福記食品服務控股有限公司

FU JI FOOD AND CATERING SERVICES HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1175)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2008

FINANCIAL HIGHLIGHTS:

	Audited Year ended 31 March		
	2008	2007	Changes
	(RMB'000)	*(RMB'000)*	*(%)*
Turnover	**1,915,594**	1,199,415	+59.7%
Catering Services	**1,383,213**	932,323	+48.4%
Chinese Restaurants	**275,033**	232,940	+18.1%
Theme Restaurants	**191,431**	—	N/A
Convenience Food and Others	**65,917***	34,152	+93.0%
Profit from operations	**581,177**	433,666	+34.0%
Profit attributable to equity shareholders of the Company	**410,956**	348,087	+18.1%
Basic earnings per share attributable to equity shareholders of the Company *(RMB cents)*	**77.2**	68.9	+12.0%

* *net of inter-segment turnover*

MANAGEMENT DISCUSSION AND ANALYSIS

During the year ended 31 March 2008, 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. The Group has reclassified Catering Services into Consumer Segment Catering and Institutional Segment Catering to more clearly reflect its strategic focuses. The Group currently operates three principal complementary businesses, namely Catering Services, Restaurants (Chinese Restaurants and Theme Restaurants) and Convenience Food and Others.

Achieving strong organic growth and acquiring Theme Restaurants business line, the Group reported excellent operating results for the fiscal year. Turnover reached a new high at approximately RMB1,915.6 million, an increase of 59.7% against the year ended 31 March 2007. Overall gross profit margin and operating profit margin for the year were 58.9% (fiscal year 2006/07: 58.0%) and 30.3% (fiscal year 2006/07: 36.2%) respectively. Gross profit margin and operating profit margin were 58.9% and 31.3% respectively, excluding the operating results of Theme Restaurants business which had been consolidated into the Group's operating results after 1 November 2007 (the "Acquisition Date"). Overall gross profit was RMB1,127.8 million and net profit was RMB426.3 million, 62.2% and 22.5% higher respectively, against the fiscal year 2006/07. Basic earnings per share attributable to ordinary equity holders of the Company were RMB77.2 cents (fiscal year 2006/07: RMB68.9 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 RMB6,043,000 (fiscal year 2006/07: RMB9,250,000) on equity-settled share-based expenses and approximately RMB81,276,000 (fiscal year 2006/07: RMB30,562,000) on its convertible bonds to its net profits for the fiscal year. Those charges incurred together with the reduced operating profit margin for the fiscal year led to a drop in net profit margin to 22.3% (fiscal year 2006/07: 29.0%).

MARKET REVIEW

In recent years, the demand for contract catering services in China has risen continuously driven by more and more multinational and domestic corporations seeking to outsource catering. That phenomenon plus the People's Republic of China (the "PRC") government tightening hygiene requirements for catering service providers nationwide have worked in favour of reputable catering service providers like the Group and allowed the Group to maintain competitiveness in the fast growing market.

BUSINESS REVIEW

The Group boasts a business with multi-growth drivers enjoying the benefit of sharing resources in its vertically integrated operations. In the past few years the Group had made significant capital investments into building and enhancing its world-class industrial kitchen platform, comprising four existing sourcing and initial processing centres ("SIPCs"), seven well-established local distribution and processing centres ("LDPCs") and two regional distribution and processing centres ("RDPCs"). Presenting increasing synergies in terms of pricing flexibility and more effectively allocation of raw materials and other resources, which helps to mitigate inflation of food prices, to the Group's businesses, the comprehensive value chain has enabled the Group to enjoy a higher profit margin than its rivals and hence the Group has raised the entry barrier of the industry. Entering the harvest stage of its investment, the Group expects steady growth for all the three core businesses.

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 fiscal year, revenue from the business increased by 48.4% to approximately RMB1,383.2 million, and operating profit also increased, by 40.6%, to approximately RMB459.1 million. As at 31 March 2008, the Group produced approximately 750,500 sets of meal daily (excluding railway meals), representing a 32.2% growth compared to approximately 567,500 sets as at the end of March 2007. The segment accounted for 72.2% of the Group's total turnover.

The Group reclassified the activities under Catering Services business in this fiscal year to more clearly show different strategic focuses. This business now has two sub-segments, namely Consumer Segment Catering and Institutional Segment Catering, defined with reference to the downstream market they serve. The Consumer Segment Catering has a solid foundation and the Institutional Segment serves a growing market which will be the main focus of the Group in the future. With the only production platform in the market with capability of servicing more than 10,000 meal-sets a day for each catering site, the Group enjoys cost and wastage rate significantly lower than the market average and accordingly a higher profit margin, giving it unparallel competitiveness in the industry.

Consumer Segment Catering

Consumer Segment Catering provides finished and semi-finished goods mainly to factories, industrial parks, universities, canteens in central business district and exhibitions and sports events. It reported a turnover of approximately RMB1,342.7 million for the year. The Group sees substantial untapped opportunities in the different markets covered in the segment.

For this key profit driver under its Catering Services business, the Group will explore business opportunities in enterprises, factories, central business district, universities and schools and exhibition centres.

Institutional Segment Catering

The segment is currently serving semi-finished products to railway passengers in high-speed trains in the PRC and expanding business coverage to tourist spots and highway service stations and military and shipping sites. It brought in a turnover of approximately RMB40.5 million for the year. The Group is optimistic about the growth of the segment as it is among the first movers in this largely unexploited market.

With products boasting the distinctive feature of staying fresh for more than 30 days without refrigeration and preservatives, the Group enjoys absolute advantage over its competitors in this fast growing market. Relative to Consumer Segment Catering, Institutional Segment Catering currently has a lower profit margin but much bigger room to expand and to improve its profit margin in the future.

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 year under review, the Group opened three new Chinese restaurants in Beijing, Shanghai and Suzhou, which brought the total number of operating Chinese restaurants of the Group to nine.

The business provided the Group with stable and recurring income throughout the year. Its turnover was RMB275.1 million, 18.1% more than in the previous year. The Group will adopt a flexible approach when opening new restaurants in the future. The business has reached a scale that allows the Group to enjoy the lowest material costs and wastages, and optimum usage of raw materials that its competitors cannot match, wherever the restaurants may be.

Theme Restaurants

The Group acquired majority stake in Sky Charm Group Limited ("Sky Charm") which wholly owned the Golden Hans theme restaurant chain, marking its venture into Theme Restaurants business. Golden Hans is a chain of German-style microbrewery house featuring self-brewed beer and western-style BBQ dishes and other buffet foods, and live entertainment. It has presence currently in 26 cities in China. The Group expected the business with strong potential to develop smoothly.

Between the Acquisition Date and the end of the fiscal year 2007/08 (the "Acquisition Period"), Golden Hans had served approximately 5.939 million customers spending on average RMB34 per head. The Group believes with western style cuisines and dining concepts gaining popularity in the PRC, expanding into Theme Restaurants business will effectively broaden its revenue stream. The acquisition has brought synergies to the Group in terms of shared procurement at lower cost, more efficient allocation and application of resources and greater economies of scale. For Golden Hans, supported by the Group's centralized sourcing, processing and distribution centres, it has been able to lower cost and widen profit margin. The restaurant chain is on the list of recommended restaurants for the Beijing Olympics. Its clientele comprises mainly medium to high spending Chinese consumers including college students, young professionals and young families. As at the end of 31 March 2008, Golden Hans had a total of 39 stores in 26 cities in the PRC. The Group expects to take the brand to more cities in China.

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

	RMB'000
Turnover	191,431
Other revenue	2,373
Cost of materials consumed	(79,918)
Staff costs	(24,725)
Operating lease rentals	(13,493)
Depreciation and amortization	(6,168)
Fuel and utility costs	(10,585)
Consumable stores	(3,157)
Other operating expenses	(9,055)
Profit from operations	46,703

Convenience Food and Others

Convenience Food and Others accounted for 3.4% of the Group's total turnover for the fiscal year (after considering inter-segment turnover). With the support of the Group's efficient logistics network and distribution channels, the segment achieved satisfactory result for the year ended 31 March 2008. Turnover of the segment was RMB65.9 million (after considering inter-segment turnover), representing a 93.0% growth against the previous year. Another beneficiary of the Group's centralized production system, the business share cost and resources with other operational arms and at the same time provide highly nutritious convenience food to urban dwellers in Shanghai and Suzhou.

FINANCIAL REVIEW

Liquidity and Financial Resources

The Group's financial position is sound with healthy operating and financing cash flows. As at 31 March 2008, the Group's total equity amounted to RMB2,800,267,000, representing an increase of 56.2 % against the amount as at 31 March 2007. Cash and cash equivalents totalled RMB957,430,000 as at 31 March 2008 (31 March 2007: RMB556,630,000) and net current assets were RMB774,370,000 (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, after deduction of commission and all other directly attributable costs, were approximately HK$1.506 billion.

Taking into account the proceeds from the issuance of the Citi Bonds and the 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 Renminbi and the Group's monetary assets, monetary liabilities and transactions are principally denominated in Renminbi, HK dollars and US dollars. During the year under review, the Renminbi had appreciated significantly against the HK dollar and US dollar, while the HK dollar continued to be pegged with the US dollar. As the Group's HK dollars and US dollars-denominated monetary assets are significantly matched with the Group's HK dollars and US dollars-denominated monetary liabilities, the Directors did not consider the Group as significantly exposed to foreign currency risk and thus deemed the use of hedging tools unnecessary.

Capital Structure

As at 31 March 2008, the Group had total debts made up of bank loans principally bearing fixed annual rates of 6.723% to 8.217% (31 March 2007: between 4.860% and 6.732%) and floating rate in the range of 0% to 12.75% per annum, consideration payable for the acquisition of a subsidiary, the Citi Bonds and the three-year zero coupon convertible bonds due 2009 (the "Bonds 2009") (RMB2,530,873,000 in total) (31 March 2007: RMB1,296,835,000). As at 31 March 2008, the Group's total equity was RMB2,800,267,000 (31 March 2007: RMB1,792,386,000). Based on the above, its gearing ratio was approximately 90.4% (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 year 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 year under review, 320,000 employee share options were exercised. After the issuances, as at 31 March 2008, the number of issued shares of the Company had 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 had been no change in the share capital of the Company during the year under review.

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 Bonds 2009 and the Citi Bonds can be found in the Group's financial statements for the year ended 31 March 2008 and the Company's announcement dated 10 October 2006 and 12 October 2007.

Group Structure

During the year under review, the Group established eleven 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., Beijing Yao Du Catering Co., Ltd., Qing Dao Wei Xian Da Catering Services Ltd., Shanghai Long Chu Catering Services Ltd., Shanghai Jia Chu Duo Xian Le Food Sales Co., Ltd. and Wu Hu Wei Xian Da Catering Co., Ltd. In addition, on the Acquisition Date, the Group completed the acquisition of 60% equity stake in Sky Charm. Sky Charm owns the entire issued share capital of Golden Hans Holdings Limited (previously named as South Champ Limited) which holds 100% equity interest in various companies whose primary business is operation of the Golden Hans theme restaurant chain.

Save as disclosed above, during the year under review, there had been no material change in the Group's structure.

Charge on Assets and Contingent Liabilities

As at 31 March 2008, the Group had bank deposits denominated in HK dollars, equivalent to RMB136,438,000 (31 March 2007: RMB262,544,000) and had fixed assets having a carrying amount of approximately RMB107,845,000 (31 March 2007: Nil), which were pledged to secure bank facilities granted to the Group.

As at 31 March 2008, the Group had contingent liabilities in the amount of approximately RMB57,054,000 (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. In addition, the Group had contingent liabilities in the amount of approximately RMB100,000,000 in respect of claiming damages by a third party for infringement of trademark "fu ji".

HUMAN RESOURCE

As at 31 March 2008, the Group had 12,305 employees (including 5,277 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 also provides retirement benefits in the form of Mandatory Provident Fund entitlement to employees in Hong Kong. A similar scheme is also provided to employees in the PRC.

The Group has adopted a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who have contributed to the success of the Group's operations. The Directors may, at their discretion, invite any employees of the Group or Directors of the Company to take up any options to subscribe for shares of the Company. Details of the Scheme are disclosed in the 2007/08 Annual Report in accordance with the Rules Governing the Listing of Securities of the Stock Exchange of Hong Kong Limited (the "Listing Rules").

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

OUTLOOK

The new Beijing RDPC and Jiading RDPC, which are scheduled to commence operation in the first quarter and by the end of second quarter of the fiscal year 2008/09 respectively, will become the logistic hubs in Huadong region and areas in the vicinity of Beijing when completed. Thereafter, the Group will be able to enjoy yet better economies of scale in production and procurement to more areas. The Group has moved into harvest period after making huge capital investments in the past years. The Group will strive to improve utilization rate of its production platform to speed up business development in the coming year and beyond.

Riding on the thriving catering service market in China, which is still highly fragmented, the Group is confident of growing its traditional Consumer Segment Catering and at the same time make advancement in the huge and fast-growing new Institutional Segment Catering, expanding coverage to new institutions like railways by working closely with relevant government authorities. The Group will develop railway catering service by forming joint ventures that promise synergies to the business. The Group believes the Consumer Segment Catering and Institutional Segment Catering will both be presented with business opportunities by the booming economy in China.

The Group will explore business opportunities in markets that can use the support from the central kitchen before considering setting up new LDPCs / RDPCs. Wuhan, Fujian and Jianxi are some of the areas it has in mind.

For the Chinese Restaurants business, the Group will continue to add new restaurants at strategic locations that can allow them to ride on its well established industrial kitchen platforms. The Group will continue to expand in Beijing, Shanghai and Suzhou. Regarding the Theme Restaurants, the Group plans to expand the clientele of Golden Hans to include medium and high-end customers while continuing to take the restaurant chain to other cities in the country. It is optimistic about the future of its Restaurants business.

Riding on its leading industrial kitchen platform and brand advantage, the Group will push forward with expanding its business steadily and seeking to capture more new business opportunities. It will strive to gain a bigger market share in this highly fragmented Catering Services market in China.

RESULTS

The board of Directors (the "Board") has pleasure to present the audited consolidated results of the Group for the year ended 31 March 2008 together with the comparative figures for the year ended 31 March 2007, as follows:

Consolidated Income Statement
For the year ended 31 March 2008

	Note	2008 RMB'000	2007 RMB'000
Turnover	3	**1,915,594**	1,199,415
Other revenue		**66,680**	52,000
Cost of materials consumed		**(787,773)**	(504,054)
Staff costs		**(194,945)**	(97,841)
Operating lease rentals		**(81,165)**	(29,422)
Depreciation and amortization		**(154,485)**	(94,388)
Fuel and utility costs		**(53,796)**	(24,905)
Consumable stores		**(41,238)**	(13,917)
Other operating expenses		**(87,695)**	(53,222)
Profit from operations	3	**581,177**	433,666
Finance costs		**(105,401)**	(49,911)
Profit before taxation	4	**475,776**	383,755
Income tax	5	**(49,459)**	(35,668)
Profit for the year		**426,317**	348,087
Attributable to:			
Equity shareholders of the Company		**410,956**	348,087
Minority interests		**15,361**	—
		426,317	348,087
Dividends payable to equity shareholders of the Company attributable to the year	6	**120,257**	104,588
Earnings per share attributable to ordinary equity shareholders of the Company			
— basic	7(a)	**RMB77.2 cents**	RMB68.9 cents
— diluted	7(b)	**RMB77.2 cents**	RMB68.9 cents

Consolidated Balance Sheet

As at 31 March 2008

	Note	At 31 March 2008 RMB'000	At 31 March 2007 RMB'000
Non-current assets			
Fixed assets		**3,432,067**	2,229,754
Intangible assets		**161,465**	—
Goodwill		**393,188**	10,300
Deposits for acquisition and construction of fixed assets		**289,050**	80,734
Deposit for acquisition of a subsidiary		**12,000**	—
		4,287,770	2,320,788
Current assets			
Inventories		**88,705**	27,848
Trade receivables	*8*	**53,790**	31,094
Deposits, prepayments and other receivables		**193,148**	45,985
Pledged bank deposits		**136,438**	262,544
Cash and cash equivalents		**957,430**	556,630
		1,429,511	924,101
Current liabilities			
Bank loans		**269,000**	319,500
Trade payables	*9*	**126,195**	21,481
Accruals and other payables		**221,316**	110,811
Income tax payable		**38,630**	23,376
		655,141	475,168

	Note	At 31 March 2008 RMB'000	At 31 March 2007 RMB'000
Net current assets		**774,370**	448,933
Total assets less current liabilities		**5,062,140**	2,769,721
Non-current liabilities			
Convertible bonds due 2009		**441,293**	977,335
Consideration payable for the acquisition of a subsidiary		**341,880**	—
Convertible bonds due 2010		**1,373,295**	—
Bank loan		**105,405**	—
		2,261,873	977,335
NET ASSETS		**2,800,267**	1,792,386
Equity attributable to equity shareholders of the Company			
Issued capital		**5,665**	5,386
Reserves		**2,688,895**	1,787,000
		2,694,560	1,792,386
Minority interests		**105,707**	—
TOTAL EQUITY		**2,800,267**	1,792,386

Notes:

1. BASIS OF PREPARATION

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

The consolidated financial statements have been prepared on the historical cost basis. The functional currencies of the Company and its subsidiaries in the PRC are Hong Kong dollars and Renminbi respectively. For the purpose of presenting the consolidated financial statements, the Group adopted Renminbi as its presentation currency.

2. APPLICATION OF HKFRSs

In the current year, the Group has applied, for the first time, the following new standard, amendment of HKASs and INTs (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning 1 April 2007.

HKAS 1 (Amendment)	Capital disclosures
HKFRS 7	Financial instruments: Disclosures
HK(IFRIC)* – INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economics
HK(IFRIC)* – INT 8	Scope of HKFRS 2
HK(IFRIC)* – INT 9	Reassessment of embedded derivatives
HK(IFRIC)* – INT 10	Interim financial reporting and impairment
HK(IFRIC)* – INT 11	HKFRS 2: Group and treasury share transactions

* *IFRIC represents the International Financial Reporting Interpretations Committee*

While some of these new HKFRSs are not applicable to the Group, the adoption of new HKFRSs had no material effect on how the results and financial position for the current or prior accounting years have been prepared and presented. Accordingly, no prior year adjustment has been required.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

The Group has not early applied those new, revised and amended standards or interpretations that have been issued but are not yet effective. The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

3. 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 year.

Segment information is presented in respect of the Group's business segments. Business segments information is chosen as the primary reporting format as this is more relevant to the Group's internal financial reporting. Geographical segment is not presented as the Group's operates predominantly in the PRC. An analysis of the Group's segment revenue and segment results for business segments for the year is as follows:

	Year ended 31 March	
	2008	2007
	RMB'000	*RMB'000*
Turnover		
— Catering Services business	**1,383,213**	932,323
— Chinese Restaurants business	**275,033**	232,940
— Theme Restaurants business	**191,431**	—
— Convenience Food and other related business		
— Revenue form external customers	**65,917**	34,152
— Inter-segment turnover	**19,622**	—
	1,935,216	1,199,415
Less: inter-segment turnover	**(19,622)**	—
	1,915,594	1,199,415
Segment results		
— Catering Services business	**459,145**	326,609
— Chinese Restaurants business	**50,410**	67,421
— Theme Restaurants business	**40,896**	—
— Convenience Food and other related business	**(15,756)**	17,766
	534,695	411,796
Unallocated operating income and expenses, net	**46,482**	21,870
Profit from operations	**581,177**	433,666

4. PROFIT BEFORE TAXATION

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

		Year ended 31 March	
		2008	2007
		RMB'000	*RMB'000*
(a)	**Finance costs:**		
	Interest on bank loans wholly repayable within five years	**23,934**	19,349
	Interest on convertible bonds	**81,276**	30,562
	Total interest expenses on financial liabilities not at fair value through profit or loss	**105,210**	49,911
	Other borrowing costs	**191**	—
		105,401	49,911
(b)	**Staff costs:**		
	Retirement costs		
	— contribution to defined contribution retirement plans	**2,845**	2,186
	Salaries, wages and other benefits	**186,057**	86,405
	Equity-settled share-based payment expenses	**6,043**	9,250
		194,945	97,841
(c)	**Other items:**		
	Interest income on financial assets not at fair value through profit or loss	**(27,818)**	(23,145)
	Rental income from sub-letting	**(1,805)**	(913)
	Government grants	**(33,212)**	(22,914)
	Transportation income	**(1,976)**	(3,099)
	Net foreign exchange gain	**(11,468)**	(8,886)
	Auditors' remuneration –audit services	**5,102**	2,078
	Cost of materials consumed	**787,773**	504,054
	Loss on disposal of property, plant and equipment	**4,800**	185
	Write-off of inventories	**782**	358
	(Reversal of impairment loss)/Impairment loss for trade receivables	**(747)**	1,367
	Depreciation and amortization	**154,485**	94,388
	Operating leases charges in respect of premises	**81,165**	29,422

5. INCOME TAX

Income tax expense represents:

	Year ended 31 March	
	2008	2007
	RMB'000	*RMB'000*
Current tax — the PRC		
Provision for the PRC income tax for the year	**49,459**	35,668

No provision for Hong Kong Profits Tax has been made as the Group has no estimated assessable profits arising in Hong Kong for the years ended 31 March 2008 and 2007.

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

The Group had no significant potential deferred tax assets and liabilities for the years ended 31 March 2008 and 2007.

6. DIVIDENDS PAYABLE TO EQUITY HOLDERS OF THE COMPANY ATTRIBUTABLE TO THE YEAR

	Year ended 31 March	
	2008	2007
	RMB'000	*RMB'000*
Interim dividend of HK cents 11.5 (fiscal year 2006/07: HK cents 10.2) per ordinary share	**58,813**	51,300
Final dividend of HK cents 12.6 (fiscal year 2006/07: HK cents 10.4) per ordinary share proposed after the balance sheet date	**61,444**	53,288
	120,257	104,588

The proposed final dividend for the year ended 31 March 2008 is subject to the approval of the Company's shareholders at the forthcoming Annual General Meeting of the Company scheduled to be held on 4 September 2008. The proposed final dividend is not reflected as a dividend payable in the financial statements.

7. 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 year ended 31 March 2008 was based on the profit attributable to ordinary equity holders of the Company of RMB410,956,000 (year ended 31 March 2007: RMB348,087,000) and on the weighted average of 532,573,184 (year ended 31 March 2007: 504,908,488) ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares:

	2008	2007
Issued ordinary shares at 1 April	**510,251,463**	502,362,563
Effect of issuance of shares under the exercise of share options	**232,787**	—
Effect of issuance of shares upon conversion of convertible bonds	**22,088,934**	2,545,925
Weighted average number of ordinary shares at 31 March	**532,573,184**	504,908,488

(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 RMB410,956,000 (2007: RMB348,087,000) and the weighted average number of ordinary shares of 532,601,040 (2007: 505,069,265) ordinary shares, calculated as follows:

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

	2008	2007
	RMB'000	*RMB'000*
Profit attributable to ordinary equity shareholders	**410,956**	348,087
After tax effect of effective interest on liability component of convertible bonds *(note)*	**—**	—
Profit attributable to ordinary equity shareholders (diluted)	**410,956**	348,087

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):

	2008	2007
Weighted average number of ordinary shares at 31 March	**532,573,184**	504,908,488
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	**27,856**	160,777
Effect of conversion of convertible bonds *(note)*	**—**	—
Weighted average number of ordinary shares (diluted) at 31 March	**532,601,040**	505,069,265

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.

8. TRADE RECEIVABLES

Trade receivables are generally granted with credit terms ranging from 30 days to 180 days. An ageing analysis of trade receivables is as follows:

	At 31 March	
	2008	2007
	RMB'000	*RMB'000*
Within 1 month	**28,464**	12,383
More than 1 month but less than 3 months	**16,827**	10,619
More than 3 months but less than 6 months	**3,985**	7,665
More than 6 months	**7,011**	3,671
	56,287	34,338
Less: Impairment loss for doubtful debts	**(2,497)**	(3,244)
	53,790	31,094

9. TRADE PAYABLES

An ageing analysis of trade payables is as follows:

	At 31 March	
	2008	2007
	RMB'000	*RMB'000*
Within 1 month	**64,950**	11,637
After 1 month but within 3 months	**44,724**	6,783
After 3 months but within 6 months	**4,748**	1,658
After 6 months	**11,773**	1,403
	126,195	21,481

FINAL DIVIDEND

The Board has resolved to recommend the payment of a final dividend of HK cents 12.6 (approximately equivalent to RMB11.351 cents) per share (fiscal year 2006/07: HK cents 10.4 (approximately equivalent to RMB10.291 cents) per share) for the year ended 31 March 2008, to the Shareholders whose names appear on the Register of Members of the Company at the close of business on 4 September 2008, subject to the approval in the Annual General Meeting on the same date.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 29 August 2008 to 4 September 2008 (both days inclusive), during which no transfer of shares in the Company can be registered. In order to qualify for the final dividend, all completed transfer forms together with the relevant share certificates must be lodged with the Company's Hong Kong branch registrar, Computershare Hong Kong Investor Services Limited at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on 28 August 2008.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on 4 September 2008. A notice of the Annual General Meeting will be published and dispatched to the shareholders of the Company in due course.

REVIEW OF RESULTS

The Company's audit committee (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 auditing, internal control and financial reporting matters including the review of the audited consolidated financial statements of the Group for the year ended 31 March 2008.

The figures in respect of this preliminary announcement of the Group's results for the year ended 31 March 2008 have been agreed by the Company's auditors, CCIF CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 March 2008, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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

The Company has complied with the code provisions of the Code as set out in Appendix 14 of the Listing Rules throughout the year ended 31 March 2008, with deviations from code provision A.2.1, A.4.1 and E.1.2 of the Code in respect of the separate roles of chairman and chief executive officer, the appointment of non-executive directors for a specific term and the chairman of the Board's committees attending the Annual General Meeting.

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

Code A.4.1 of the Code stipulates that non-executive directors should be appointed for a specific term, subject to re-election. Ms. Josephine Price, a Non-executive Director of the Company, has not been appointed for a specific term since the expiry of the appointment letter on 16 December 2007. Pursuant to the Company's articles of association (the "Articles"), one third of the Directors (including the Chairman of the Company) for the time being (or if the number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation at each general meeting in accordance with the provisions of the Articles. Accordingly, all Directors shall be subject to retirement by rotation and re-election at Annual General Meetings under the Articles and the Board considers that it is not necessary to appoint all Directors for a specific term as the Articles require all Directors to retire at least once every three years.

Code E.1.2 of the Code stipulates that the chairman of the Board and the chairmen (or if one is not available another member) of the audit, remuneration and nomination committees should attend the Annual General Meeting. Due to their offshore business engagements, the members of the Audit Committee did not attend the Annual General Meeting of the Company held in Hong Kong on 21 August 2007. The Board will finalize and inform the date of the Annual General Meeting as earliest as possible to make sure that at least one member of the Company's Audit Committee and Remuneration Committee would attend the Annual General Meeting of the Company in future.

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

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

The PRC, 30 July 2008