman Islands or Hong Kong or any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 11 October 2007 and (ii) such obligation cannot be avoided by the Company taking reasonable measures available to it, provided that no such Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Company would be obliged to pay such additional amounts were a payment in respect of the Bonds then due. Prior to the publication of any Tax Redemption Notice for such purposes, the Company shall deliver to the Trustee (a) a certificate signed by two directors of the Company stating that the obligation referred to in (i) above cannot be avoided by the Company (taking reasonable measures available to it) and (b) an opinion of independent legal or tax advisors of recognized international standing to the effect that such change or amendment has occurred (irrespective of whether such amendment or change is then effective) and the Trustee shall be entitled to accept such certificate and opinion as sufficient evidence thereof in which event it shall be conclusive and binding on the Bondholders.

If the Company gives a Tax Redemption Notice pursuant to the paragraph above, each Bondholder will have the right to elect that his Bond(s) shall not be redeemed and that no additional amounts will be payable in respect of any payment of principal or premium to be made in respect of such Bond(s) which falls due after the relevant Tax Redemption Date.

#### *Redemption for Delisting or Change of Control*

Each Bondholder shall have the right, at such Bondholder's option, to require the Company to redeem all of such Bondholder's Bonds at the HK\$ Equivalent of their Early Redemption Amount upon (i) the Shares ceasing to be listed or admitted to trading on the Stock Exchange or, if applicable, the Alternative Stock Exchange or (ii) the occurrence of a Change of Control with respect to the Company.

#### *Form of the Bonds and Denomination*

The Bonds will be in registered form and in denominations of RMB100,000 each or integral multiples thereof.

#### *Ranking of the Bonds*

The Bonds constitute direct, unsubordinated, unconditional and (subject to the terms and conditions of the Bonds) unsecured obligations of the Company and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Company under the Bonds shall, save for such exceptions as may be provided by applicable legislation and subject to the terms and conditions of the Bonds, at all times rank at least equally with all of their respective other present and future unsecured and unsubordinated obligations.

#### *Listing*

The Company intends to make an application for the listing of the Bonds on the Stock Exchange by way of selectively marketed securities. The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

## **2. EFFECT ON THE SHARE CAPITAL OF THE COMPANY AS A RESULT OF THE CONVERSION**

### **Bond Issue**

Based on the initial conversion price of HK\$32.825 and assuming full conversion of the Bonds, the Bonds will be convertible into 47,162,207 Shares (subject to adjustment), representing approximately 8.72% of the issued share capital of the Company as at the date of this announcement and approximately 8.02% of the enlarged issued share capital of the Company.

The following table summarises the effects on the shareholding structure of the Company as a result of the Bond Issue:

Name of Shareholders	Current shareholding		Assuming full conversion of the Bonds at the initial Conversion Price		Assuming full conversion of Bonds 2009 and full conversion of the Bonds at the initial Conversion Price	
	No. of shares	% of current issue share capital	No. of shares	% of enlarged issued share capital	No. of shares	% of enlarged issued share capital
Million Decade Limited (Note 1)	210,000,000	38.84	210,000,000	35.73	210,000,000	34.16
Top Ample Limited (Note 2)	75,000,000	13.87	75,000,000	12.76	75,000,000	12.20
Bondholders	–	–	47,162,207	8.02	47,162,207	7.67
Holder of Bonds 2009	–	–	–	–	26,956,025	4.38
Public	<u>255,665,655</u>	<u>47.29</u>	<u>255,665,655</u>	<u>43.49</u>	<u>255,665,655</u>	<u>41.59</u>
Total	<u>540,665,655</u>	<u>100</u>	<u>587,827,862</u>	<u>100</u>	<u>614,783,887</u>	<u>100</u>

Notes:

1. Million Decade Limited is wholly owned by Mr. Wei Dong. Ms. Yao Juan is the spouse of Mr. Wei Dong. Mr Wei Dong is a director of the Company.
2. Top Ample Limited is wholly owned by Ms. Yao Juan. Mr. Wei Dong is the husband of Ms. Yao Juan. Ms Yao Juan is a director of the Company.
3. As at the date of this announcement, Bonds 2009 in the principal amount of HK\$472,000,000 remain outstanding.

On 21 August 2007, the Company granted a general mandate to the Directors at its annual general meeting to allot and issue up to 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of the annual general meeting. To date, there has been no issue of shares under the general mandate granted. The Directors undertake to monitor and procure that there is a sufficient number of Shares held by the Public so as to maintain a minimum public float of 25% of the issued share capital of the Company at all times.

### 3. USE OF PROCEEDS

#### Bond Issue

The net proceeds from the issue of the Bonds will total approximately RMB1,458,000,000 after deducting commissions and administrative expenses. The Company intends to use approximately HK\$800,000,000 of the net proceeds for the acquisition of a majority stake in Sky Charm, the holding company of a group of companies which operates the Golden Hans chain of restaurants. Please refer to the section headed "RECENT DEVELOPMENTS AND PROSPECTS" below and the announcement of the Company dated 28 September 2007 for further information. The Company also intends to apply a part of the net proceeds to further develop its railway catering business. The Company intends to use the remaining net proceeds from the issue of the Bonds for general corporate purposes, including capital expenditure, working capital and for possible acquisitions of businesses, or investment in joint ventures and/or strategic alliances.

The amounts actually expended for working capital purposes will vary depending on a number of factors, including future revenue growth, if any, and the amount of cash generated from operations. As a result, the Company will retain broad discretion over the allocation of the net proceeds of the issue of the Bonds. The Company has no current agreements or commitments for material acquisitions of any businesses, investments in joint ventures and/or strategic alliances other than the acquisition of the Sky Charm.

The Company expects that capital expenditure will be affected by market demand and ongoing upgrade and improvement of the Group's existing centralised processing centres as well as construction of new centralised processing centres and restaurants to meet demand for its services in the catering and restaurant industry. The Group's level of capital expenditures may vary significantly from expected levels for a number of reasons. Capital expenditures for the Group's expansion and enhancement plans may be influenced by the growth in the catering and restaurant industry, which is difficult to predict with certainty, the ability to identify suitable new markets for its products and suitable locations for the establishment of new centralised processing centres and other factors.

#### **Previously raised proceeds**

In the 12 months immediately preceding this announcement, the Company has not raised any funds by means of equity or equity-linked debt other than the issue of HK\$1,000,000,000 Bonds 2009 (the conversion rights attaching to HK\$528,000,000 of which have been exercised). The net proceeds raised from the above issue of convertible bonds were approximately HK\$972,000,000, of which approximately HK\$648,000,000 has been utilized for developing and strengthening the Group's vertically integrated model through the expansion and upgrading of the Group's SIPC's and the establishment of a RDPC in Beijing and approximately HK\$126,000,000 has been used for general working capital purposes. The remainder has not yet been utilized and is also intended to be used for the development of SIPC's and RDPC's.

#### **4. REASONS FOR AND BENEFIT OF THE BOND ISSUE**

The Bond Issue will raise immediate funds for the Company which can be used to finance the Company's acquisition of a majority stake in Sky Charm and for general corporate purposes, including capital expenditure, working capital and other possible acquisitions of businesses, or investment in joint ventures and/or strategic alliances. The conversion of the Bonds into Conversion Shares will enlarge the shareholder capital base of the Company and the Directors consider that this will facilitate the development and expansion of the Company.

Taking into account that the Conversion Price represents a premium to the closing price of the Shares as quoted on the Stock Exchange on 11 October 2007, notwithstanding the dilutive effect on the existing shareholders of the Company as a whole, the Directors are of the view that the terms and conditions of the Bonds are fair and reasonable and are in the interests of the Group as a whole.

#### **5. RECENT DEVELOPMENTS AND PROSPECTS**

##### **Outlook**

The Company expects the Group's catering services to continue to expand and become its principal revenue and profit growth driver in light of the growing demand for contract catering from institutions and the education sector in major economic zones and coastal provinces in the PRC. The Company intends to continue to develop and strengthen the Group's vertically integrated business model by expanding the capacity of the Group's existing SIPC's located in Shouguang (Shandong Province), Linqu (Shandong Province), Ningbo (Zhejiang Province) and Qingyang (Anhui Province) and the establishment of a new SIPC in Guangxi Province. The SIPC's allow the Group to exercise greater control over procurement and processing costs of the food ingredients and give access to the food ingredients that the Group requires for its production.

The Jiading RDPC is scheduled to begin commercial production by the end of the 2007/2008 fiscal year and is scheduled to increase the production capacity of the Group by a further 300,000 meals per day. In addition, the Jiading RDPC will act as the Group's logistical hub in the Huadong region to facilitate planning and control of procurement and movement of inventories and products and as a research and development centre.

The Company is currently preparing to construct a second RDPC in Beijing and commercial operations are expected to commence in the first quarter of the 2008/2009 fiscal year. The Company seeks to expand the Group's revenue base, consolidate the Group's leading market share in the PRC catering industry and strengthen the "FU JI" brand through the establishment of centralised processing centres. In addition to the upgrade and establishment of the SIPC's, as noted above, the Company intends to establish a new RDPC in Beijing, which is expected to provide similar services as those to be offered by the Jiading RDPC. The Company also intends to support the LDPC's by establishing "central kitchens" to provide catering services to areas beyond the coverage of the LDPC's. The Group has also established central kitchens in the Pearl River Delta Region (including Guangzhou), Shanghai, Beijing and other areas to provide catering services to areas beyond the coverage of the LDPC's.

##### **Capital Expenditures**

The Company expects that the Group's capital expenditure for the 2007/2008 fiscal year will total approximately RMB800,000,000 (HK\$808,100,000). This money likely to be spent on ongoing upgrades and improvements to the Group's existing centralised processing centres as well as construction of new centralised processing centres and restaurants to meet demand for its services in the catering and restaurant industry, as well as anticipated demand from its railway catering business.



## **Processing Centres**

### *LDPCs*

The Group has not established any new LDPCs since 30 June 2007.

### *RDPCs*

#### *Jiading RDPC*

As part of the Group's growth strategy, the Group is establishing a new RDPC at Jiading to cater for the growing demand for catering services in the PRC and to allow the Group to penetrate into the catering market for the education sector. The Jiading RDPC will comprise facilities for the provision of catering services to the education sector (in particular secondary and primary institutions) as well as corporates located in the Jiading region; sourcing and procurement of food ingredients required by the Group's processing centres located in the vicinity of Shanghai; storage, warehousing and refrigeration equipment for the storage of raw materials and semi-processed materials for use by the Jiading RDPC and other centralised processing centres in the vicinity of Shanghai; quality control, inspection of food materials and products; and research into meals to be provided by the Group's catering services business, in particular the dietary requirements of the education sector with the aim of providing high nutrition-valued meals. In addition, the Company intends that the Jiading RDPC will serve as a logistical hub for the Huadong region to facilitate planning and control of procurement and movement of inventories and products. The Company expects the Jiading RDPC to begin commercial operations by the end of the 2007 fiscal year and to increase the total production capacity of the Group by 300,000 meals per day. The Group expects that the extra capacity will be needed as demand for its catering services increases.

The Jiading RDPC is in Ma Dong Industrial Park, Ma Lu County, Jiading District which is located in the district of Jiading, Shanghai. The Jiading RDPC will be built on a piece of land measuring approximately 96,856 square metres for which the Group has signed a land use rights remise contract with Shanghai Jiading District Housing and Land Administration Bureau, and has paid up all the land remise premiums to date. It will primarily focus on the provision of catering of nutrition-valued meals for the education sector and will install and utilise heat sterilisation technology for food applications to meet the high hygiene standards necessary for the education sector. The Company intends to utilise the food product and market research facilities at the Jiading RDPC to ensure that the Group's food products contain the appropriate nutritional value and variety suitable for the primary and secondary schools markets, and the Group's quality control and inspection unit will ensure that the nutritional, hygiene and overall quality of the raw materials used and the food products for the education sector are of a high level.

#### *Beijing RDPC*

As part of the Group's strategy to penetrate into the Beijing catering market, the Group is planning to construct a RDPC with facilities for: the provision of catering services to institutions; sourcing and procurement of food ingredients required by the Group's processing centres in the vicinity of Beijing; storage, warehousing and refrigeration equipment for the storage of raw materials and semi-processed materials; quality control, inspection of food materials and products; and research into meals to be provided by its catering services. The Company also intends that the Beijing RDPC will serve as a logistics hub for the Group's activities in the vicinity of Beijing.

The Company expects the Beijing RDPC to increase the total production capacity of the Group by 300,000 meals per day. The estimated cost for the establishment of the Beijing RDPC is RMB300,000,000 (HK\$303,000,000). The Company expects the Beijing RDPC to begin commercial operations in the first quarter of the 2008/2009 fiscal year.

### *SIPCs*

The Company also plans to expand the capacity of the Group's existing SIPCs in Shouguang (Shandong), Linqi (Shandong), Ningbo (Zhejiang) and Qingyang (Anhui). A new SIPC is being established in Guangxi Province. The Company expects the expansion and establishment of these SIPCs to be completed by 30 September 2009. These SIPCs, along with the centralised processing centres, are or will be established to meet HACCP health and safety standards and the Company plans to obtain such certification.

### *Restaurants*

On 27 September 2007, the Company entered into a share purchase agreement with Ms Zhou Li, pursuant to which the Company has conditionally agreed to purchase, and Ms Zhou Li agreed to sell a majority stake in Sky Charm, the holding company of a group of companies which operates the Golden Hans chain of restaurants, a

chain of buffet restaurants which offer western-style barbequed food and self-brewed beer. Please refer to the announcement of the Company dated 28 September 2007 for further information.

## 6. GENERAL

The Company will promptly notify the Stock Exchange if it becomes aware of any dealings in the Bonds by any connected person (as defined in the Listing Rules) of the Company.

**Completion of the Subscription Agreement is subject to the satisfaction and/or waiver of the conditions precedent therein. In addition, the Subscription Agreement may be terminated under certain circumstances. Please refer to the section headed “THE SUBSCRIPTION AGREEMENT DATED 11 OCTOBER 2007” above for further information.**

**As the Subscription Agreement may or may not complete and, therefore the Bonds may or may not be issued and/or listed on the Stock Exchange, Shareholders and potential investors are advised to exercise caution when dealing in the Shares 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.

To the best of the Directors’ knowledge, information and belief, the Lead Manager and the ultimate beneficial owner of the Lead Manager are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

Trading in the Shares on the Stock Exchange was suspended at the request of the Company with effect from 9:30 am on 12 October 2007 pending the release of this announcement. The company has applied for a resumption of trading in its Shares with effect from 9:30 am on 15 October 2007.

## TERMS AND DEFINITIONS USED IN THIS ANNOUNCEMENT

Alternative Stock Exchange	at any time, in the case of the Shares, if they are not at that time listed and traded on the Stock Exchange, the principal stock exchange or securities market on which the Shares are then listed or quoted or dealt in
Board	the board of directors of the Company
Bondholder(s)	holder(s) of the Bonds from time to time
Bonds	the Firm Bonds and the Optional Bonds
Bonds 2009	the HK\$1,000,000,000 zero coupon convertible bonds due 9 November 2009 issued pursuant to the Subscription Agreement dated 9 October 2006
Bond Issue	the subscription and issue of the Firm Bonds with an initial aggregate principal amount of RMB1,315,000,000 and the Optional Bonds with an aggregate principal amount of RMB185,000,000 under the Subscription Agreement
Change of Control	occurs when, <ul style="list-style-type: none"><li>(i) any person or persons acting together, acquires control of the Company; other than, directly or indirectly, or as the beneficiary of a trust, acting individually or together Million Decade Limited and Top Ample Limited or any of their affiliates, executors, administrators or successors; or</li><li>(ii) the Company consolidates with or merges into or sells or transfers all or substantially all of the Company’s assets to any other person, unless the consolidation, merger, sale or transfer will not result in the other person or persons acquiring Control over the Company or the successor entity</li></ul>
Citigroup	Citigroup Global Markets Limited, a company authorised to conduct investment business by the Financial Services Authority of the United Kingdom in accordance with the Financial Services and Market Act 2000
Closing Date	the date (expected to be 18 October 2007 or such other date as the Company and the Lead Manager may agree) on which the Bonds are issued

Company	FU JI Food and Catering Services Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange
Control	the acquisition or control of more than 50% of the voting rights of the issued share capital of the Company or the right to appoint and/or remove all or the majority of the members of the Company's board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise
Conversion Agent	the conversion agent to be appointed by the Company
Conversion Price	the price per Share at which the Bonds may be converted into Shares which will initially be HK\$32.825 and which may be adjusted from time to time in accordance with the terms and conditions of the Bonds
Conversion Ratio	the principal amount of each Bond divided by the then Conversion Price translated into HK\$ at the fixed exchange rate of HK\$1.00 = RMB0.96893
Conversion Right	the right of a Bondholder to convert any Bond into Shares
Conversion Shares	Shares to be allotted and issued by the Company upon conversion of the Bonds
Directors	directors of the Company
Early Redemption Amount	in relation to a Bond means, for each RMB100,000 principal amount of the Bonds, is determined so that it represents for the Bondholder a gross yield of 2.375% per annum calculated on a semi-annual basis
Firm Bonds	the HK\$ Settled Zero Coupon Convertible Bonds due 2010 of an initial aggregate principal amount of RMB1,315,000,000
HK\$	Hong Kong dollars, the lawful currency of Hong Kong
HK\$ Equivalent	the RMB amount payable under the Bonds, converted into HK\$ using the spot rate on the day which is two business days before the due date of such amount
Hong Kong	the Hong Kong Special Administrative Region of the People's Republic of China
LDPC(s)	local distribution and processing centre(s)
Lead Manager	Citigroup
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange
Maturity Date	the date (expected to be on 18 October 2010 or such other date as the Company and the Lead Manager may agree) on which the Bonds mature
Offering Circular	the offering circular to be issued in connection with the issue and offering of the Bonds
Option	an option granted by the Company to the Lead Manager to subscribe for all or any of the Optional Bonds, exercisable on or before the 30th day following the Closing Date, and which has already been exercised in full on 12 October 2007
Optional Bonds	the additional HK\$ Settled Zero Coupon Convertible Bonds due 2010 with an aggregate principal amount up to RMB185,000,000 to be subscribed by the Lead Manager or investors procured by the Lead Manager at the election of the Lead Manager, following the exercise by the Lead Manager of the Option in full on 12 October 2007
Option Closing Date	the date on which the Optional Bonds are to be issued, which is the same as the Closing Date
Paying Agent	the paying agent to be appointed by the Company
PRC	People's Republic of China
Principal Agent	Citibank, N.A., London Branch
Publication Date	the date of the Offering Circular

RDPC(s)	regional distribution and processing centre(s)
Registrar	Citigroup Global Markets Deutschland AG & Co. KGaA
RMB	renminbi, the lawful currency of the PRC
Share(s)	ordinary shares of HK\$0.01 each in the share capital of the Company
Shareholder(s)	holder(s) of Shares
SIPC(s)	sourcing and initial processing centre(s)
Stock Exchange	The Stock Exchange of Hong Kong Limited
Subscription Agreement	a conditional subscription agreement entered into between the Company and the Lead Manager on 11 October 2007 in connection with the issue by the Company of the Bonds (which are comprised of the Firm Bonds in the principal amount of RMB1,315,000,000 and the Optional Bonds in the principal amount of RMB185,000,000) with an aggregate principal amount of RMB1,500,000,000
Sky Charm	Sky Charm Group Limited
Transfer Agent	the transfer agent to be appointed by the Company
Trustee	Capita Trust Company Limited
Trading Day	a day on which the Stock Exchange is open for business
United States or US	the United States of America, its territories and possessions, any State of the United States, and the District of Columbia

By Order of the Board

**Wei Dong**

*Chairman*

PRC, 12 October 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).*