



FU JI FOOD AND CATERING SERVICES HOLDINGS LIMITED

福記食品服務控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1175)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 30 JUNE 2008

FINANCIAL HIGHLIGHTS:

| | Unaudited | | |
|-----------------------------------------------------------|----------------------------|-----------|-------------|
| | Three months ended 30 June | | |
| | 2008 | 2007 | POP Changes |
| | (RMB'000) | (RMB'000) | (%) |
| Turnover | 657,698 | 357,110 | +84.2% |
| Catering Services | 452,833 | 287,141 | +57.7% |
| Chinese Restaurants | 69,947 | 63,319 | +10.5% |
| Theme Restaurants | 123,479 | — | N/A% |
| Convenience Food and related business | 11,439 | 6,650 | +72.0% |
| Profit from operations | 183,328 | 124,588 | +47.2% |
| Profit attributable to equity shareholders of the Company | 111,531 | 95,071 | +17.3% |
| Basic earnings per share (RMB cents) | 20.6 | 18.5 | +11.4% |

MANAGEMENT DISCUSSION AND ANALYSIS

FU JI Food and Catering Services Holdings Limited (the “Company”) and its subsidiaries (known together as the “Group”) achieved strong growth in revenue and earnings during the three months ended 30 June 2008. Turnover and gross profit margin for the first quarter 2008/09 were approximately RMB657.7 million (first quarter 2007/08: RMB357.1 million) and 57.2% (first quarter 2007/08: 60.1%) respectively. Profit from operations amounted to approximately RMB183.3 million, up 47.2% as compared with the corresponding period last year. Profit attributable to shareholders grew by 17.3% to approximately RMB111.5 million and basic earnings per share were RMB20.6 cents (first quarter 2007/08: RMB 18.5 cents).

In compliance with Hong Kong Financial Reporting Standard (“HKFRS”) 2, and Hong Kong Accounting Standards (“HKAS”) 32 and 39, there were non-cash charges of approximately RMB1,085,000 (first quarter 2007/08: RMB2,254,000) and approximately RMB29,635,000 (first quarter 2007/08: RMB15,982,000) respectively to the Group’s net profits for the three months ended 30 June 2008.

MARKET REVIEW

The demand for contract catering services in China is mainly driven by more and more multinational and domestic corporations seeking to outsource catering. In spite of this phenomenon, the catering services industry in China is still fragmented after years of development, which means there will be enormous business opportunities for well-established players when the industry continues to consolidate.

BUSINESS REVIEW

The Group has begun to enjoy harvest of previous capital investments. It pursued expansion of the two business streams – Consumer Segment Catering and Institutional Segment Catering – under Catering Services and expanded the existing Restaurants business after acquiring the themed restaurant chain Golden Hans. FU JI now has a solid foundation for taking its business to new grounds. It expects the Beijing and Jiading regional distribution and processing centres to commence production in the second and third quarters of the calendar year 2009 respectively and by then boost its production capability and in turn leadership in the catering service market in China. The Group is optimistic about securing more catering service contracts with more handsome profit margins.

Catering Services

Catering services continues to grow steadily, accounting for 68.9% of the Group’s total turnover. During the period under review, revenue from the business increased by 57.7% to approximately RMB452.8 million and operating profit increased by 17.9% to around RMB125.7 million. As at 30 June 2008, the Group produced approximately 810,500 sets of meal daily (excluding railway meals), representing a 32.0% growth compared with the same period last year.

Consumer Segment Catering

Consumer Segment Catering continued to expand. It was the principal revenue and profit growth driver of the Group, accounting for 66.4% of the total turnover. Its revenue amounted to approximately RMB435.5 million, a 51.7% increase against the corresponding period in 2007/08.

Institutional Segment Catering

The turnover brought by serving semi-finished products to passengers traveling on trains was approximately RMB17.3 million. With first mover advantage in this largely untapped market, the Group will strive to quickly gain and enlarge market share.

Restaurants

Chinese Restaurants

Chinese Restaurants business is the second major revenue contributor of the Group, accounting for 10.6% of its total turnover. During the period under review, performance of the business was slightly affected by the occurrence of Sichuan earthquakes dampening consumption sentiment including people's desire to dine out. However, we believe the phenomenon is transitory and the Chinese restaurants business will return to normal soon. The Group operated a total of nine Chinese restaurants in Beijing, Shanghai and Suzhou, making turnover amounting to RMB69.9 million, 10.5% more than in the same period last year. We have continuously changing our menu mix to fit the changing taste of our customers. During the period under review, 4 Chinese restaurants were being renovated with re-opening in their fresh and more attractive designs scheduled in September and November 2008.

Theme Restaurants

The Golden Hans theme restaurant chain has broadened our business portfolio and is expected to deliver greater contribution to the Group as it continues to grow. Its revenue amounted to approximately RMB123.5 million, an 8% increase against the last quarter ended 31 March 2008 and operating profit grew by 8.6% to RMB27.3 million. As at the end of 30 June 2008, Golden Hans had a total of 40 stores in 26 cities in the PRC, with new additions in Beijing. Golden Hans served approximately 3.5 million customers spending on average RMB35 per head. The Group believes the changing dining habits and preferences of consumers in China will support smooth development of the business of Golden Hans.

Convenience Food and Others

The turnover of Convenience Food and Others increased to RMB11.4 million, representing a 72% growth. However, due to higher operating cost incurred, a loss of operating profit of RMB5.7 million was recorded. Supported by the efficient logistics and distribution network of the Group, as well as the distinctive advantage of our long 30-day freshness period, we are confident that our highly nutritious and healthy ready-to-eat food will gain growth momentum very soon. The segment accounted for 1.7% of the Group's total turnover.

OUTLOOK

The Group anticipates growth in demand for catering service in major economic zones and coastal provinces in China and is prepared to capture them. Capitalising on its well-established facilities, it will be able to enjoy economies of scale in production and procurement. It will strive to expand the consumer segment catering to cover universities in coastal areas with the support of its central kitchens. The Group is very optimistic about the fast growing Institutional Segment Catering and will seek to accelerate development in the sector.

For the Restaurants business, the Group will strive to mitigate the inflationary food cost pressure by implementing strict cost control initiatives.

Looking forward, the Group will continue to improve the utilization rate of its production platform and look to capture more new business opportunities. Its aim is to gain a bigger market share in the Catering Services market in China.

FINANCIAL REVIEW

Liquidity and Financial Resources

The Group's financial position is sound with stable cash flow. As at 30 June 2008, the Group's total Shareholders' equity amounted to RMB2,938.5 million, representing an increase of 4.9% compared with 31 March 2008. As at 30 June 2008, the Group's cash and cash equivalents totalled RMB687.0 million (31 March 2008: RMB957.4 million). Net current assets were RMB513.6 million (31 March 2008: RMB774.4 million).

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 settle any debts and finance its daily operational and capital expenditures.

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

Capital Structure

As at 30 June 2008, the Group had total debts made up of bank loans principally bearing fixed annual rates of 5.913% to 8.217% (31 March 2008: between 6.723% and 8.217%) 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") (RMB2,592.0 million in total) (31 March 2008: RMB2,530.9 million). As at 30 June 2008, the Group's total equity was RMB2,938.5 million (31 March 2008: RMB2,800.3 million). Based on the above, its gearing ratio was approximately 88.2% (31 March 2008: 90.4%).

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, no Bonds 2009 was converted into the Company's new ordinary shares and no employee share option was exercised. As at 30 June 2008, the number of issued shares of the Company was 541,296,756 and the outstanding principal amount of the Bonds 2009 was HK\$462,000,000.

Holder 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.

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

Group Structure

During the period under review, there has been no material change in the Group's structure.

Charge on Assets and Contingent Liabilities

As at 30 June 2008, the Group had fixed deposits denominated in Hong Kong dollars, equivalent to RMB258.3 million (31 March 2008: RMB136.4 million) and certain fixed assets, which are pledged to secure bank facilities granted to the Group.

As at 30 June 2008, the Group had contingent liabilities in the amount of approximately RMB59.8 million (31 March 2008: RMB57.1 million) in respect of adoption of the preferential tax treatments in determining the income tax liabilities of two wholly owned subsidiaries in Shanghai. In addition, the Group had contingent liabilities in the amount of approximately RMB100 million in respect of claiming damages by a third party for infringement of trademark "fuji".

HUMAN RESOURCE

As at 30 June 2008, the Group had 12,973 employees (including 5,700 employees attributable to Sky Charm and its subsidiaries) in the PRC and Hong Kong (31 March 2008: 12,305 employees). All employees are remunerated according to their performance, experience and prevailing market rates. The Group provides retirement benefits in the form of Mandatory Provident Fund entitlement to employees in Hong Kong. A similar scheme is also provided to employees in the PRC.

The Group has adopted a share option scheme (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.

RESULTS

The board of Directors (the "Board") has pleasure to present the unaudited consolidated results of the Group for the three months ended 30 June 2008 together with the comparative figures for 2007. The unaudited consolidated balance sheet as at 30 June 2008, income statement for the three months period ended 30 June 2008 and the accompanying notes have been reviewed by the Company's Audit Committee.

CONSOLIDATED INCOME STATEMENT

For the three months ended 30 June 2008

| | | 2008 | 2007 |
|------------------------------------|-------------|-----------------------------|-----------------------------|
| | | RMB'000 | RMB'000 |
| | <i>Note</i> | <i>(Unaudited)</i> | <i>(Unaudited)</i> |
| Turnover | 2 | 657,698 | 357,110 |
| Other revenue | | 24,100 | 9,827 |
| Cost of materials consumed | | (281,289) | (142,513) |
| Staff costs | | (64,294) | (29,719) |
| Operating lease rentals | | (34,746) | (10,485) |
| Depreciation and amortization | | (57,377) | (29,515) |
| Fuel and utility costs | | (19,786) | (6,794) |
| Consumable stores | | (13,465) | (5,203) |
| Other operating expenses | | (27,513) | (18,120) |
| Profit from operations | 2 | 183,328 | 124,588 |
| Finance costs | 3(a) | (37,862) | (21,435) |
| Profit before taxation | | 145,466 | 103,153 |
| Income tax | 4 | (23,241) | (8,082) |
| Profit for the period | | <u>122,225</u> | <u>95,071</u> |
| Attributable to: | | | |
| Equity shareholders of the Company | | 111,531 | 95,071 |
| Minority interests | | 10,694 | — |
| | | <u>122,225</u> | <u>95,071</u> |
| Earnings per share | | | |
| — basic | 5(a) | <u>RMB20.6 cents</u> | <u>RMB18.5 cents</u> |
| — diluted | 5(b) | <u>N/A</u> | <u>RMB18.5 cents</u> |

CONSOLIDATED BALANCE SHEET

As at 30 June 2008

| | At 30 June 2008 RMB'000 (Unaudited) | At 31 March 2008 RMB'000 (Audited) |
|------------------------------------------------------------------|-------------------------------------------------|------------------------------------------------|
| Non-current assets | | |
| Fixed assets | 3,764,504 | 3,432,067 |
| Intangible assets | 159,403 | 161,465 |
| Goodwill | 393,188 | 393,188 |
| Deposits for acquisition and construction of fixed assets | 343,808 | 289,050 |
| Deposit for acquisition of a subsidiary | <u>12,000</u> | <u>12,000</u> |
| | 4,672,903 | 4,287,770 |
| Current assets | | |
| Inventories | 86,610 | 88,705 |
| Trade receivables | 60,978 | 53,790 |
| Deposits, prepayments and other receivables | 144,426 | 193,148 |
| Pledged bank deposits | 258,340 | 136,438 |
| Cash and cash equivalents | <u>687,034</u> | <u>957,430</u> |
| | 1,237,388 | 1,429,511 |
| Current liabilities | | |
| Bank loans | 344,000 | 269,000 |
| Trade payables | 55,856 | 126,195 |
| Accruals and other payables | 289,940 | 221,316 |
| Income tax payable | <u>33,976</u> | <u>38,630</u> |
| | <u>723,772</u> | <u>655,141</u> |
| Net current assets | <u>513,616</u> | <u>774,370</u> |
| Total assets less current liabilities | 5,186,519 | 5,062,140 |
| Non-current liabilities | | |
| Convertible bonds due 2009 | 438,126 | 441,293 |
| Consideration payable for the acquisition of the subsidiaries | 311,699 | 341,880 |
| Convertible bonds due 2010 | 1,395,321 | 1,373,295 |
| Bank loan | <u>102,831</u> | <u>105,405</u> |
| | <u>2,247,977</u> | <u>2,261,873</u> |
| NET ASSETS | <u><u>2,938,542</u></u> | <u><u>2,800,267</u></u> |

| | At 30 June 2008 RMB'000 (Unaudited) | At 31 March 2008 RMB'000 (Audited) |
|----------------------------------------------------------------------|------------------------------------------------------------|-----------------------------------------------------------|
| Equity attributable to equity shareholders of the Company | | |
| Issued capital | 5,665 | 5,665 |
| Reserves | <u>2,815,715</u> | <u>2,688,895</u> |
| | 2,821,380 | 2,694,560 |
| Minority interests | <u>117,162</u> | <u>105,707</u> |
| TOTAL EQUITY | <u><u>2,938,542</u></u> | <u><u>2,800,267</u></u> |

Notes:

1. PRINCIPAL ACCOUNTING POLICY

The Group's 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, HKASs 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 consolidated balance sheet as at 30 June 2008 and the consolidated income statement for the three months ended 30 June 2008 are consistent with those adopted in the 2007/08 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 2008. 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 and unaudited segment results for business segments for the period is as follows:

| | Three months ended 30 June | |
|-----------------------------------------|-----------------------------------|--------------------|
| | 2008 | 2007 |
| | RMB'000 | RMB'000 |
| | <i>(Unaudited)</i> | <i>(Unaudited)</i> |
| Turnover | | |
| — Catering Services business | 452,833 | 287,141 |
| — Chinese Restaurants business | 69,947 | 63,319 |
| — Theme Restaurants business | 123,479 | — |
| — Convenience Food and related business | | |
| — Revenue from external customers | 11,439 | 6,650 |
| — Inter-segment revenue | 15,087 | — |
| | 672,785 | 357,110 |
| Less: Inter-segment Revenue | (15,087) | (—) |
| | 657,698 | 357,110 |
| Segment results | | |
| — Catering Services business | 125,768 | 106,723 |
| — Chinese Restaurants business | 11,849 | 19,738 |
| — Theme Restaurants business | 27,267 | — |
| — Convenience Food and related business | (5,702) | 121 |
| | 159,182 | 126,582 |
| Unallocated income/(expenses), net | 24,146 | (1,994) |
| Profit from operations | 183,328 | 124,588 |

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

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

3. PROFIT BEFORE TAXATION

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

| | Three months ended 30 June | |
|-----------------------------------------------------------|-----------------------------------|----------------------|
| | 2008 | 2007 |
| | RMB'000 | RMB'000 |
| | <i>(Unaudited)</i> | <i>(Unaudited)</i> |
| a) Finance costs | | |
| Interest on bank loans wholly repayable within five years | 8,227 | 5,453 |
| Interest on convertible bonds | <u>29,635</u> | <u>15,982</u> |
| | <u>37,862</u> | <u>21,435</u> |
| b) Other items | | |
| Interest income | (5,533) | (5,291) |
| Rental income from sub-letting | (260) | (234) |
| Government grants | (17,218) | (3,941) |
| Cost of materials consumed | 281,289 | 142,513 |
| Depreciation and amortization | 57,377 | 29,515 |
| Operating leases rentals in respect of premises | <u>32,746</u> | <u>10,485</u> |

4. INCOME TAX

Income tax expense represents:

| | Three months ended 30 June | |
|--------------------------|-----------------------------------|--------------------|
| | 2008 | 2007 |
| | RMB'000 | RMB'000 |
| | <i>(Unaudited)</i> | <i>(Unaudited)</i> |
| Current tax — the PRC | | |
| Provision for the period | <u>23,241</u> | <u>8,082</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 three months ended 30 June 2007 and 2008.

Taxation for the PRC subsidiaries is charged at the approximate current rates of taxation ruling in the PRC. During the period, 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 three months ended 30 June 2007 and 2008.

5. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the three months ended 30 June 2008 is based on the profit attributable to shareholders of RMB111,531,000 (three months ended 30 June 2007: RMB95,071,000) and on the weighted average of 541,296,756 (three months ended 30 June 2007: 514,699,281) ordinary shares in issue during the period.

(b) Diluted earnings per share

Diluted earnings per share for the three months ended 30 June 2008 was not presented because the impact of the exercise of the conversion rights attached to convertible bonds and the outstanding share options were anti-dilutive.

The calculation of diluted earnings per share for the three months ended 30 June 2007 is based on the profit attributable to ordinary equity shareholders of RMB95,071,000 and the weighted average number of ordinary shares of 515,179,140 shares after adjusting for the effect of the dilutive potential ordinary shares arising from the employee share options.

QUARTERLY DIVIDEND

The Board did not declare any quarterly dividend for the three months ended 30 June 2008 (three months ended 30 June 2007: Nil).

REVIEW OF RESULTS

The Audit Committee has reviewed with the Company'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 30 June 2008 and unaudited consolidated income statement for the three months ended 30 June 2008.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the period from 1 April 2008 to 30 June 2008, 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, 5 September 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, four Independent Non-Executive Directors, namely Dr. Tsui Wai Ling, Carlye, Mr. Wong Chi Keung, Mr. Su Gang Bing and Ms. Yang Liu.