



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)

**THIRD QUARTERLY RESULTS ANNOUNCEMENT  
FOR THE NINE MONTHS ENDED 31 DECEMBER 2007**

**FINANCIAL HIGHLIGHTS:**

	<b>Unaudited</b>		
	<b>Nine months ended 31 December</b>		
	<b>2007</b>	2006	POP Changes
	<i>RMB'000</i>	<i>RMB'000</i>	%
Turnover	<b>1,321,014</b>	865,743	+52.6%
Catering Services	<b>995,850</b>	672,030	+48.2%
Chinese Restaurants	<b>189,881</b>	165,403	+14.8%
Theme Restaurants	<b>76,992</b>	—	N/A
Convenience Food and Others	<b>58,291</b>	28,310	+105.9%
Profit from operations	<b>420,933</b>	325,193	+29.4%
Profit attributable to equity holders of the Company	<b>318,080</b>	274,583	+15.8%
Basic earnings per share attributable to equity holders of the Company ( <i>RMB cents</i> )	<b>60.0</b>	54.6	+9.9%

**MANAGEMENT DISCUSSION AND ANALYSIS**

During the nine months ended 31 December 2007 (the “Report Period”), FU JI Food and Catering Services Holdings Limited (the “Company”) and its subsidiaries (known together as the “Group”) achieved commendable growth in revenue and earnings, and also made concrete progress in expanding its core businesses. One of the significant moves in expansion was the acquisition of majority interest in Sky Charm Group Limited (“Sky Charm”) on 1 November 2007 (the “Acquisition Date”). Sky Charm is an investment company with holding primarily the Golden Hans’ theme restaurant chain known for its BBQ buffet-type cuisines. The Group operates four principal complementary business lines, namely Catering Services, Chinese Restaurants, Theme Restaurants and Convenience Food and Others.

Turnover for the Report Period reached a new high at approximately RMB1.321 billion, 52.6% more than in the corresponding period of fiscal year 2006/07. Overall gross profit margin and operating profit margin for the Report Period were 58.5% (nine months ended 31 December 2006: 57.2%) and 31.9% (nine months ended 31 December 2006: 37.6%) respectively. Gross profit margin and operating profit margin were 58.7% and 32.6% respectively, excluding the operating results of the Theme Restaurants business after the Acquisition Date. Overall gross profit was RMB773.1 million and net profit was RMB324.3 million, 56.0% and 18.1% higher respectively against the corresponding period last year. Basic earnings per share were RMB60.0 cents (same period fiscal year 2006/07: RMB54.6 cents).

In compliance with Hong Kong Financial Reporting Standard (“HKFRS”) 2, and Hong Kong Accounting Standards (“HKASs”) 32 and 39, the Group booked non-cash charges of approximately RMB4,971,000 (nine months ended 31 December 2006: RMB6,643,000) and approximately RMB51,176,000 (nine months ended 31 December 2006: RMB13,459,000) respectively to its net profits for the Report Period. Those charges together with the reduced operating profit margin during the Report Period led to a drop in net profit margin to 24.5% (same period fiscal year 2006/07: 31.7%).

## **BUSINESS REVIEW**

During the Report Period, the Group continued to strengthen its vertically integrated business model to support its core businesses. Except for growing of crops or production of food ingredients, the Group has a value chain that stretches upstream, mid- and downstream consisting of a world-class industrial kitchen platform, four existing sourcing and initial processing centres, seven well-established local distribution and processing centres and two regional distribution and processing centres (“RDPCs”) being built. They are the result of huge capital investments made by the Group in the past few years and have given the Group great advantages including economies of scale and standardized quality and enabled the Group to source, process and produce foods most cost effectively. Boasting an industry leading platform, an entry barrier not easy to cross by new entrants, the Group has a solid base for its revenue generating downstream businesses and expansion in the future. The Group’s industrial kitchen platform has also allowed it to mitigate inflation caused by surging food prices in recent years and effectively allocate raw materials.

The Group’s downstream business mainly includes Catering Services, Restaurants and Convenience Food. For Catering Services business, apart from targeting the general consumers, the Group has been actively developing the Institutional Segment. The two segments are complementary to each other. As for Restaurants business, during the Report Period, the Group continued to operate restaurants in profitable areas with three new additional Chinese restaurants in Beijing, Shanghai and Suzhou and acquired Golden Hans, a leading theme restaurant chain in the People’s Republic of China (the “PRC”).

## **Catering Services**

Bolstered by growing demand for catering services in China, the segment continued to expand as the Group's principal revenue and profit growth driver. During the Report Period, revenue from the business increased by 48.2% to approximately RMB995.9 million, and operating profit grew by 36.9% to approximately RMB351.8 million. As at 31 December 2007, the Group produced a total of approximately 700,000 sets of meal daily (excluding railway meals), representing a 34.6% growth compared to approximately 520,000 sets as at the end of December 2006. The segment accounted for 75.4% of the Group's total turnover.

During the Report Period, the Group reviewed the classification of activities under Catering Services business. It decided to group activities covered in the business division into two segments, namely Consumer Segment Catering and Institutional Segment Catering, based on the types of downstream market they serve. The Group believes the move has more clearly conveyed its vision regarding future opportunities for the division and associated strategic priorities and arrangements.

### *Consumer Segment Catering*

Consumer segment is a current key profit driver under Catering Services business. With an industrial kitchen platform growing fast and strong, the Group has been able to very efficiently direct and apply internal resources, which has made it a distinctive market leader in China. The Group is one of the few catering service providers in China with a platform capable of servicing clients with more than 10,000 meal-sets per day.

Consumer segment catering provides finished and semi-finished goods mainly to factories, industrial parks, universities, central business district canteens and exhibitions and sports events. The Group sees substantial opportunities in these huge markets relatively unexploited.

### *Institutional Segment Catering*

A first mover in this new market with growth potential, the Group recorded turnover of RMB26,865,000 from the segment for the Report Period. Currently, this segment provides semi-finished products to customers for serving on railways, and in the future, at tourist spots and highway service stations, and military and shipping sites. The Group's products which can stay fresh for more than 30 days without refrigeration or use of preservatives give it a strong advantage over its competitors. Consumers can conveniently enjoy packaged food of fresh taste and texture from a large menu and in different package sizes. Able to serve different markets or groups requiring customized menu or meal sizes, the Group has absolute advantage in this fast growing market.

## **Restaurants**

### *Chinese Restaurants*

Chinese Restaurants business is the Group's second major revenue contributor, accounting for 14.4% of the Group's total turnover. During the Report Period, the Group opened three new Chinese restaurants in Beijing, Shanghai and Suzhou, which brought the total number of operational Chinese restaurants under the Group to nine.

The Group's Chinese Restaurants business managed stable growth during the Report Period, achieving a 14.8% rise in turnover to RMB189.9 million. The growth was mainly attributable to the increased average per head spending of mid- to high-end customers targeted by the Group and the increase in the number of operating restaurants. The Group is careful in selecting location for its restaurants. It picks only markets with promising growth and supported by its industrial kitchen platform guaranteeing lowest material costs and wastages, and optimum usage of raw materials that its competitors cannot match.

#### *Theme Restaurant*

Drawing from its success with Chinese restaurants, the Group ventured into the Theme Restaurants business by acquiring majority stake in Sky Charm which wholly owned the Golden Hans theme restaurant chain. Golden Hans is a chain of German-style microbrewery houses featuring self-brewed beer and BBQ dishes and other buffet foods, and live entertainment.

Between the Acquisition Date and the end of the Report Period (the "Acquisition Period"), Golden Hans served approximately 2.2 million customers who spent on average RMB36 per head. The restaurant chain is on the list of recommended restaurants for the Beijing Olympics. It targets medium to high spending Chinese consumers including college students, young professionals and young families. As at the end of the Report Period, Golden Hans had a total of 39 stores in 26 cities in the PRC.

The operating results of Sky Charm and its subsidiaries for the Acquisition Period are set out as follows:

	<i>RMB'000</i>
Turnover	76,992
Other revenue*	840
Cost of materials consumed	(33,718)
Staff costs	(10,443)
Operating lease rentals	(5,534)
Depreciation and amortization	(2,247)
Fuel and utility costs	(3,901)
Other operating expenses	<u>(5,373)</u>
Profit from operations	<u><u>16,616</u></u>

\* For disclosure of segment information, the amount is classified as an unallocated item according to the applicable HKFRSs.

## **Convenience Food and Others**

With the support of the Group's efficient logistics network and distribution channels, the Convenience Food and Others segment achieved satisfactory result for the nine months ended 31 December 2007. Turnover increased to RMB58.3 million, representing a 105.9% growth. The Group's centralized system has allowed the business to share cost and resources with other operational arms while providing highly nutritious and healthy convenience food to urban dwellers in Shanghai and Suzhou. Convenience Food and Others accounted for 4.4% of the Group's total turnover for the Report Period.

## **FINANCIAL REVIEW**

### **Liquidity and Financial Resources**

The Group's financial position is sound with healthy operating and financing cash flows. As at 31 December 2007, the Group's total equity amounted to RMB2,676,217,000, representing an increase of 49.3% compared with 31 March 2007. As at 31 December 2007, the Group's cash and cash equivalents totaled RMB1,466,155,000 (31 March 2007: RMB556,630,000). Net current assets were RMB1,219,450,000 (31 March 2007: RMB448,933,000).

On 18 October 2007, the Company issued Hong Kong dollar settled zero coupon convertible bonds due 2010 (the "Citi Bonds") convertible into ordinary shares of the Company in an aggregate principal amount of RMB1.5 billion. The net proceeds from the issuance of the Citi Bonds, after deduction of commission and all other directly attributable costs, are approximately HK\$1.506 billion.

Taking into account the proceeds from the issuance of the Citi Bonds, together with healthy balance of cash and cash equivalents, available bank loans and strong operational cash flows, the management is confident that the Group will have adequate resources to finance its daily operational and capital expenditures.

The reporting currency of the Group is in 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 during the current period under review was minimal and is expected to be insignificant going forward, the Group believes that its exposure to exchange rate movement is limited.

### **Capital Structure**

As at 31 December 2007, the Group had total debts made up of bank loans principally bearing fixed annual interest rates of 5.832% to 8.019% (31 March 2007: between 4.860% and 6.732%), interest-free loan from a minority shareholder of a subsidiary, the Citi Bonds and the three-year zero coupon convertible bonds due 2009 (the "Bonds 2009") (RMB2,530,532,000 in total) (31 March 2007: RMB1,296,835,000). As at 31 December 2007, the Group's total equity was RMB2,676,217,000 (31 March 2007: RMB1,792,386,000). Based on the above, its gearing ratio was approximately 94.6% (31 March 2007: 72.4%).

On 9 November 2006, the Company issued the Bonds 2009 in an aggregate principal amount of HK\$1 billion convertible into ordinary shares of the Company. Holders of the Bonds 2009 have the right to convert them into ordinary shares of the Company at any time beginning from 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 (the “Conversion Price”), which was adjusted to HK\$17.18 per share on 18 January 2008. During the period under review, the Company issued and allotted a total of 30,725,293 new shares as a result of conversion of the Bonds 2009 in the total amount of HK\$538,000,000 at the Conversion Price. In addition, during the current period under review, 320,000 employee share options were exercised. After the issuances, as at 31 December 2007, the number of issued shares of the Company was increased to 541,296,756 and the outstanding principal amount of the Bonds 2009 was reduced to HK\$462,000,000.

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

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 Company’s announcement dated 10 October 2006.

Holders of the Citi Bonds have the right to convert them into ordinary shares of the Company at any time beginning from 28 November 2007 and thereafter up to the close of business on 11 October 2010 at the conversion price of HK\$32.825 per share (subject to adjustment). However no new share has been issued resulting from conversion of the Citi Bonds since its issuance.

The detailed terms and particulars of the Citi Bonds were set out in the Company’s announcement dated 12 October 2007.

## **Group Structure**

During the current period under review, the Group had established seven wholly-owned subsidiaries in the PRC — FU JI Famous Delicacies Club (Shanghai) Catering Co. Ltd., Tian Yang Mei Tong Agricultural Development Co. Ltd., Auterlan (Beijing) Food Industry Co. Ltd., Shanghai Dong Rui Catering Services Ltd., Shanghai Xingdong Catering Services Ltd., Suzhou Fu Ji United Yu Hua Yuan Catering Co. Ltd. and Beijing Yao Du Catering Co. Ltd. In addition, on 1 November 2007, the Group completed the acquisition of 60% equity stake in Sky Charm. Sky Charm owns 100% of the entire issued share capital of Golden Hans Holdings Limited (previously named as South Champ Limited) which holds 100% equity interests in various PRC companies whose primary business is the Golden Hans theme restaurant chain.

Save as disclosed above, during the period under review, there has been no material change in the Group’s structure.



## **Charge on Assets and Contingent Liabilities**

As at 31 December 2007, the Group had bank deposits denominated in Hong Kong dollars, equivalent to RMB138,911,000 (31 March 2007: RMB262,544,000), which are pledged to secure bank facilities granted to the Group.

As at 31 December 2007, the Group had contingent liabilities in the amount of approximately RMB55,113,000 (31 March 2007: RMB32,686,000) in respect of the adoption of preferential tax treatments in determining the income tax liabilities of certain wholly owned subsidiary in Shanghai.

## **HUMAN RESOURCE**

As at 31 December 2007, the Group had total 13,224 employees (which includes 5,676 employees attributable to Sky Charm and its subsidiaries) in the PRC and Hong Kong (31 March 2007: 4,653 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 for 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 discretions, invite any employees of the Group or Directors of the Company to take up any options to subscribe for shares of the Company.

## **OUTLOOK**

The Group is positive about the prospects of the catering service industry and expects to see strong growth for its traditional consumer segment and huge and fast growth for the new institutional segment.

The new Jiading RDPC and Beijing RDPC, which are scheduled to commence operation in the first quarter of the 2008/09 fiscal year, will strengthen the Group's vertically integrated business model. The huge capital investment made by the Group in its industrial kitchen in the past few years has given it substantial added capacity which will improve operational efficiency, resulting also a lower cost of production. The Group expects more attractive profit margins of different business segments can be achieved in the future.

On the Catering Services front, the Group will continue to focus on developing traditional consumer segment, which it believes are far from saturation, and also step up efforts in nurturing the institutional segment with abundant arising opportunities.

For the Restaurant business, the Group plans to establish more Chinese restaurants in areas with growth potential in the future. Having acquired Golden Hans, the Group has diversified its business as well as its client base. The Group plans to add more new restaurants to the chain to capture a bigger yet share of the higher end market. With more and more people taking on the habit of dining out, the Group is optimistic about expansion of its Restaurant business.

Supported by its proven industrial kitchen platform, the Group is ready to capture business opportunities in the still budding catering services sector in China. In the future, the Group will strive to expand its market share and eventually consolidate its leadership as a domestic Catering Services provider in China.

## RESULTS

The board of Directors (the “Board”) has pleasure to present the unaudited consolidated results of the Group for the nine months ended 31 December 2007 together with the comparative figures for 2006. The unaudited consolidated balance sheet as at 31 December 2007, income statement for the nine months period ended 31 December 2007 and the accompanying notes have been reviewed by the Company’s audit committee (the “Audit Committee”).

### CONSOLIDATED INCOME STATEMENT

*For the nine months ended 31 December 2007*

	<i>Note</i>	<b>2007</b> <b>RMB’000</b> <b>(Unaudited)</b>	2006 <b>RMB’000</b> <b>(Unaudited)</b>
<b>Turnover</b>	2	<b>1,321,014</b>	865,743
Other revenue		<b>46,324</b>	40,427
Cost of materials consumed	2	<b>(547,891)</b>	(370,236)
Staff costs		<b>(129,188)</b>	(66,978)
Operating lease rentals		<b>(50,538)</b>	(19,387)
Depreciation and amortization		<b>(96,872)</b>	(53,764)
Fuel and utility costs		<b>(32,894)</b>	(17,322)
Other operating expenses		<b>(89,022)</b>	(53,290)
<b>Profit from operations</b>	2	<b>420,933</b>	325,193
Finance costs		<b>(69,254)</b>	(26,193)
<b>Profit before taxation</b>	3	<b>351,679</b>	299,000
Income tax	4	<b>(27,418)</b>	(24,417)
<b>Profit for the period</b>		<b><u>324,261</u></b>	<u>274,583</u>
<b>Attributable to:</b>			
<b>Equity holders of the Company</b>		<b>318,080</b>	274,583
<b>Minority interests</b>		<b><u>6,181</u></b>	<u>—</u>
		<b><u>324,261</u></b>	<u>274,583</u>
<b>Earnings per share attributable to ordinary equity holders of the Company</b>			
— basic	5(a)	<b><u>RMB60.0 cents</u></b>	<u>RMB54.6 cents</u>
— diluted	5(b)	<b><u>RMB60.0 cents</u></b>	<u>N/A</u>



**CONSOLIDATED BALANCE SHEET***As at 31 December 2007*

	<b>At 31 December 2007 RMB'000 (Unaudited)</b>	At 31 March 2007 RMB'000 (Audited)
<b>Non-current assets</b>		
Fixed assets	<b>3,089,283</b>	2,229,754
Goodwill	<b>494,261</b>	10,300
Deposits for acquisition and construction of fixed assets	<b>122,255</b>	80,734
	<b>3,705,799</b>	2,320,788
<b>Current assets</b>		
Inventories	<b>61,742</b>	27,848
Accounts receivable	<b>43,748</b>	31,094
Deposits, prepayments and other receivables	<b>107,717</b>	45,985
Pledged bank deposits	<b>138,911</b>	262,544
Cash and cash equivalents	<b>1,466,155</b>	556,630
	<b>1,818,273</b>	924,101
<b>Current liabilities</b>		
Interest-bearing bank loans	<b>281,500</b>	319,500
Due to a related party	<b>34,533</b>	—
Accounts payable	<b>42,513</b>	21,481
Receipts in advance	<b>22,103</b>	11,306
Interim dividend payable	<b>58,296</b>	—
Accruals and other payables	<b>129,788</b>	99,505
Current income tax	<b>30,090</b>	23,376
	<b>598,823</b>	475,168
<b>Net current assets</b>	<b>1,219,450</b>	448,933
<b>Total assets less current liabilities</b>	<b>4,925,249</b>	2,769,721
<b>Non-current liabilities</b>		
Bonds 2009	<b>450,741</b>	977,335
Interest-free loan from a minority shareholder of a subsidiary	<b>337,140</b>	—
Citi Bonds	<b>1,351,580</b>	—
Interest-bearing bank loans	<b>109,571</b>	—
	<b>2,249,032</b>	977,335
<b>NET ASSETS</b>	<b>2,676,217</b>	1,792,386

	<b>At 31 December 2007 RMB'000 (Unaudited)</b>	At 31 March 2007 RMB'000 (Audited)
<b>Equity attributable to equity holders of the Company</b>		
Issued capital	5,676	5,386
Reserves	<u>2,638,787</u>	<u>1,787,000</u>
	<b>2,644,463</b>	1,792,386
<b>Minority interests</b>	<u>31,754</u>	<u>—</u>
<b>TOTAL EQUITY</b>	<u><u>2,676,217</u></u>	<u><u>1,792,386</u></u>

*Notes:*

#### **1. BASIS OF PRESENTATION AND PRINCIPAL ACCOUNTING POLICY**

The Group's unaudited consolidated balance sheet and income statement have been prepared in accordance with all applicable HKFRSs, which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants and the accounting principles generally accepted in Hong Kong.

The principal accounting policies adopted in preparing the Group's unaudited consolidated balance sheet as at 31 December 2007 and the Group's unaudited consolidated income statement for the nine months ended 31 December 2007 are consistent with those adopted in the 2006/07 annual financial statements. The Group has also adopted a number of new HKFRSs ("New HKFRSs") which became effective for accounting periods beginning on or after 1 January 2007. However, the adoption of these New HKFRSs has had no material effect on how the results of operations and financial position of the Group are prepared and presented.

## 2. TURNOVER AND SEGMENT INFORMATION

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

	<b>Nine months ended</b>	
	<b>31 December</b>	
	<b>2007</b>	2006
	<i>RMB'000</i>	<i>RMB'000</i>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Turnover		
— Catering Services business	<b>995,850</b>	672,030
— Chinese Restaurants business	<b>189,881</b>	165,403
— Theme Restaurants business	<b>76,992</b>	—
— Convenience Food and other related business	<b>58,291</b>	28,310
	<b><u>1,321,014</u></b>	<b><u>865,743</u></b>
Cost of materials consumed		
— Catering Services business	<b>412,756</b>	302,332
— Chinese Restaurants business	<b>63,915</b>	56,201
— Theme Restaurants business	<b>33,718</b>	—
— Convenience Food and other related business	<b>37,502</b>	11,703
	<b><u>547,891</u></b>	<b><u>370,236</u></b>
Segment results		
— Catering Services business	<b>351,818</b>	257,038
— Chinese Restaurants business	<b>36,066</b>	41,112
— Theme Restaurants business	<b>15,776</b>	—
— Convenience Food and other related business	<b>139</b>	12,788
	<b><u>403,799</u></b>	<b><u>310,938</u></b>
Unallocated income, net	<b><u>17,134</u></b>	<b><u>14,255</u></b>
Profit from operations	<b><u>420,933</u></b>	<b><u>325,193</u></b>

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

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

### 3. PROFIT BEFORE TAXATION

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

	Nine months ended 31 December	
	2007	2006
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<b>(a) Finance costs:</b>		
Interest on bank loans wholly repayable within five years	18,078	12,734
Interest on the convertible bonds	<u>51,176</u>	<u>13,459</u>
	<u>69,254</u>	<u>26,193</u>
<b>(b) Other items:</b>		
Interest income	(20,271)	(14,462)
Rental income from sub-letting	(712)	(800)
Government grants	(22,753)	(20,416)
Cost of materials consumed	547,891	370,236
Loss on disposal of property, plant and equipment	4,293	—
Depreciation and amortization	96,872	53,764
Operating leases charges in respect of premises	<u>50,538</u>	<u>19,387</u>

### 4. INCOME TAX

Income tax expense represents:

	Nine months ended 31 December	
	2007	2006
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax — the PRC		
Provision for the period	<u>27,418</u>	<u>24,417</u>

No provision for Hong Kong Profits Tax has been made as the Group has no estimated assessable profits arising in Hong Kong for the nine months ended 31 December 2006 and 2007.

Taxation for PRC subsidiaries is charged at the approximately current rates of taxation ruling in the PRC.

The Group had no significant potential deferred tax assets and liabilities for the nine months ended 31 December 2006 and 2007.

## 5. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

### (a) Basic earnings per share

The calculation of basic earnings per share for the nine months ended 31 December 2007 was based on the profit attributable to ordinary equity holders of the Company of RMB318,080,000 (nine months ended 31 December 2006: RMB274,583,000) and on the weighted average of 529,682,529 (nine months ended 31 December 2006: 503,368,183) ordinary shares in issue during the period.

### (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 RMB318,080,000 and the weighted average number of ordinary shares of 529,740,855 ordinary shares, calculated as follows:

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

	<b>Nine months ended 31 December 2007 RMB'000</b>
Profit attributable to ordinary equity shareholders	318,080
After tax effect of effective interest on liability component of convertible bonds ( <i>note</i> )	<u>—</u>
Profit attributable to ordinary equity shareholders (diluted)	<u><u>318,080</u></u>

*Note:* 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)

	<b>Nine months ended 31 December 2007</b>
Weighted average number of ordinary shares	529,682,529
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	58,326
Effect of conversion of convertible bonds ( <i>note</i> )	<u>—</u>
Weighted average number of ordinary shares (diluted)	<u><u>529,740,855</u></u>

*Note:* 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.

Diluted earnings per share for the nine months ended 31 December 2006 was not presented as the impact of the exercise of the conversion rights attached to the bonds and the outstanding share options were anti-dilutive.

## **QUARTERLY DIVIDEND**

The Board did not declare any quarterly dividend for the three months ended 31 December 2007 (three months ended 31 December 2006: Nil).

## **REVIEW OF RESULTS**

The Audit Committee has reviewed with the Group's management the Group's quarterly hygiene reports, the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the Group's unaudited consolidated balance sheet as at 31 December 2007 and unaudited consolidated income statement for the nine months ended 31 December 2007.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

For the period from 1 April 2007 to 31 December 2007, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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

the PRC, 29 February 2008

*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, four independent non-executive Directors, namely Ms. Tsui Wai Ling, Carlye, Mr. Wong Chi Keung, Mr. Su Gang Bing and Ms. Yang Liu.*