FU JI Food and Catering Services Holdings Limited

(Provisional Liquidators Appointed)

福記食品服務控股有限公司

（已委任臨時清盤人）

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 1175)

Annual Report 2010

Contents

Corporate Information

BOARD OF DIRECTORS

Executive

Chin Chang Keng Raymond

Independent Non-executive

Chung Wai Man

AUDITOR

ANDA CPA Limited
21st Floor
Max Share Centre
373 King's Road, North Point
Hong Kong

JOINT AND SEVERAL PROVISIONAL LIQUIDATORS

Lai Kar Yan Derek,
Yeung Lui Ming Edmund and
Darach E. Haughey
35th Floor, One Pacific Place
88 Queensway, Hong Kong

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2703-08, 27th Floor
Shui On Centre,
6-8 Harbour Road, Wanchai
Hong Kong

Financial Summary

For the year ended 31 March 2010

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out below:

	Year ended 31 March				
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2009 RMB'000	**2010** **RMB'000**
RESULTS					
Turnover	796,750	1,199,415	1,915,594	177,902	**140,505**
Profit/(loss) before tax	285,053	383,755	475,776	(4,347,097)	**(471,872)**
Income tax	(33,667)	(35,668)	(49,459)	(1,151)	**(12)**
Profit/(loss) for the year	251,386	348,087	426,317	(4,348,248)	**(471,884)**
Attributable to:					
Equity holders of the Company	251,386	348,087	410,956	(4,348,248)	**(471,884)**
Minority interests	–	–	15,361	–	**–**
	251,386	348,087	426,317	(4,348,248)	**(471,884)**

	As at 31 March				
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2009 RMB'000	**2010** **RMB'000**
ASSETS AND LIABILITIES					
Non-current assets	1,366,217	2,320,788	4,287,770	36,860	**27,268**
Current assets	472,768	924,101	1,429,511	1,142,615	**472,396**
Current liabilities	(252,527)	(475,168)	(655,141)	(1,579,613)	**(2,830,522)**
Non-current liabilities	(140,897)	(977,335)	(2,261,873)	(1,462,978)	**–**
Net assets/(liabilities)	1,445,561	1,792,386	2,800,267	(1,863,116)	**(2,330,858)**
Attributable to:					
Equity holders of the Company	1,445,561	1,792,386	2,694,560	(1,863,116)	**(2,330,858)**
Minority interests	–	–	105,707	–	**–**
Total equity	1,445,561	1,792,386	2,800,267	(1,863,116)	**(2,330,858)**

Directors' Report

The directors (the "Directors") of FU JI Food and Catering Services Holdings Limited (Provisional Liquidators Appointed) (the "Company") are pleased to present their report and the audited consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2010.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the principal activities of its subsidiaries are the provision of Catering Services and sale of Convenience Food products and related business in the People's Republic of China (the "PRC").

BUSINESS REVIEW

For the year ended 31 March 2010, the Group continued to engage in the provision of Catering Services and commenced the sale of Convenience Food products and related business in the PRC.

During the year, the Group has discontinued its operation of Chinese Restaurant and has disposed all of its ownership of 60% of the entire issued share capital of Sky Charm Group Limited which held the Golden Hans theme restaurants chain in the PRC.

On 19 October 2009, the Board of Directors of the Company presented to the High Court of the Hong Kong SAR a petition to wind up the Company. On the same day, Messrs Edmund Yeung Lui Ming, Derek Lai Kar Yan and Darach E. Haughey of Deloitte Touche Tohmatsu were appointed as joint and several provisional liquidators of the Company by the Hong Kong Court.

Following the appointment of Provisional Liquidators, the Provisional Liquidators and the Group implemented several downsizing and cost-cutting procedures including reduction of employees, restructured the operations of the Group by terminating several loss-making catering sites and closely monitoring the remaining catering sites.

RESULTS AND APPROPRIATIONS

Revenue

When compared with the prior year, the turnover of the Group was approximately RMB140.51 million (2009: approximately RMB177.90 million), representing a decrease of approximately 21.02% from the last financial year due to instability of the Group's business and huge financial debts. The operation scale of each catering site had significantly shrunk. In addition, the Group experienced high employee turnover during the year which significantly affected the quality of the food served and thus, the number of customers decreased which resulted in the decrement in turnover. The results of the Group for the year ended 31 March 2010 are set out in the consolidated statement of comprehensive income on page 22.

Gross profit

Gross profit for the year decreased from approximately RMB47.47 million to RMB20.28 million, representing a decrease of approximately 57.28% from the last financial year due to the high employee turnover, especially the resignation of senior management level and laid off of chefs in each catering site which resulted in a increase in cost of materials consumed. Along with the decrement in turnover, gross profit decreased accordingly.

Staff costs

Staff costs decreased from approximately RMB52.41 million to approximately RMB39.38 million, representing a decrease of approximately 24.86% from the last financial year due to the high employee turnover and the resignation of senior management during the year.

Other operating expenses

Other operating expenses decreased from approximately RMB61.16 million to RMB21.68 million during the year. The decrement was mainly due to the increment in exchange differences of approximately RMB27.68 million incurred from the RMB denominated convertible bond.

Loss on deconsolidation of subsidiaries and impairments on due from deconsolidated subsidiaries

The control over certain subsidiaries has been lost since the fiscal year ended 31 March 2009. Loss on deconsolidation of subsidiaries of approximately RMB241.47 million was recognised in the previous year. Impairments of approximately RMB3,639.49 million and RMB261.91 million on due from these deconsolidated subsidiaries have been made in the previous year and current year respectively on the ground that these amounts were irrecoverable.

Loss for the year attributable to equity holders

The loss for the year attributable to equity holders of the Company amounted to approximately RMB471.89 million for the year ended 31 March 2010 (2009: approximately RMB4,348.25 million). Loss per share was approximately RMB0.87 as compared with loss per share of approximately RMB8.03 for the preceding year. The decrement in the loss for the year attributable to equity holders of the Company was mainly due to less impairments were made on due from deconsolidated subsidiaries during the year.

The Directors do not recommend the payment of any dividend for the year ended 31 March 2010 (2009: nil).

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

Bank and cash balances as at 31 March 2010 was approximately RMB240.26 million (2009: approximately RMB79.64 million). The Group's debt-to-capital ratio measured on the basis of the Group's total liabilities net of bank and cash balances related to the total equity is not applicable as the Group had a net deficiency in capital as at 31 March 2009 and 2010.

CAPITAL STRUCTURE

Details of the capital structure of the Company are set out in notes 30 and 31 to the financial statements.

WINDING-UP PETITION AND APPOINTMENT OF PROVISIONAL LIQUIDATORS

On 7 October 2009, the Company engaged Deloitte Touche Tohmatsu as an independent financial adviser (the "IFA") (i) to assist the Group with the finalization of its financial statements for the year ended 31 March 2009 and (ii) to conduct independent analysis on the Group's financial position with a view to addressing concerns raised by stakeholders of the Company resulting from the delay in the publication of the Company's annual results.

In the course of reviewing the Group's affairs, the IFA identified circumstances that indicated the Group had experienced significant financial challenges, particularly in connection with its catering business operations, the financial position and outlook of which had been deteriorating quite rapidly.

After receiving and discussing the IFA's preliminary findings, on 19 October 2009, the Board of Directors of the Company presented to the High Court of the Hong Kong SAR (the "High Court") a petition (the "Petition") to wind up the Company. On the same day, Messrs Edmund Yeung Lui Ming, Derek Lai Kar Yan and Darach E. Haughey of Deloitte Touche Tohmatsu were appointed as joint and several provisional liquidators of the Company (the "Provisional Liquidators") by the Hong Kong Court.

The Provisional Liquidators are empowered, inter alia, to take possession of the assets of the Group, to close or cease or operate all or any part of the business operations of the Group, to take control of such of the subsidiaries of the Company, joint ventures, associated companies or other entities in which the Company or any of its subsidiaries holds an interest and to consider if thought to be in the best interests of creditors of the Company, to enter into discussions and negotiations for and on behalf of the Company for the purpose of, but not limited to, restructuring of the Company's business, operations, or indebtedness or to Implement a scheme of arrangement between the Company and its creditors and/or shareholders for such restructuring.

The hearing of the Petition against the Company was originally scheduled on 23 December 2009 and the Court adjourned the hearing of the Petition against the Company to 8 February 2012. It is expected that the Petition against the Company will be withdrawn upon the successful implementation of the restructuring of the Company as referred to in the section headed "Restructuring of the Group" below.

RESTRUCTURING OF THE GROUP

On 30 November 2009, the Provisional Liquidators published advertisements in relation to the proposed sale of the Group's assets and business as a going concern and sought expression of interest in relation to such sale. Further to such advertisement, the Provisional Liquidators received expressions of interest from various parties, including companies in the catering and food and beverage industry and other industries as well as various financial investors.

In December 2009, the Provisional Liquidators issued a tender process memorandum and guidance note to those parties who had registered their interest in the proposal sale of the Group's assets and businesses as a going concern and executed confidentiality and non-disclosure agreements with such parties.

On 5 February 2010, the Provisional Liquidators received proposals from potential investors for the sale of the Group's assets and businesses as a going concern. After careful consideration, the Provisional Liquidators considered that the proposal received from Marvel Light Holdings Limited ("Investor") represented the best option available to the Company and its shareholders at that time.

On 16 March 2010, the Company, the Investor and the Provisional Liquidators entered into the Heads of Terms, which are legally binding and set out the agreement of the parties in respect of major provisions of the reorganization proposal and are subject to the execution of definitive documentation. Details of the Heads of Terms are set out in the Company's announcement dated 26 May 2010.

On 29 June 2010, the Company, Fortune Guard Holdings Limited (the "Purchaser", a company wholly-owned by the Investor), the Investor, the Provisional Liquidators and certain members of the Group entered into a sale and purchase agreement which involved the disposal of certain subsidiaries of the Company to the Investor in order to strengthen the remaining Group (the "Phase I Disposal"). Details of the Phase I Disposal are set out in the Company's announcement dated 7 July 2010.

On 17 August 2010, the Provisional Liquidators published advertisements seeking expressions of interest from parties interested in relation to the sale of the remaining non-core assets under the Heads of Terms (the "Nominated Excluded Assets"), which comprise mainly land and buildings in the PRC.

On 30 August 2010, the Provisional Liquidators issued a tender process memorandum and guidance note to those parties who had registered their interest in the Nominated Excluded Assets and executed confidentiality and non-disclosure agreements with such parties.

On 13 January 2011, the Company, the Purchaser, the Investor, the Provisional Liquidators and certain members of the Group entered into a sale and purchase agreement for the disposal of the restaurants business, certain idle food processing centres and certain subsidiaries of the Group which operated as investment vehicles. Details of such dispoal are set out in the Company's announcement dated 26 May 2011.

On 31 January 2011, the Provisional Liquidators received a proposal from an interested person for the purchase of the Nominated Excluded Assets. Pursuant to the Heads of Terms, the Investor was granted a Right of First Refusal ("ROFR") to acquire the Nominated Excluded Asset at no less favorable terms than those offered by any interested person. Subsequently on 14 February 2011, the Investor elected to exercise the ROFR to acquire the Nominated Excluded Assets. (The terms of the related sale and purchase agreement was under negotiation by the Company, the Investor, the Purchaser, the Provisional Liquidators and certain members of the Group).

On 11 March 2011, the Hong Kong Court directed that a meeting of Scheme Creditors (as defined in the Scheme) be convened for the purpose of considering and, if thought fit, approving (with or without modification) a scheme of arrangement pursuant to section 166 of the Companies Ordinance (Cap. 32) proposed to be made between the Company and the Scheme Creditors.

At the Scheme Creditors' Meeting held on 29 April 2011, the Scheme of Arrangement was approved by the requisite majority of Scheme Creditors and on 17 May 2011 the Hong Kong Court sanctioned the Scheme. On 9 August 2011, the Provisional Liquidators, on behalf of the Company, issued a completion notice notifying the Scheme Creditors that following the satisfaction or waiver of all the conditions as detailed in the Scheme document, the Scheme has become effective on 9 August 2011.

The principal elements of the proposed restructuring of the Group are, inter alia, as follows:

a) **Capital Restructuring**

The Company will undergo, inter alia, a capital restructuring, involving the capital reduction, the capital cancellation, the capital consolidation and the capital increase.

b) **Share Subscription**

The Company will raise new funds by way of an open offer to all the existing shareholders, and the issuance of ordinary shares and preference shares to the Investor.

c) **Scheme and Debt Restructuring**

The Provisional Liquidators will implement a Scheme of Arrangement to settle the debts owed to the Scheme Creditors by payment of cash and, where applicable, the issue and allotment of new shares in the agreed percentage to Scheme Creditors, to be distributed in accordance with the terms of the Scheme of Arrangement.

The Investor would become a controlling shareholder of the Company upon completion of the proposed restructuring of the Group (the "Completion") as contemplated under the Heads of Terms.

PROSPECTS

On 30 July 2010, the Company was placed in the second stage of the delisting procedures pursuant to Practice Note 17 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "HKSE") (the "Listing Rules") and that the Company was required to submit a viable resumption proposal which demonstrates its compliance with the requirement stipulated under Rule 13.24 of the Listing Rules.

On 14 January 2011, a resumption proposal was submitted by the Company to the HKSE to demonstrate to the HKSE that when the resumption proposal is successfully implemented, the Group will have in place suitable structures and have a sufficient level of operations and tangible assets of sufficient value and will be able to fully comply with Rule 13.24 of the Listing Rules.

On 13 June 2011, the Company submitted a reply/clarification in relation to the queries from the Stock Exchange on the Resumption Proposal received on 31 January 2011. Subsequently, the Company received a second round of queries from the Stock Exchange on 25 July 2011 and is preparing the reply to the queries accordingly.

The Company is confident that, with strong financial support from Investor, the Group will be able to regain dominant in its business and maintain a substantial level of operations after the resumption of trading in the Company's shares on the HKSE.

It is anticipated that the financial position of the Group will be substantially improved upon the Completion as all the liabilities arising from the creditors of the Company will be compromised and discharged through the proposed scheme of arrangement and liabilities of the Group will be assumed by the Investor through assets disposal.

Upon the Completion, the Company's shares will resume trading on the HKSE subject to the approval of the HKSE.

WARNING STATEMENT

Shareholders and potential investors of the Company should note that, (1) the principal elements of the Restructuring of the Group may be subject to further changes; (2) the resumption proposal may or may not be approved by the HKSE.

EMPLOYMENT

As at 31 March 2010, the Group had 1,335 (2009: 1,320) full-time employees, most of whom were working in the Company's subsidiaries in the PRC. During the year under review, the total employees' costs including Directors' remuneration were approximately RMB39,379,000 (2009: RMB52,413,000). It is the Group's policy that remuneration of the employees is in line with the market and commensurate with the level of pay for similar responsibilities within the industry. Discretionary year-end bonuses are payable to the employees based on individual performance. Other benefits to the employees included medical insurance, retirement schemes, training programs and education subsidies.

CHARGES ON GROUP'S ASSETS

As at 31 March 2010, save as the pledged bank deposits disclosed in note 25 to the financial statements, there were no other charges on the Group's assets.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

CONVERTIBLE BONDS

Details of the convertible bonds are set out in note 29 to the financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Up to the date of this annual report, the trading in the shares of the Company remains in suspension, the sufficiency of public float as required by the Listing Rules is not applicable.

Directors' Report

REVIEW BY THE AUDIT COMMITTEE

By the time the financial statements for the year ended 31 March 2010 of the Group were prepared, no audit committee had been established owing to the current insufficient number of Independent Non-executive Directors in accordance with Rule 3.21 of the Listing Rules. Appropriate personnel will be appointed as members of audit committee before the resumption of the trading in the shares of the Company on the HKSE.

Since the audit committee has yet to be established, the annual report for the financial year ended 31 March 2010 (the "Annual Report") has not been reviewed by an audit committee.

DELAY IN DISPATCH OF ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2010

Due to suspension of trading in the Company's shares on the HKSE and most of the responsible officers had left the Group, the Company has not been able to dispatch the Annual Report to its members within the due date as required by the Listing Rules.

The delay in the dispatch of the Annual Report constitutes a breach of Rule 13.46(2) of the Listing Rules by the Company.

NON-COMPLIANCE OF APPENDIX 16 "DISCLOSURE OF FINANCIAL INFORMATION" OF THE LISTING RULES

Due to the failure to get access to the books and records of certain subsidiaries, the resignation of the major management personnel, Independent Non-executive Directors and all Executive Directors, the Directors do not have sufficient data available to compile the Annual Report so as to comply with Appendix 16 "Disclosure of Financial Information" of the Listing Rules. A separate Corporate Governance Report contained the information required under Appendix 23 of the Listing Rules has been omitted from this Annual Report.

SHARE CAPITAL AND SHARE OPTIONS

Movements in share capital of the Company and details of share option scheme of the Company are set out in notes 30 and 31 to the financial statements.

INFORMATION ON SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors and employees of the Group. The Scheme was conditionally adopted by the Company's Shareholders on 26 November 2004 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. The Scheme became effective on 17 December 2004.

The maximum number of shares available for issue under share options which may be granted under the Scheme and any other schemes is 54,129,675 shares, representing 10% of the issued share capital of the Company as at the date of this report. In addition, the maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of these limits is subject to shareholders' approval in a general meeting.

Share options granted to a connected person (as defined in the Listing Rules) are subject to approval in advance by the Independent Non-executive Directors. In addition, any share options granted to a connected person who is also a substantial shareholder or its associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

A nominal consideration of HK$1.00 is payable by the grantee on acceptance of the grant of the options. Options may be exercised in whole or in part at any time during the exercise period of the share options which is determinable by a committee set up by the Directors from time to time, provided that the period within which the shares may be taken up under the options must not be more than ten years from the date of the grant of the options.

There is no general requirement on the minimum period for which an option must be exercised.

The exercise price of the share options is determinable by the committee, but will be no less than the highest of (i) the HKSE closing price of the Company's shares on the date of the offer of the share options; (ii) the average HKSE closing price of the Company's shares for the five trading days immediately proceeding the date of the offer; and (iii) the nominal value of the Company's shares.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

Movements in number of the outstanding share options granted under the Scheme for the year ended 31 March 2010 are as follows:

Name or Category of participant	Balance as at 1 April 2009	Reclassification	Forfeited during the year	Outstanding as at 31 March 2010	Date of grant	Exercisable period	Exercise price per share (HK$)
Director:							
Ms. Ku Wang *(Resigned on 1 January 2010)*	80,000	(80,000)	–	–	25 May 2006	25 May 2007 to 24 November 2014	15.61
Employees:							
In aggregate	2,600,000	80,000	(1,560,000)	1,120,000	25 May 2006	25 May 2007 to 24 November 2014	15.61
Total	2,680,000	–	(1,560,000)	1,120,000			

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2010.

CONTINGENT LIABILITIES

The Directors were not aware of any significant contingent liabilities of the Group at the balance sheet date.

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the five largest customers of the Group accounted for approximately 84% of the Group's total turnover for the year. In particular, sales to the largest customer of the group accounted for approximately 61% of the Group's total turnover for the year.

Purchases from the five largest suppliers of the Group accounted for approximately 40% of the Group's total purchases for the year. In particular, purchases from the Group's largest supplier accounted for approximately 27% of the Group's total purchases for the year.

As far as the Director is aware, neither the Director nor any of his associates nor any shareholders (which, to the best knowledge of the Director, own more than 5% of the Company's issued share capital) had any beneficial interests in any of the Group's five largest customers or five largest suppliers.

DIRECTORS

The Directors during the year and up to the date of this report were:

Executive Directors

Mr. Wei Dong (Chairman) *(resigned on 9 March 2010)*
Ms. Yao Juan *(resigned on 9 March 2010)*
Mr. Tung Fai *(resigned on 1 May 2010)*
Ms. Ku Wang *(resigned on 1 January 2010)*
Mr. Chin Chang Keng Raymond *(appointed on 1 June 2011)*

Non-executive Director

Ms. Josephine Price *(resigned on 31 July 2008)*

Independent Non-executive Directors

Dr. Tsui Wai Ling Carlye *(resigned on 30 September 2009)*
Mr. Wong Chi Keung *(resigned on 24 June 2011)*
Ms. Yang Liu *(resigned on 2 November 2009)*
Mr. Su Gang Bing *(resigned on 13 April 2010)*
Mr. Chung Wai Man *(appointed on 1 June 2011)*

As at the date of this Annual Report, the number of Independent Non-executive Directors falls below the minimum number required under Rule 3.10(1) of the Listing Rules.

DIRECTOR'S SERVICE CONTRACTS

No Directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensations).

DIRECTORS AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at the end of the financial year under review, none of the Directors, chief executive or their associates had any personal, family, corporate or other beneficial interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under section 352 of the SFO, or otherwise as required to be notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2010, the following shareholder (other than the Directors or chief executives of the Company whose interests and short positions in the shares, underlying shares and debentures of the Company are disclosed in the section headed "Directors' and chief executives' interests and short positions in the shares, underlying shares and debentures" above) had interests or short positions in the shares, underlying shares and debentures of the Company which were recorded in the register to be kept by the Company under section 336 of the SFO:

Interest in Shares

Name of Shareholder	Capacity	Number of Shares	Position	Approximate Percentage of the Company's Issued Share Capital
Mr. Wei Dong *(Note 1)*	Beneficial owner/Interest of spouse/Interest of controlled corporation	261,185,000	Long	48.25%
Ms. Yao Juan *(Note 2)*	Interest of spouse/Interest of controlled corporation	261,185,000	Long	48.25%
Million Decade Limited *(Note 1)*	Beneficial owner	185,000,000	Long	34.18%
Top Ample Limited *(Note 2)*	Beneficial owner	75,000,000	Long	14.97%
Bank of America Corporation	Interest of controlled corporation	38,502,000	Long	7.11%
Janus Capital Management LLC	Investment manager	32,918,000	Long	6.08%
The Capital Group Companies, Inc	Investment manager	32,978,835	Long	6.09%

Notes:

1. 185,000,000 shares are held by Million Decade Limited which is wholly-owned by Mr. Wei Dong. As Mr. Wei Dong is the husband of Ms. Yao Juan, he is deemed to be interested in all of the shares held by Ms. Yao Juan, Million Decade Limited and Top Ample Limited under the SFO.

2. 75,000,000 shares are held by Top Ample Limited which is wholly-owned by Ms. Yao Juan. As Ms. Yao Juan is the wife of Mr. Wei Dong, she is deemed to be interested in all of the shares held by Mr. Wei Dong, Top Ample Limited and Million Decade Limited under the SFO.

Save as disclosed herein, there was no person known to any directors or chief executives of the Company, who, as at 31 March 2010, had interests or short positions in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Other than as disclosed in the section headed "Share capital and share options" in this report, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable any directors or chief executives of the Company (including their spouses or children under 18 years of age) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS

As at the end of the year or at any time during the year, there was no contract of significance in relation to the Company's business, to which the Company or any of its subsidiaries was a party, subsisted, and in which a Director had, whether directly or indirectly, a material interest.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity and note 32(b) to the financial statements.

SUBSIDIARIES

Details of the Company's subsidiaries as at 31 March 2010 are set out in note 19 to the financial statements.

BANK AND OTHER BORROWINGS

Details of the Group's bank and other borrowings as at 31 March 2010 are set out in notes 27 to 29 to the financial statements.

NON-COMPLIANCE WITH RULES 3.10 AND 3.21 OF THE LISTING RULES

As at the date of this Annual Report, the Company has only one Executive Director and one Independent Non-executive Director. The Company has been identifying suitable candidates for appointment of sufficient number of Executive Directors and Independent Non-executive Directors and reconstitution of the audit committee in order to meet the requirements under Rules 3.10(1), 3.10(2) and 3.21 of the Listing Rules.

CODE ON CORPORATE GOVERNANCE PRACTICES

Mr. Chin Chang Keng Raymond was appointed as Executive Director on 1 June 2011 and Mr. Chung Wai Man was appointed as Independent Non-executive Director on the same day. Consequently, they are unable to comment as to whether the Company has complied with the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules throughout the year ended 31 March 2010.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Director of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Each of Mr. Chin Chang Keng Raymond, the Executive Director and Mr. Chung Wai Man, the Independent Non-executive Director, who were appointed on 1 June 2011, has confirmed that he complied with the required standards as set out in the Model Code during the year ended 31 March 2010. But the Board makes to representations as to whether the other then Directors had complied with the required standards set out in the model code throughout the year ended 31 March 2010.

AUDITOR

CCIF CPA Limited ("CCIF") resigned as auditor of the Company with effect from 17 March 2010. ANDA CPA Limited ("ANDA") has been appointed as auditor of the Company on 7 April 2010 by the Provisional Liquidators of the Company to fill the casual vacancy following the resignation of CCIF. The audited consolidated financial statements of the Company for the year ended 31 March 2008 and 2009 were audited by CCIF and ANDA, respectively. Save as disclosed herein, there has been no other changes of auditor of the Company in any of the preceding three years. A resolution for the reappointment of the Company's retiring auditor, ANDA, will be proposed at the forthcoming annual general meeting.

On behalf of the Board
FU JI Food and Catering Services Holdings Limited
(Provisional Liquidators Appointed)
Chin Chang Keng Raymond
Director

Hong Kong, 10 August 2011

EXECUTIVE DIRECTOR

Mr. Chin Chang Keng Raymond ("Mr. Chin") aged 56, graduated from the Faculty of Accountancy of the Baptist College (currently known as the Hong Kong Baptist University) and holds a diploma in accountancy. He has over 30 years of experience in security, real estate industries and non-performing loan disposal.

Mr. Chin is currently an executive director of Ocean Grand Holdings Limited (Provisional Liquidators Appointed) (stock code: 1220). He was also an executive director of Hong Kong Resources Holdings Company Limited (stock code: 2882) (formerly known as Ocean Grand Chemicals Holdings Limited) from 14 August 2008 to 6 October 2008.

As at the date of this report, Mr. Chin does not have any interest in shares or underlying shares of the Company within the meaning of Part XV of the SFO nor does he have any relationship with any director, senior management, chief executive or substantial or controlling shareholder of the Company. Saved as disclosed above, Mr. Chin did not hold any directorships in other listed companies in the past three years.

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Chung Wai Man ("Mr. Chung"), aged 52, holds a Diploma in Business Management and a Certificate of Bank of China Banking Course. He started working in The Kwangtung Provincial Bank in 1976, and his last position before leaving the bank in 1996 was a manager in charge of the Tai Po branch. After leaving The Kwangtung Provincial Bank, Mr. Chung established "Raymond Chung Company", a finance and business consulting firm for corporations in Hong Kong and China. In 2004, he set up another consulting firm, Excel Linker Capital (Asia) Limited, which focuses on providing financial services to corporations in China.

Mr. Chung is currently an independent non-executive director of U-Right International Holdings Limited (Provisional Liquidators Appointed) (stock code: 0627). He was an independent non-executive director of United Gene High-Tech Group Limited (stock code: 0399) (formerly known as Far East Pharmaceutical Technology Company Limited) from 23 March 2007 to 13 May 2009.

As at the date of this report, Mr. Chung does not have any interest in shares or underlying shares of the Company within the meaning of Part XV of the SFO nor does he have any relationship with any director, senior management, chief executive or substantial or controlling shareholder of the Company. Save as disclosed above, Mr. Chung did not hold any directorship in other listed companies in the past three years.

CONFIRMATION OF INDEPENDENCE

Pursuant to Rule 3.13 of the Listing Rules, the Independent Non-executive Director has confirmed with the Company in writing his independence from the Company in accordance with the relevant guidelines. The Company therefore considers that the Independent Non-executive Director to be independent.

On behalf of the Board
FU JI Food and Catering Services Holdings Limited
(Provisional Liquidators Appointed)
Chin Chang Keng Raymond
Director

Hong Kong, 10 August 2011

Independent Auditor’s Report

ANDA
CPA Limited
安達會計師事務所有限公司

TO THE SHAREHOLDERS OF
FU JI FOOD AND CATERING SERVICES HOLDINGS LIMITED
(Provisional Liquidators Appointed)
(Incorporated in the Cayman Islands with limited liability)

We were engaged to audit the consolidated financial statements of FU JI Food and Catering Services Holdings Limited (Provisional Liquidators Appointed) (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 22 to 74, which comprise the consolidated and Company statements of financial position as at 31 March 2010, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS’ RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR’S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Except for the limitations in the scope of our work as described in the basis for disclaimer of opinion paragraphs and the material uncertainty relating to going concern basis as explained below, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement. However, because of the matters described in the basis for disclaimer of opinion paragraphs, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

BASIS FOR DISCLAIMER OF OPINION

1. Opening balances and corresponding figures

Our audit opinion on the consolidated financial statements of the Group for the year ended 31 March 2009 (the "2009 Financial Statements"), which form the basis for the corresponding figures presented in the current year's consolidated financial statements, was disclaimed because of the significance of the possible effect of the limitations on the scope of our audit and the material uncertainty in relation to going concern basis, and details of which are set out in our audit report dated 10 August 2011. Accordingly, we were then unable to form an opinion as to whether the 2009 Financial Statements gave a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2009 and of the Group's results and cash flows for that year then ended.

2. Deconsolidation of subsidiaries and impairments on due from deconsolidated subsidiaries

Certain subsidiaries of the Company were deconsolidated from the Group since 1 April 2008. No sufficient evidence has been provided to satisfy ourselves as to whether the Company had lost control of the subsidiaries since 1 April 2008 and throughout the year ended 31 March 2009 and 2010. Furthermore, no sufficient evidence had been provided to satisfy ourselves as to the impairments on due from deconsolidated subsidiaries of approximately RMB261,907,000 for the year ended 31 March 2010 as disclosed in note 10 to the consolidated financial statements.

Accordingly, no sufficient evidence has been provided to satisfy ourselves, in relation to the deconsolidated subsidiaries, as to the completeness of the transactions of the Group for the year ended 31 March 2010 and the Group's financial position as at that date.

3. Property, plant and equipment

No sufficient evidence has been provided to satisfy ourselves as to the movements of property, plant and equipment for the year ended 31 March 2010. In particular, we were unable to assess as to whether the following items were free from material misstatements:

(i) the loss on disposals of the property, plant and equipment of approximately RMB548,000 appeared in the consolidated statement of comprehensive income for the year ended 31 March 2010 and note 12 to the consolidated financial statements; and

(ii) the accuracy and completeness of the disclosures in relation to the additions, disposals, depreciation and impairment losses of the property, plant and equipment as disclosed in notes 9, 12 and 18 to the consolidated financial statements.

4. **Opening Inventories**

We were initially appointed as auditor of the Company subsequent to the end of its last reporting period of 31 March 2009. In consequence, we were unable to observe the counting of the Group's opening inventories as at 31 March 2009 or satisfy ourselves concerning the existence, quantities, conditions and valuation of those inventories by alternative means. Since opening inventories affect the determination of the results of operations, we were unable to determine whether adjustments to the results of operations and opening accumulated losses might be necessary for the year ended 31 March 2010.

5. **Pledged bank deposits**

We were unable to obtain sufficient evidence to satisfy ourselves as to the recoverability of the pledged bank deposits of approximately RMB67,719,000 as at 31 March 2010. There are no other satisfactory audit procedures that we could adopt to determine whether any allowance for non-recovery of the amount should be made in the consolidated financial statements.

6. **Accruals and other payables**

No sufficient evidence has been received by us up to the date of this report in respect of the accruals and other payables of approximately RMB3,196,000 as included in the accruals and other payables of approximately RMB24,467,000 in the consolidated statement of financial position as at 31 March 2010.

7. **Due to deconsolidated subsidiaries**

No direct confirmation and other sufficient evidence have been received by us up to the date of this report in respect of the amounts due to deconsolidated subsidiaries of approximately RMB711,905,000 and RMB339,000 shown in the consolidated and Company statements of financial position respectively as at 31 March 2010.

8. **Commitments and contingent liabilities**

No sufficient evidence has been provided to satisfy ourselves as to the existence and completeness of the disclosures of commitments and contingent liabilities as at 31 March 2010.

9. **Related party transactions and balances**

No sufficient evidence has been provided to satisfy ourselves as to the existence and completeness of the disclosures of the related party transactions for the year ended 31 March 2010 and the balances as at that date as required by Hong Kong Accounting Standard 24 "Related Party Disclosures".

Any adjustments to the figures as described from points 1 to 9 above might have a significant consequential effect on the Group's results and cash flows for the two years ended 31 March 2010 and 2009 and the financial positions of the Group and of the Company as at 31 March 2010 and 2009, and the related disclosures thereof in the consolidated financial statements.

MATERIAL UNCERTAINTY RELATING TO THE GOING CONCERN BASIS

In forming our opinion, we have considered the adequacy of the disclosures made in note 2 to the consolidated financial statements which explains that the Investor has decided to pursue a restructuring of the Company.

The consolidated financial statements have been prepared on a going concern basis on the assumption that the proposed restructuring of the Company will be successfully completed and that, following the restructuring, the Group will continue to meet in full its financial obligations as they fall due in the foreseeable future. The consolidated financial statements do not include any adjustments that would result from a failure to complete the restructuring. We consider that the disclosures are adequate. However, in view of the extent of the material uncertainty relating to the completion of the restructuring, we disclaim our opinion in respect of the material uncertainty relating to the going concern basis.

DISCLAIMER OF OPINION

Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs and the material uncertainty relating to the going concern basis as described above, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2010 and of the Group’s results and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

ANDA CPA Limited
Certified Public Accountants
Sze Lin Tang
Practising Certificate Number P03614

Hong Kong, 10 August 2011

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2010

	Notes	2010 RMB'000	2009 RMB'000
Turnover	7	**140,505**	177,902
Cost of materials consumed		**(120,226)**	(130,431)
Gross profit		**20,279**	47,471
Other income	8	**68,326**	7,684
Staff costs		**(39,379)**	(52,413)
Operating lease rentals		**(8,677)**	(9,953)
Depreciation		**(9,702)**	(9,645)
Fuel and utility costs		**(9,171)**	(15,338)
Consumable stores		**(2,592)**	(3,841)
Other operating expenses		**(21,680)**	(61,161)
Loss on deconsolidation of subsidiaries and impairments on due from deconsolidated subsidiaries	10	**(261,907)**	(3,880,961)
Loss on disposals of property, plant and equipments	12	**(548)**	(201,833)
Loss reclassified to profit or loss relating to available-for-sale asset disposed during the year		**(67,874)**	–
Impairment of assets	12	**(811)**	(31,762)
Loss from operations		**(333,736)**	(4,211,752)
Finance costs	11	**(138,136)**	(135,345)
Loss before tax	12	**(471,872)**	(4,347,097)
Income tax	13	**(12)**	(1,151)
Loss for the year attributable to equity holders of the Company	15	**(471,884)**	(4,348,248)
Other comprehensive income/(loss) after tax:			
Available-for-sale financial asset:			
– Fair value changes of available-for-sale financial asset		**(67,874)**	–
– Reclassification adjustment relating to available-for-sale asset disposed during the year		**67,874**	–
Exchange differences on translating foreign operations		**3,621**	(41,530)
Exchange differences reclassified to profit or loss upon deconsolidation of subsidiaries		**–**	(110,691)
Other comprehensive income/(loss) for the year net of tax		**3,621**	(152,221)
Total comprehensive loss for the year attributable to equity holders of the Company		**(468,263)**	(4,500,469)
Loss per share	17		
Basic and diluted (RMB cents per share)		**(87)**	(803)

Consolidated Statement of Financial Position

At 31 March 2010

	Notes	2010 RMB'000	2009 RMB'000
Non-current assets			
Property, plant and equipment	18	**27,268**	36,860
Current assets			
Inventories	20	**5,167**	5,274
Trade receivables	21	**12,472**	18,849
Available-for-sale financial asset	22	**–**	492,412
Due from deconsolidated subsidiaries	23	**105,316**	423,028
Prepayments, deposits and other receivables	24	**41,467**	4,303
Pledged bank deposits	25	**67,719**	119,109
Bank and cash balances	25	**240,255**	79,640
		472,396	1,142,615
Current liabilities			
Trade payables	26	**20,647**	25,123
Accruals and other payables		**24,467**	25,793
Due to deconsolidated subsidiaries	23	**711,905**	645,074
Bank borrowings	27	**25,715**	103,159
Consideration payable for acquisition of subsidiaries	28	**–**	317,412
Convertible bonds	29	**2,047,788**	463,052
		2,830,522	1,579,613
Net current liabilities		**(2,358,126)**	(436,998)
Total assets less current liabilities		**(2,330,858)**	(400,138)
Non-current liabilities			
Convertible bonds	29	**–**	1,462,978
NET LIABILITIES		**(2,330,858)**	(1,863,116)

Consolidated Statement of Financial Position

At 31 March 2010

	Notes	**2010 RMB'000**	2009 RMB'000
Capital and reserves			
Share capital	30	**5,665**	5,665
Reserves	32(a)	**(2,336,523)**	(1,868,781)
TOTAL EQUITY		**(2,330,858)**	(1,863,116)

Approved by:

Chin Chang Keng Raymond
Director

Chung Wai Man
Director

Statement of Financial Position

At 31 March 2010

	Notes	2010 RMB'000	2009 RMB'000
Non-current assets			
Investments in subsidiaries	19	**3**	3
Current assets			
Available-for-sale financial asset	22	**–**	492,412
Prepayments, deposits and other receivables		**36,460**	556
Due from deconsolidated subsidiaries	23	**105,316**	423,028
Bank and cash balances		**214,760**	9,162
		356,536	925,158
Current liabilities			
Accruals and other payables		**15,224**	16,994
Due to deconsolidated subsidiaries	23	**339**	341
Bank borrowings	27	**25,715**	103,159
Consideration payable for acquisition of subsidiaries	28	**–**	317,412
Convertible bonds	29	**2,047,788**	463,052
		2,089,066	900,958
Net current (liabilities)/assets		**(1,732,530)**	24,200
Total assets less current liabilities		**(1,732,527)**	24,203
Non-current liabilities			
Convertible bonds	29	**–**	1,462,978
NET LIABILITIES		**(1,732,527)**	(1,438,775)
Capital and reserves			
Share capital	30	**5,665**	5,665
Reserves	32(b)	**(1,738,192)**	(1,444,440)
TOTAL EQUITY		**(1,732,527)**	(1,438,775)

Approved by:

Chin Chang Keng Raymond
Director

Chung Wai Man
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2010

	Attributable to equity holders of the Company									
	Share capital RMB'000	**Share premium** RMB'000	**Statutory reserve** RMB'000	**Capital reserve** RMB'000	**Merger reserve** RMB'000	**Foreign currency translation reserve** RMB'000	**Retained profits/ (accumulated losses)** RMB'000	**Total** RMB'000	**Minority interests** RMB'000	**Total** RMB'000
At 1 April 2008	5,665	1,491,807	87,060	143,231	23,000	(34,598)	978,395	2,694,560	105,707	2,800,267
Total comprehensive loss for the year	–	–	–	–	–	(152,221)	(4,348,248)	(4,500,469)	–	(4,500,469)
Equity settled share-based transactions	–	–	–	2,928	–	–	–	2,928	–	2,928
Forfeiture of share options	–	–	–	(1,686)	–	–	1,686	–	–	–
2007/2008 final dividend declared	–	–	–	–	–	–	(60,135)	(60,135)	–	(60,135)
Deconsolidation of subsidiaries	–	–	(79,560)	–	(23,000)	–	102,560	–	(105,707)	(105,707)
At 31 March 2009	5,665	1,491,807	7,500	144,473	–	(186,819)	(3,325,742)	(1,863,116)	–	(1,863,116)
At 1 April 2009	5,665	1,491,807	7,500	144,473	–	(186,819)	(3,325,742)	(1,863,116)	–	(1,863,116)
Total comprehensive loss for the year	–	–	–	–	–	3,621	(471,884)	(468,263)	–	(468,263)
Equity settled share-based transactions	–	–	–	521	–	–	–	521	–	521
Forfeiture of share options	–	–	–	(7,526)	–	–	7,526	–	–	–
At 31 March 2010	5,665	1,491,807	7,500	137,468	–	(183,198)	(3,790,100)	(2,330,858)	–	(2,330,858)

Consolidated Statement of Cash Flows

For the year ended 31 March 2010

	Notes	2010 RMB'000	2009 RMB'000
Cash flows from operating activities			
Loss before tax		**(471,872)**	(4,347,097)
Adjustments for:			
Depreciation		**9,702**	9,645
Interest income		**(198)**	(7,525)
Loss on disposals of property, plant and equipment		**548**	201,833
Finance costs		**138,136**	135,345
Dividend income from available-for-sale financial assets		**(67,874)**	–
Equity settled share-based payment expenses		**521**	2,928
Loss reclassified to profit or loss relating to available-for-sale asset disposed during the year		**67,874**	–
Loss on deconsolidation of subsidiaries	10	**–**	241,472
Impairments on due from deconsolidated subsidiaries	10	**261,907**	3,639,489
Impairment of property, plant and equipment		**195**	7,762
Impairment of deposit for acquisition of property, plant and equipment		**–**	1,941
Impairment of trade receivables		**112**	–
Impairment of other receivables		**504**	22,059
Foreign exchange loss		**3,706**	31,383
Operating cash flows before working capital changes		**(56,739)**	(60,765)
Change in inventories		**107**	1,605
Change in prepayments, deposits and other receivables		**(1,182)**	(14,917)
Change in trade receivables		**6,265**	3,873
Change in trade payables		**(4,476)**	3,432
Change in accruals and other payables		**281**	(8,867)
Change in balances with deconsolidated subsidiaries		**(195,076)**	(95,909)
Cash used in operations		**(250,820)**	(171,548)
Tax paid		**(12)**	(1,151)
Net cash used in operating activities		**(250,832)**	(172,699)
Cash flows from investing activities			
Interest received		**198**	7,525
Net cash outflow arising on deconsolidation of subsidiaries	10	**–**	(532,997)
Purchase of property, plant and equipment		**(853)**	(142,543)
Proceeds from disposal of available-for-sale financial assets		**386,848**	–
Dividend received from available-for-sale financial assets		**67,874**	–
Decrease in pledged bank deposits		**51,390**	17,329
Net cash generated from/(used in) investing activities		**505,457**	(650,686)

Consolidated Statement of Cash Flows

For the year ended 31 March 2010

	Notes	2010 RMB'000	2009 RMB'000
Cash flows from financing activities			
Interest paid		**(17,016)**	(6,461)
Dividend paid		**–**	(60,135)
Repayment of bank loans		**(77,444)**	–
Net cash used in financing activities		**(94,460)**	(66,596)
Net increase/(decrease) in cash and cash equivalents		**160,165**	(889,981)
Effect of foreign exchange rate changes		**450**	12,191
Cash and cash equivalents at beginning of year		**79,640**	957,430
Cash and cash equivalents at end of year		**240,255**	79,640
Analysis of cash and cash equivalents			
Bank and cash balances		**240,255**	79,640

1. GENERAL INFORMATION

FU JI Food and Catering Services Holdings Limited (Provisional Liquidators Appointed) was incorporated in the Cayman Islands on 8 April 2004 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office and principal place of business are disclosed in the corporate information section of the annual report. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the trading in shares of the Company has been suspended since 29 July 2009.

The Company is an investment holding company. During the year, the Company and its subsidiaries (collectively "the Group") were principally engaged in the provision of Catering Services and production and sale of Convenience Food products and related business in the People's Republic of China (the "PRC"). The principal activities of the Company's subsidiaries are set out in note 19 to the consolidated financial statements.

2. BASIS OF PREPARATION

Winding-up petition and appointment of the provisional liquidators

On 29 July 2009, 26 August 2009 and 22 September 2009, the Company announced that there shall be certain delay in the publication of the annual results announcement and dispatch of the annual report of the Company for the year ended 31 March 2009 (the "Delay").

On 7 October 2009, the Company engaged Deloitte Touche Tohmatsu as an independent financial adviser (the "IFA") (i) to assist the Group with the finalisation of its financial statements for the year ended 31 March 2009 and (ii) to conduct independent analysis on the Group's financial position with a view to addressing concerns raised by the stakeholders of the Company resulting from the Delay. During the course of IFA's reviewing on the Group's affairs, the IFA identified circumstances that indicated the Group had experienced significant financial challenges, particularly in connection with business operation of the Group's catering business services, the financial position and outlook of which had been deteriorating quite rapidly.

On 19 October 2009, the Company petitioned to the High Court of the Hong Kong Special Administrative Region (the "High Court") for the winding-up of the Company (the "Petition"). On the same day, Messrs. Edmund Yeung Lui Ming, Derek Lai Kar Yan and Darach E. Haughey of Deloitte Touche Tohmatsu were appointed as joint and several provisional liquidators (the "Provisional Liquidators") of the Company by the High Court. The Provisional Liquidators are empowered, inter alia, to take possession of the assets of the Company and its subsidiaries and, if thought to be in the best interests of creditors of the Company, to enter into any agreements necessary or desirable to effectively restructure the affairs of the Company.

The hearing of the Petition against the Company was originally scheduled on 23 December 2009 and the High Court adjourned the hearing of the Petition against the Company to 8 February 2012. It is expected that the Petition against the Company will be withdrawn upon the successful implementation of the restructuring of the Company as referred to in the section headed "Proposed restructuring of the Group" below.

2. BASIS OF PREPARATION *(continued)*

Suspension of trading in the shares of the Company

At the request of the Company, trading in shares of the Company has been suspended since 29 July 2009. By a letter dated 28 January 2010, the Stock Exchange informed the Provisional Liquidators that the Company was placed in the first stage of the delisting procedures under Practice Note 17 ("PN 17") to the Listing Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), and the Company was required to submit a viable resumption proposal by 27 July 2010.

Upon the expiry of the first delisting stage, the Company was unable to submit the resumption proposal. On 30 July 2010, the Company was placed in the second stage of the delisting procedures pursuant to PN 17 of the Listing Rules and that the Company was still required to submit a viable resumption proposal to the Stock Exchange fulfilling certain requirements set out by the Stock Exchange therein including but not limited to the following:

(i) demonstrate sufficient operations or assets under Rule 13.24 of the Listing Rules;

(ii) publish outstanding financial results and address any audit qualifications;

(iii) demonstrate that the Company has an adequate financial reporting system and internal control procedures to meet its obligations under the Listing Rules; and

(iv) withdraw or dismise the winding-up petition presented against the Company, and discharge the Provisional Liquidators.

If the Company fails to submit a viable resumption proposal to address the above conditions to the Stock Exchange at least 10 business days before 29 January 2011, the Stock Exchange might consider to proceed to place the Company in the third stage of the delisting procedures pursuant to PN 17 to the Listing Rules. In response to the requests from the Stock Exchange, on 14 January 2011, the Provisional Liquidators, on behalf of the Company, submitted a resumption proposal (the "Resumption Proposal") to the Stock Exchange. On 13 June 2011, the Provisional Liquidators, on behalf of the Company, submitted their reply/clarification in relation to the queries from the Stock Exchange on the Resumption Proposal received on 31 January 2011 and is preparing replies to the second round of queries from the Stock Exchange received on 25 July 2011.

2. BASIS OF PREPARATION *(continued)*

Proposed restructuring of the Group

On 16 March 2010, Marvel Light Holdings Limited (the "Investor"), the Company and the Provisional Liquidators entered into the heads of terms (the "Heads of Terms") setting out the agreement of the parties in respect of major provisions of the reorganisation proposal on the Company (the "Reorganisation Proposal"). Further details of the Reorganisation Proposal are described in the Company's announcements dated 26 May 2010 and 7 July 2010 (the "Announcements"). Unless otherwise specified, capitalised terms used herein shall have the same meanings as in the Announcements. As set out in the Heads of Terms, the Reorganisation Proposal will mainly involve the execution of the following transactions, as the case may be:

(i) the intra-group transfer of the Catering and Restaurant Business including the relevant business contracts, assets and/or employees of the Group which the Provisional Liquidators consider necessary for the continuation of the Catering and Restaurant Business by the Group;

(ii) the transfer and disposal of such right, title and interest in certain assets of the Group to the Investor;

(iii) the execution of a management agreement between the Company and the Investor pursuant to which the Investor shall provide management services to the Catering and Restaurant Business for a fee;

(iv) the debt restructuring and the capital reorganisation of the Company;

(v) the submission of the resumption proposal to the Stock Exchange for the purpose of seeking the resumption of the trading of the Shares on the Stock Exchange;

(vi) the subscription of the new Shares and preference share of the Company by the Investor; and

(vii) the disposal of assets of the Group by way of Scheme of Arrangement to fully compromise and discharge all indebtedness due from the Group to the Scheme Creditors by creating a trust to hold certain assets of the Group for the purpose of payment and distribution to the Scheme Creditors.

On 11 March 2011, the High Court directed that a meeting of Scheme Creditors (as defined in the Scheme) be convened for the purpose of considering and, if thought fit, approving (with or without modification) a scheme of arrangement pursuant to section 166 of the Companies Ordinance (Cap. 32) proposed to be made between the Company and the Scheme Creditors.

At the Scheme Creditors' Meeting held on 29 April 2011, the Scheme of Arrangement was approved by the requisite majority of Scheme Creditors and on 17 May 2011, the High Court sanctioned the Scheme. On 9 August 2011, the Provisional Liquidators, on behalf of the Company, issued a completion notice notifying the Scheme Creditors that following the satisfaction or waiver of all the conditions as detailed in the Scheme document, the Scheme has become effective on 9 August 2011.

2. BASIS OF PREPARATION *(continued)*

Going concern

The Group incurred a loss attributable to equity holders of the Company of approximately RMB471,884,000 for the year ended 31 March 2010 (2009: RMB4,348,248,000) and as at that date, the Group had net current liabilities of approximately RMB2,358,126,000 (2009: RMB436,998,000) and net liabilities of approximately RMB2,330,858,000 (2009: RMB1,863,116,000) respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The consolidated financial statements have been prepared on a going concern basis on the assumption that the proposed restructuring of the Company will be successfully completed, and that, following the financial restructuring, the Group will continue to meet in full its financial obligations as they fall due in the foreseeable future.

Should the Group be unable to achieve a successful restructuring and to continue its business as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 April 2009. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years except as stated below.

(a) Presentation of Financial Statements

HKAS 1 (Revised) "Presentation of Financial Statements" affects certain disclosures and presentation of the financial statements. The balance sheet is renamed as the statement of financial position and the cash flow statement is renamed as the statement of cash flows. All income and expenses arising from transactions with non-owners are presented in the statement of comprehensive income, and the total carried to the statement of changes in equity. The owner changes in equity are presented in the statement of changes in equity. HKAS 1 (Revised) also requires disclosures of the reclassification adjustments and tax effects relating to each component of other comprehensive income for the year. HKAS 1 (Revised) has been applied retrospectively.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

(b) Operating Segments

HKFRS 8 "Operating Segments" requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. Previously, HKAS 14 "Segment Reporting" required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's system of internal financial reporting to key management personnel serving as the starting point for the identification of such segments. The primary segments reported under HKAS 14 are the same as the segments reported under HKFRS 8. HKFRS 8 has been applied retrospectively.

The Group has early adopted the HKAS 27 (Revised) "Consolidated and Separate Financial Statements" that has been in issue at the date of this report but not yet effective for the financial year ended 31 March 2010. Under the revised HKAS 27, when the disposal of a subsidiary results in a loss of control, the consideration of the sale and any investment retained in that subsidiary are required to be measured at their fair values. The previous HKAS 27 does not have specific requirements for such fair value measurements.

The Group has not applied other new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of those new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

4. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These financial statements have been prepared in accordance with HKFRSs, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Listing Rules and by the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention, as modified by available-for-sale financial asset which is carried at fair value. The functional currencies of the Company and its subsidiaries in the People's Republic of China (the "PRC") are Hong Kong dollars ("HK$") and Renminbi ("RMB") respectively. For the purpose of presenting the consolidated financial statements, the Group adopted Renminbi as its presentation currency.

The preparation of financial statements in conformity with HKFRSs requires the use of key assumptions and estimates. It also requires management to exercise its judgments in the process of applying the accounting policies. The areas involving critical judgments and areas where assumptions and estimates are significant to these financial statements are disclosed in note 5 to the financial statements.

The significant accounting policies applied in the preparation of these financial statements are set out below.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March. Subsidiaries are entities over which the Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any remaining goodwill relating to the subsidiary and also any related accumulated foreign currency translation reserve.

Inter-company transactions, balances and unrealised profits on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

(b) *Transactions and balances in each entity's financial statements*

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currency translation *(continued)*

(c) *Translation on consolidation*

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

- Income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

- All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Property, plant and equipment

Buildings held for own use which are situated on leasehold land are carried at cost less subsequent depreciation and impairment losses. All other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment *(continued)*

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal useful lives are as follows:

Buildings	Shorter of unexpired lease terms and the estimated useful lives not more than 50 years
Leasehold improvements	Over the lease terms
Furniture and equipment	3 to 10 years
Motor vehicles	5 to 7 years

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

Construction in progress represents buildings under construction and plant and machinery pending for installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

Operating leases

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets not classified as trade and other receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Available-for-sale financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in other comprehensive income, until the investments are disposed of or there is objective evidence that the investments are impaired, at which time the cumulative gains or losses previously recognised in other comprehensive income are recognised in profit or loss. Interest calculated using the effective interest method is recognised in profit or loss.

Impairment losses recognised in profit or loss for equity investments classified as available-for-sale financial assets are not subsequently reversed through profit or loss. Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale financial assets are subsequently reversed and recognised in profit or loss if an increase in the fair value of the instruments can be objectively related to an event occurring after the recognition of the impairment loss.

Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Trade and other receivables *(continued)*

Impairment losses are reversed in subsequent periods and recognised in profit or loss when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Borrowing

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Convertible bonds

Convertible bonds which entitle the holder to convert the loans into a fixed number of equity instruments at a fixed conversion price are regarded as compound instruments consist of a liability and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible bonds and the fair value assigned to the liability component, representing the embedded option for the holder to convert the loans into equity of the Group, is included in equity as capital reserve. The liability component is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Convertible bonds *(continued)*

Transaction costs are apportioned between the liability and equity components of the convertible bonds based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly to equity.

If the bond is converted, the capital reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the bond is redeemed, the capital reserve is released directly to retained profits.

Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

(a) Revenue arising from provision of catering services and restaurant operations is recognised when the related services together with food products are rendered and provided to customers.

(b) Revenue from sales of food products is recognised when the products are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership.

(c) Dividend income is recognised when the shareholders' rights to receive payment are established.

(d) Interest income is recognised on a time-proportion basis using the effective interest method.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits

(a) Short term employee benefits and defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payments or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(b) Equity-settled share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial option pricing model (the "Binomial Model"), taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expenses is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(c) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

Borrowing costs

Borrowing costs are expensed in profit or loss in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties

A party is related to the Group if:

(a) directly or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Group; has an interest in the Group that gives it significant influence over the Group; or has joint control over the Group;

(b) the party is an associate;

(c) the party is a joint venture;

(d) the party is a member of the key management personnel of the Company or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources to, and assessing the performance of the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of productions processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets other than inventories, receivables, and investments to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below).

(a) *Going concern basis*

These financial statements have been prepared on a going concern basis, the validity of which depends upon the successful implementation of the Group's Reorganisation Proposal and continuance of its business. Details are explained in note 2 to the financial statements.

(b) *Deconsolidation of subsidiaries*

The consolidated financial statements have been prepared based on the books and records maintained by the Group. However, the directors of the Company ("the Directors") considered that the control over certain subsidiaries has been lost from 1 April 2008. The results, assets and liabilities and cash flows of these subsidiaries were deconsolidated from the financial statements of the Group since then.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) *Impairment of assets*

The Group has to exercise judgement in determining whether an asset is impaired or the event previously causing the asset impairment no longer exists, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(continued)*

Key sources of estimation uncertainty *(continued)*

(b) Property, plant and equipment and depreciation

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

(c) Income tax

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(d) Impairment loss for bad and doubtful debts

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed. If the financial conditions of the debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

(e) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expense. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions. The Group will reassess the estimates by the end of each reporting period.

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group's entities operating in the PRC have minimal exposures to foreign currency risk as most of their business transactions, assets and liabilities are principally denominated in Renminbi ("RMB"), the functional currencies of those entities.

The Group's is exposed to currency risks primarily arising from the RMB denominated convertible bonds issued by the Company, as the functional currency of the Company is Hong Kong dollars ("HK$"). At the end of the reporting period, if HKD had strengthened or weakened by 5% (2009: 5%) against RMB, with all other variables held constant, the Group's loss before tax for the year would have been approximately RMB77,846,000 (2009: RMB73,149,000) lower or higher, mainly as a result of foreign exchange gains or losses on translation of RMB-denominated convertible bonds.

The Group currently does not have a foreign currency hedging policy in respect of foreign currency assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(b) Credit risk

The Group's maximum exposure to credit risk in the event that counterparties fail to perform their obligations at the end of the reporting period in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the consolidated statement of financial position. The Group's credit risk is primarily attributable to its trade and other receivables, available-for-sale financial assets, amounts due from deconsolidated subsidiaries and bank balances. In order to minimise credit risk, the Directors review the recoverable amount of each individual receivable regularly to ensure that adequate impairment losses are recognised for irrecoverable receivable. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

At the end of the reporting period, the Group had certain concentration of credit risk as approximately 52% (2009: 35%) and 82% (2009: 84%) of the Group's trade receivables were due from the Group's largest customer and the five largest customers, respectively.

6. FINANCIAL RISK MANAGEMENT *(continued)*

(c) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its current obligations when they fall due.

The Group's had a net current liabilities and net liabilities at the end of the reporting period. The Directors have given careful consideration on the measures currently undertaken in respect of the Group's liquidity position. The Directors believe that the Group will be able to meet in full its financial obligations as they fall due upon the completion of the Reorganisation Proposal as further explained in note 2 to these financial statements.

The following table details the remaining contractual maturities of the Group's financial liabilities at the end of the reporting period, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of reporting period) and the earliest date the Group can be required to pay.

	Total contractual undiscounted cash flow within 1 year or on demand RMB'000	Carrying amounts RMB'000
At 31 March 2010:		
Trade payables	**20,647**	**20,647**
Accruals and other payables	**24,467**	**24,467**
Due to deconsolidated subsidiaries	**711,905**	**711,905**
Bank borrowings	**25,715**	**25,715**
Convertible bonds	**2,100,974**	**2,047,788**
	2,883,708	**2,830,522**

6. FINANCIAL RISK MANAGEMENT *(continued)*

(c) Liquidity risk *(continued)*

	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	Total contractual undiscounted cash flow RMB'000	Carrying amounts RMB'000
At 31 March 2009:				
Trade payables	25,123	–	25,123	25,123
Accruals and other payables	25,793	–	25,793	25,793
Due to deconsolidated subsidiaries	645,074	–	645,074	645,074
Consideration payable for acquisition of subsidiaries	317,412	–	317,412	317,412
Bank borrowings	116,312	–	116,312	103,159
Convertible bonds	490,876	1,556,912	2,047,788	1,926,030
	1,620,590	1,556,912	3,177,502	3,042,591

(d) Interest rate risk

The Group's exposure to interest-rate risk arises from its bank deposits. These deposits bear interests at variable rates varied with the then prevailing market condition.

At the end of the reporting period, if interest rates had been increased or decreased by 1% (2009: 1%) and all other variables were held constant, the consolidated loss before tax of the Group would decrease or increase by approximately RMB296,000 (2009: approximately RMB191,000) mainly as a result of higher or lower interest income on floating rate bank deposits.

(e) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

7. TURNOVER

The Group's turnover is analysed as follows:

	2010 RMB'000	2009 RMB'000
Catering Services business	**137,751**	177,711
Chinese Restaurants business	**–**	191
Convenience Food and related business	**2,754**	–
	140,505	177,902

8. OTHER INCOME

	2010 RMB'000	2009 RMB'000
Interest income	**198**	7,525
Dividend income from available-for-sale financial asset	**67,874**	–
Others	**254**	159
	68,326	7,684

9. SEGMENT INFORMATION

The Group's reportable segments are strategic business units that offer different products. They are managed separately because each business requires different technology and marketing strategies. During the year ended 31 March 2010, the Group's revenue are derived from Catering Services business and sales of Convenience Food products and related business based in the PRC and accordingly, no analysis of the Group's geographical information is disclosed.

The accounting policies of the operating segments are the same as those described in note 4 to the financial statements. Segment profits or losses do not include loss on deconsolidation of subsidiaries, impairments on due from deconsolidated subsidiaries, gains or losses from investments, interest income, finance costs, income tax and other unallocated corporate income and expenses. Segment assets do not include available-for-sales financial assets, amounts due from deconsolidated subsidiaries, pledged bank deposits, bank and cash balances and other unallocated corporate assets. Segment liabilities do not include bank borrowings, convertible bonds, consideration payable for acquisition of subsidiaries and other unallocated corporate liabilities. Segment non-current assets do not include financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts.

The Group accounts for intersegment sales and transfers as if the sales or transfers were to third parties, i.e. at current market prices. Revenue derived from two customers of the Group's catering services segment represents approximately RMB89,941,000 (2009: RMB115,125,000) and approximately RMB14,775,000 (2009: RMB26,626,000) of the Group's total revenue respectively.

9. SEGMENT INFORMATION *(continued)*

Information about reportable segment profit or loss, assets and liabilities:

	Catering Services RMB'000	Convenience Food and related business RMB'000	Total RMB'000
Year ended 31 March 2010			
Revenue from external customers	**137,751**	**2,754**	**140,505**
Segment loss	**44,038**	**1,179**	**45,217**
Interest income	**31**	**–**	**31**
Depreciation	**9,193**	**509**	**9,702**
Income tax	**12**	**–**	**12**
Other material non-cash items:			
Loss on disposal of property, plant and equipment	**548**	**–**	**548**
Impairment of assets	**811**	**–**	**811**
Additions to segment non-current assets	**853**	**–**	**853**
At 31 March 2010			
Segment assets	**43,697**	**5,900**	**49,597**
Segment liabilities	**711,645**	**7,309**	**718,954**

	Catering Services RMB'000	Chinese Restaurants RMB'000	Total RMB'000
Year ended 31 March 2009			
Revenue from external customers	177,711	191	177,902
Segment (loss)/profit	(268,114)	119	(267,995)
Interest income	82	2	84
Depreciation and amortisation	9,645	–	9,645
Income tax	1,151	–	1,151
Other material non-cash items:			
Loss on disposal of property, plant and equipment	201,833	–	201,833
Impairment of assets	11,210	–	11,210
Additions to segment non-current assets	138,904	3,639	142,543
At 31 March 2009			
Segment assets	63,497	51	63,548
Segment liabilities	678,333	53	678,386

9. SEGMENT INFORMATION *(continued)*

Reconciliations of reportable segment revenue, profit and loss, assets and liabilities:

	2010 RMB'000	2009 RMB'000
Revenue		
Total turnover of reportable segments disclosed as consolidated turnover	**140,505**	177,902
Profit or loss		
Total loss of reportable segments	**45,217**	267,995
Corporate and unallocated profit or loss	**26,612**	62,796
Loss on deconsolidation of subsidiaries and impairments on due from deconsolidated subsidiaries	**261,907**	3,880,961
Consolidated total loss from operations	**333,736**	4,211,752
Assets		
Total assets of reportable segments	**49,597**	63,548
Corporate and unallocated assets:		
Available-for-sale financial asset	**–**	492,412
Due from deconsolidated subsidiaries	**105,316**	423,028
Pledged bank deposits	**67,719**	119,109
Corporate bank and cash balances	**240,255**	79,640
Others	**36,777**	1,738
Consolidated total assets	**499,664**	1,179,475
Liabilities		
Total liabilities of reportable segments	**718,954**	678,386
Corporate and unallocated liabilities:		
Bank borrowings	**25,715**	103,159
Convertible bonds	**2,047,788**	1,926,030
Consideration payable for acquisition of subsidiaries	**–**	317,412
Others	**38,065**	17,604
Consolidated total liabilities	**2,830,522**	3,042,591

10. LOSS ON DECONSOLIDATION OF SUBSIDIARIES AND IMPAIRMENTS ON DUE FROM DECONSOLIDATED SUBSIDIARIES

	2010 RMB'000	2009 RMB'000
Loss on deconsolidation of subsidiaries	–	241,472
Impairments on due from deconsolidated subsidiaries	261,907	3,639,489
	261,907	3,880,961

The Directors considered that the control over certain subsidiaries had been lost from 1 April 2008. The results, assets, liabilities and cash flows of these subsidiaries were deconsolidated from the financial statements of the Group from 1 April 2008.

Net assets of these subsidiaries as at the date of loss of control were as follows:

	RMB'000
Property, plant and equipment	3,077,357
Prepaid land leases payments	241,153
Intangible assets	161,465
Goodwill	393,188
Deposits for acquisition of leasehold land	5,800
Deposit for construction of a processing centre	189,100
Deposits for leasehold improvements of new theme restaurants	39,193
Deposits for acquisition of property, plant and equipment	53,016
Deposit for acquisition of a subsidiary	12,000
Inventories	81,826
Trade receivables	31,067
Prepayments, deposits and other receivables	181,702
Bank and cash balances	532,997
Trade and bills payables	(174,504)
Accruals and other payables	(124,692)
Bank borrowings	(269,000)
Current tax liabilities	(38,630)
Net amounts due to the Group	(3,442,756)
Net assets deconsolidated	950,282
Less: Release of foreign currency translation reserve	(110,691)
Minority interests	(105,707)
Amounts recoverable from a deconsolidated subsidiary *(note 22)*	(492,412)
Loss on deconsolidation of subsidiaries	241,472
Net cash outflow arising on deconsolidation of subsidiaries:	
Cash and cash equivalents deconsolidated	532,997

11. FINANCE COSTS

	2010 RMB'000	2009 RMB'000
Interest expenses on borrowings wholly repayable within five years:		
Bank borrowings	**15,041**	14,498
Convertible bonds	**123,095**	120,847
	138,136	135,345

12. LOSS BEFORE TAX

The Group's loss for the year is stated after charging the following:

	2010 RMB'000	2009 RMB'000
Auditor's remuneration	**967**	1,058
Cost of materials consumed	**120,226**	130,431
Depreciation	**9,702**	9,645
Minimum lease payments under operating leases in respect of land and buildings	**8,677**	9,953
Net foreign exchange loss	**3,853**	33,777
Staff costs (including directors' remuneration – *note 14*):		
Salaries, bonus and allowances	**38,039**	47,875
Retirement benefits scheme contributions	**819**	1,610
Equity settled share-based payments	**521**	2,928
	39,379	52,413
Impairment of assets:		
Impairment of property, plant and equipment	**195**	7,762
Impairment of trade receivables	**112**	–
Impairment of deposit for acquisition of property, plant and equipment	**–**	1,941
Impairment of prepayments, deposits and other receivables	**504**	22,059
	811	31,762
Loss on disposals of property, plant and equipment	**548**	201,833

13. INCOME TAX

	2010 RMB'000	2009 RMB'000
Current tax – Provision for the PRC income tax	**12**	1,151

No provision for Hong Kong profits tax has been made as the Group has no estimated assessable profits arising in Hong Kong for each of the years ended 31 March 2010 and 2009.

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

The reconciliation between the income tax and the loss before tax is as follows:

	2010 RMB'000	2009 RMB'000
Loss before tax	**(471,872)**	(4,347,097)
Tax on loss before tax calculated at the PRC statutory rate	**(117,968)**	(1,086,774)
Effect of different tax rates in other tax jurisdictions	**13,497**	28,594
Tax effect of non-deductible expenses	**104,596**	1,059,883
Tax effect of non-taxable income	**(113)**	(1,703)
Tax effect of unused tax losses not recognised	**–**	1,151
	12	1,151

The Group had no significant deferred tax for each of the years ended 31 March 2010 and 2009.

14. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUAL EMOLUMENTS

The emoluments of each Director were as follows:

	Fee RMB'000	Salaries and allowances RMB'000	Share-based payments RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Executive Directors					
Mr. Wei Dong *(Resigned on 9 March 2010)*	**–**	**659**	**–**	**–**	**659**
Ms. Yao Juan *(Resigned on 9 March 2010)*	**–**	**352**	**–**	**–**	**352**
Mr. Tung Fai *(Resigned on 1 May 2010)*	**–**	**486**	**–**	**1**	**487**
Ms. Ku Wang *(Resigned on 1 January 2010)*	**–**	**411**	**64**	**12**	**487**
Independent Non-executive Director					
Ms. Tsui Wai Ling, Carlye *(Resigned on 30 September 2009)*	**55**	**–**	**–**	**–**	**55**
Mr. Wong Chi Keung *(Resigned on 24 June 2011)*	**159**	**–**	**–**	**–**	**159**
Ms. Yang Liu *(Resigned on 2 November 2009)*	**65**	**–**	**–**	**–**	**65**
Mr. Su Gang Bing *(Resigned on 13 April 2010)*	**110**	**–**	**–**	**–**	**110**
Total for 2010	**389**	**1,908**	**64**	**13**	**2,374**

14. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUAL EMOLUMENTS *(continued)*

	Fee RMB'000	Salaries and allowances RMB'000	Share-based payments RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Executive Directors					
Mr. Wei Dong *(Resigned on 9 March 2010)*	–	882	–	–	882
Ms. Yao Juan *(Resigned on 9 March 2010)*	–	706	–	–	706
Mr. Tung Fai *(Resigned on 1 May 2010)*	–	518	–	12	530
Ms. Ku Wang *(Resigned on 1 January 2010)*	–	159	106	12	277
Non-executive Director					
Ms. Josephine Price *(Resigned on 31 July 2008)*	37	–	–	–	37
Independent Non-executive Directors					
Ms. Tsui Wai Ling, Carlye *(Resigned on 30 September 2009)*	110	–	–	–	110
Mr. Wong Chi Keung *(Resigned on 24 June 2011)*	110	–	–	–	110
Ms. Yang Liu *(Resigned on 2 November 2009)*	110	–	–	–	110
Mr. Su Gang Bing *(Resigned on 13 April 2010)*	110	–	–	–	110
Total for 2009	477	2,265	106	24	2,872

The five highest paid individuals in the Group during the year included 4 (2009: 3) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining 1 (2009: 2) individuals represented basic salaries and allowances of approximately RMB1,837,000 (2009: approximately RMB1,124,000). The emoluments of the remaining 1 (2009: 2) individuals fell within the band ranging from HK$1,500,001 to HK$2,000,000 (2009: Nil to HK$1,000,000).

During the year, no emoluments were paid by the Group to any of the Directors as an inducement to join or upon joining the Group or as compensation for loss of office.

15. LOSS FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The loss for the year attributable to equity holders of the Company included a loss of approximately RMB298,688,000 (2009: RMB2,949,575,000) which has been dealt with in the financial statements of the Company.

16. DIVIDENDS

The Directors do not recommend the payment of any dividend for each of the years ended 31 March 2010 and 2009.

17. LOSS PER SHARE

The calculation of basic loss per share attributable to equity holders of the Company is based on the loss for the year attributable to equity holders of the Company of approximately RMB471,884,000 (2009: RMB4,348,248,000) and the weighted average number 541,296,756 (2009: 541,296,756) of ordinary shares in issue during the year.

As the exercise of the Company's outstanding convertible bonds for each of the years ended 31 March 2010 and 2009 would be anti-dilutive and there was no dilutive potential ordinary shares of the Company's outstanding options, no diluted loss per share is presented in both years.

18. PROPERTY, PLANT AND EQUIPMENT

	Building	Leasehold improvements	Furniture and equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost						
At 1 April 2008	97,250	1,046,993	377,184	31,957	1,973,942	3,527,326
Additions	–	111,715	30,802	26	–	142,543
Disposals	–	(153,604)	(39,136)	(3,224)	(21,294)	(217,258)
Deconsolidation of subsidiaries	(97,250)	(1,005,104)	(309,775)	(28,759)	(1,952,648)	(3,393,536)
At 31 March 2009 and 1 April 2009	–	–	59,075	–	–	59,075
Additions	–	–	853	–	–	853
Disposals	–	–	(548)	–	–	(548)
At 31 March 2010	–	–	59,380	–	–	59,380
Accumulated depreciation and impairment						
At 1 April 2008	5,132	203,693	116,729	10,858	–	336,412
Charge for the year	–	–	9,645	–	–	9,645
Disposals	–	(8,185)	(6,206)	(1,034)	–	(15,425)
Impairment loss	–	–	7,762	–	–	7,762
Deconsolidation of subsidiaries	(5,132)	(195,508)	(105,715)	(9,824)	–	(316,179)
At 31 March 2009 and 1 April 2009	–	–	22,215	–	–	22,215
Charge for the year	–	–	9,702	–	–	9,702
Impairment loss	–	–	195	–	–	195
At 31 March 2010	–	–	32,112	–	–	32,112
Carrying amounts						
At 31 March 2010	–	–	27,268	–	–	27,268
At 31 March 2009	–	–	36,860	–	–	36,860

19. INVESTMENTS IN SUBSIDIARIES

	Company 2010 RMB'000	Company 2009 RMB'000
Unlisted investments:		
At beginning of year	**3**	517,819
Less: impairments	**–**	(517,816)
At 31 March	**3**	3
Due from subsidiaries	**3,009,592**	2,869,288
Less: impairments	**(3,009,592)**	(2,869,288)
	–	–

The amounts due from subsidiaries were unsecured, interest-free and had no fixed term of repayment.

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration	Issued/ paid-up capital	Percentage of ownership interest Direct	Percentage of ownership interest Indirect	Principal activities
Sky Achieve Limited	British Virgin Islands	200 ordinary shares of US$1 each	100%	–	Investment holding
FU JI Management Limited	Hong Kong	100 ordinary shares of HK$1 each	–	100%	Provision of administrative services to group companies
Genius Star International Limited	British Virgin Islands	100 ordinary shares of US$1 each	100%	–	Investment holding
Fully Peace Limited	Hong Kong	1 ordinary share of HK$1 each	100%	–	Investment holding
青島味鮮達餐飲服務有限公司# (Qing Dao Wei Xian Da Catering Services Limited)*	The PRC	HK$150,000,000	–	100%	Provision of catering services
福堯名肴會（上海）餐飲有限公司# (Fuyao Famous Delicacies Club (Shanghai) Catering Company Limited)*	The PRC	HK$25,000,000	–	100%	Operation of Chinese restaurants

19. INVESTMENTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ registration	Issued/ paid-up capital	Percentage of ownership interest Direct	Percentage of ownership interest Indirect	Principal activities
深圳市福記標準送餐服務系統有限公司 (Shenzhen Fu Ji Standard Catering Services System Limited)*	The PRC	RMB10,000,000	–	100%	Provision of catering services
上海味碩餐飲配送服務有限公司 (Shanghai Weishuo Catering Services Limited)*	The PRC	RMB10,000,000	–	100%	Provision of catering services and production and sale of convenience food products
上海隆廚餐飲管理有限公司（前稱上海隆廚餐飲服務有限公司） Shanghai Rongchu Catering Management Limited (Formerly known as Shanghai Rongchu Catering Services Limited)*	The PRC	RMB300,000	–	100%	Operation of Chinese restaurants
武漢市味華康餐飲服務有限公司 (Wuhan Weihuakang Catering Services Limited)*	The PRC	RMB1,000,000	–	100%	Provision of catering services
無錫多鮮樂貿易有限公司 (Wuxi Daily Fresh Trading Company Limited)*	The PRC	RMB5,000,000	–	100%	Provision of catering services

* *The English name is for identification purpose only*

Wholly foreign-owned enterprises

20. INVENTORIES

	Group	
	2010 **RMB'000**	2009 RMB'000
Raw materials and consumable stores	**5,167**	5,274

21. TRADE RECEIVABLES

Other than cash and credit card sales, invoices are normally payable within 30 days of issuance, except for certain well-established customers where the terms are extended up to 90 days. Trade receivables are recognised and carried at their original invoiced amounts less allowance for impairment when collection of the full amount is no longer probable. Bad debts are written off as incurred.

An aging analysis of the trade receivables at the end of the reporting period, based on invoice dates, is as follows:

	Group	
	2010 **RMB'000**	2009 RMB'000
30 days or less	**8,839**	9,571
31 to 90 days	**3,492**	8,105
91 to 180 days	**73**	651
Over 180 days	**180**	522
Less: impairments	**(112)**	–
	12,472	18,849

21. TRADE RECEIVABLES *(continued)*

Impairment of trade receivables

Impairment losses in respect of trade debtors are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly.

The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	Group	
	2010 **RMB'000**	2009 RMB'000
At beginning of year	**–**	2,497
Impairment loss recognised	**112**	–
Deconsolidation of subsidiaries	**–**	(2,497)
At 31 March	**112**	–

Trade receivables that are not impaired

The ageing analysis of trade debtors that are neither individually nor collectively considered to be impaired are as follows:

	Group	
	2010 **RMB'000**	2009 RMB'000
Neither past due nor impaired	**12,331**	17,676
Less than 90 days past due	**74**	651
Over 90 days past due	**67**	522
	12,472	18,849

22. AVAILABLE-FOR-SALE FINANCIAL ASSET

	Group and Company	
	2010	2009
	RMB'000	RMB'000
At beginning of year	**492,412**	–
Exchange differences	**(1,204)**	–
Addition	**–**	492,412
Fair value changes	**(67,874)**	–
Disposal	**(423,334)**	–
At 31 March	**–**	492,412

23. BALANCES WITH DECONSOLIDATED SUBSIDIARIES

The balances with deconsolidated subsidiaries were unsecured, interest-free and had no fixed term of repayment.

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group	
	2010	2009
	RMB'000	RMB'000
Prepayments	**2,159**	6,821
Deposits	**2,386**	2,180
Other receivables	**37,426**	17,361
	41,971	26,362
Less: impairments	**(504)**	(22,059)
	41,467	4,303

Included in the impairments recognised in respect of prepayments, deposits and other receivables were individually impaired deposits and other receivables with the aggregate amounts of approximately RMB504,000 (2009: RMB22,059,000) with the equivalent gross amounts at the end of the reporting period. The individually impaired amounts relate to counterparties that were in default of repayment. The Group did not hold any collateral or other credit enhancements over these balances.

25. PLEDGED BANK DEPOSITS AND BANK AND CASH BALANCES

	Group	
	2010	2009
	RMB'000	RMB'000
Pledged bank deposits *(note)*	**67,719**	119,109

Note: These bank deposits were pledged to banks to secure for general banking facilities granted to certain deconsolidated subsidiaries.

At the end of the reporting period, the bank and cash balances of the Group denominated in Renminbi ("RMB") amounted to approximately RMB4,831,000 (2009: RMB4,605,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

26. TRADE PAYABLES

An aging analysis of the trade payables at the end of the reporting period, based on invoice dates, is as follows:

	Group	
	2010	2009
	RMB'000	RMB'000
30 days or less	**4,027**	6,423
31 to 90 days	**6,144**	7,037
91 to 180 days	**8,546**	11,092
Over 180 days	**1,930**	571
	20,647	25,123

27. BANK BORROWINGS

	Group and Company	
	2010	2009
	RMB'000	RMB'000
Unsecured bank loans denominated in US$	**25,715**	103,159

These unsecure bank loans carried effective interest at 12.75% (2009: 12.75%) per annum.

28. CONSIDERATION PAYABLE FOR ACQUISITION OF SUBSIDIARIES

On 19 August 2009, pursuant to a shareholders' agreement of a deconsolidated subsidiary, Sky Charm Group Limited ("Sky Charm"), the remaining consideration payable to the minority shareholder of Sky Charm (or "the Vendor") had been converted as the minority shareholder loan made to Sky Charm in settlement of an equivalent amount owed to the Company by Sky Charm.

29. CONVERTIBLE BONDS

Issue of HK$1,000,000,000 Zero Coupon Convertible Bonds due 2009 (the "UBS Bonds")

On 9 November 2006, the Company issued the zero coupon convertible bonds (the "UBS Bonds") with an aggregate principal amount of HK$1,000,000,000 (approximately equivalent to RMB989,500,000). Each UBS Bond has a face value of HK$10,000 with a maturity date of 9 November 2009 and is unsecured.

29. CONVERTIBLE BONDS *(continued)*

Issue of HK$1,000,000,000 Zero Coupon Convertible Bonds due 2009 (the "UBS Bonds") *(continued)*

The bondholders have the right to convert their bonds into the Company's new ordinary shares at any time during the period from 20 December 2006 and thereafter up to 25 October 2009 at an initial conversion price of HK$17.51 per ordinary share (subject to adjustment).

As a result of the approval and the payment of the final dividend for the year ended 31 March 2007 and the declaration and payment of the interim dividend for the six months ended 30 September 2006 and 2007, the conversion price for the UBS Bonds was adjusted to HK$17.18 per ordinary share with effect from 18 January 2008.

The UBS Bonds, in respect of which conversion rights have not been exercised, will be redeemed at 118.549% of its principal amount on 9 November 2009.

During the year ended 31 March 2008, UBS Bonds with an aggregate principal amount of HK$538,000,000 (approximately equivalent to RMB484,684,000) were converted into the Company's new ordinary shares.

Interest expenses on the UBS Bonds is calculated using the effective interest method by applying the effective rate of 5.990% per annum to the liability component of UBS Bonds.

Issue of RMB1,500,000,000 RMB Denominated HK$ Settled Zero Coupon Convertible Bonds due 2010 (the "Citi Bonds")

On 18 October 2007, the Company issued the RMB denominated HK$ settled zero coupon bonds (the "Citi Bonds") with an aggregate principal amount of RMB1,500,000,000. Each Citi Bond has a face value of RMB100,000 with a maturity date of 18 October 2010 and is unsecured.

The bondholders have the right to convert their bonds into the Company's new ordinary shares at any time during the period from and including 28 November 2007 and thereafter up to 11 October 2010 at an initial conversion price of HK$32.825 per ordinary share at a fixed exchange rate HK$1.00 = RMB0.96893 (subject to adjustment).

The Citi Bond that are not converted into ordinary shares will be redeemed at 107.3399% of the principal amount on the maturity date.

Since the date of issue up to 31 March 2008, no Citi Bond was converted into the Company's new ordinary shares.

Interest expenses on the Citi Bond is calculated using the effective interest method by applying the effective rate of 5.392% per annum to the liability component of Citi Bond.

29. CONVERTIBLE BONDS *(continued)*

The liability component of convertible bonds recognised at the end of the reporting period is analysed as follows:

	Group and Company	
	2010	2009
	RMB'000	RMB'000
At beginning of year	**1,926,030**	1,814,588
Interest charged at effective interest rates	**123,095**	120,847
Exchange difference	**(1,337)**	(9,405)
At 31 March	**2,047,788**	1,926,030
Less: current portion	**(2,047,788)**	(463,052)
Non-current portion	**–**	1,462,978

30. SHARE CAPITAL

	Company	
	Number of ordinary shares	
	HK$0.01 each	RMB'000
Authorised:		
At 31 March 2010 and 2009	2,000,000,000	21,200
Issued and fully paid:		
At 31 March 2010 and 2009	541,296,756	5,665

Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

30. SHARE CAPITAL *(continued)*

Capital management *(continued)*

The Group actively and regularly revises and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Consistent with industry practice, the Group monitors its capital structure on the basis of a net debt-to-capital ratio. For this purpose, the Group defined net debt as total debt (which includes interest-bearing loans and borrowings, trade and other payables and convertible bonds) less cash and cash equivalents.

During the current year, the Group's strategy, which was unchanged from last year, was aimed to maintain the net debt-to-capital ratio of no more than 100%. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debts.

The net debt-to-capital ratio at 31 March 2010 and 2009 was as follows:

	Group	
	2010 RMB'000	2009 RMB'000
Total liabilities		
Trade and other payables	**757,019**	695,990
Bank borrowings	**25,715**	103,159
Convertible bonds	**2,047,788**	1,926,030
Consideration payable for acquisition of subsidiaries	**–**	317,412
	2,830,522	3,042,591
Less: Cash and cash equivalents	**(240,255)**	(79,640)
Net debt	**2,590,267**	2,962,951
Deficiency in capital	**(2,330,858)**	(1,863,116)
Net debt-to-capital ratio	**N/A#**	N/A#

As the Group had a net deficiency in capital at each of the years ended 31 March 2010 and 2009, the Group's gearing ratio as at that dates were not applicable. The Directors have given careful consideration on the measures currently undertaken in respect of the Group's liquidity position. The Directors believe that the Group will be able to meet in full its financial obligations as they fall due upon the completion of the Reorganisation Proposal, as further explained in note 2 to these financial statements.

31. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the company's directors and employees of the Group. The Scheme was conditionally adopted by the Company's Shareholders on 26 November 2004 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. The Scheme became effective on 17 December 2004.

The maximum number of shares available for issue under share options which may be granted under the Scheme and any other schemes is 54,129,675 shares, representing 10% of the issued share capital of the Company as at the date of this report. In addition, the maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of these limits is subject to shareholders' approval in a general meeting.

Share options granted to a connected person (as defined in the Listing Rules) are subject to approval in advance by the Independent Non-executive Directors. In addition, any share options granted to a connected person who is also a substantial shareholder or its associate, in excess of 0.1% of the share of the Company in issue at any time and with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

A nominal consideration of HK$1 is payable by the grantee on acceptance of the grant of the options. Options may be exercised in whole or in part at any time during the exercise period of the share options which is determinable by a committee set up by the Directors from time to time, provided that the period within which the shares may be taken up under the options must not be more than 10 years from the date of the grant of the options.

There is no general requirement on the minimum period for which an option must be exercised.

The exercise price of the share options is determinable by the committee, but will be no less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the 5 trading days immediately proceeding the date of the offer; and (iii) the nominal value of the Company's shares.

Share options do not confer rights on the holders to dividends or to vote at shareholder's meetings.

31. SHARE OPTION SCHEME *(continued)*

Details of the movements in number of the outstanding share options granted under the Scheme during the year are summarised as follows:

	Number of share options		Weighted average exercise price
	2010	2009	HK$
At beginning of year	**2,680,000**	3,160,000	15.61
Forfeited during the year	**(1,560,000)**	(480,000)	15.61
At 31 March	**1,120,000**	2,680,000	15.61
Exercisable at 31 March	**796,000**	1,024,000	15.61

32. RESERVES

(a) The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of changes in equity.

32. RESERVES *(continued)*

(b) Reserves of the Company

	Share premium RMB'000	Capital reserve RMB'000	Exchange reserve RMB'000	Retained profits/ (accumulated losses) RMB'000	Total RMB'000
At 1 April 2008	1,491,807	143,231	(122,523)	118,203	1,630,718
Exchange difference on translation into presentation currency	–	–	(68,376)	–	(68,376)
2007/2008 final dividend declared	–	–	–	(60,135)	(60,135)
Equity settled share-based transactions	–	2,928	–	–	2,928
Forfeiture of share options	–	(1,686)	–	1,686	–
Loss for the year	–	–	–	(2,949,575)	(2,949,575)
At 31 March 2009	1,491,807	144,473	(190,899)	(2,889,821)	(1,444,440)
At 1 April 2009	1,491,807	144,473	(190,899)	(2,889,821)	(1,444,440)
Exchange difference on translation into presentation currency	–	–	4,415	–	4,415
Equity settled share-based transactions	–	521	–	–	521
Forfeiture of share options	–	(7,526)	–	7,526	–
Loss for the year	–	–	–	(298,688)	(298,688)
At 31 March 2010	1,491,807	137,468	(186,484)	(3,180,983)	(1,738,192)

(c) Nature and purpose of reserves of the Group

(i) Share premium account

Share premium represents the share premium of the Company, the application of which is governed by the Companies Law of the Cayman Islands. Under the Companies Law (revised) of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of the business.

32. RESERVES *(continued)*

(c) Nature and purpose of reserves of the Group *(continued)*

(ii) Capital reserve

The capital reserve comprises the following:

– the value of the unexercised equity component of convertible bonds issued by the Company recognised in accordance with the accounting policy adopted for convertible bonds in note 4; and

– the fair value of the number of unexercised share options granted to employees of the Company recognised in accordance with the accounting policy adopted for share based payments in note 4.

(iii) Merger reserve

Merger reserve of the Group represents the difference between the nominal value of shares of subsidiaries acquired over the nominal value of the shares issued by the Company in exchange thereof.

(iv) Foreign currency translation reserve

The exchange reserve comprise all foreign exchange differences arising from the translation of the financial statement of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4.

(v) PRC statutory reserve

Transfers from retained earnings to statutory reserve fund were made in accordance with the relevant PRC rules and regulations and the articles of association of the Company's subsidiaries established in the PRC and were approved by the respective boards of directors.

Statutory reserve fund can be used to make good previous years' losses, if any, and may be converted into paid-up capital provided that the balance of the statutory reserve fund after such conversion is not less than 25% of their registered capital.

The Company's subsidiaries in the PRC are required to transfer a minimum of 10% of their net profits, as determined in accordance with the PRC accounting rules and regulations, to the statutory reserve fund until the reserve balance reaches 50% of the registered capital. The transfer to this fund must be made before distribution of dividends to equity holders.

33. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

The Directors were not aware of any significant contingent liabilities or capital commitments of the Group at the end of the reporting period.

34. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions.

Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Directors as disclosed in note 14, is as follows.

	Group	
	2010	2009
	RMB'000	RMB'000
Short-term employee benefits	**3,979**	5,632
Post-employment benefits	**13**	24
Equity settled share-based payments	**435**	1,989
	4,427	7,645

35. LEASE COMMITMENTS

At the end of the reporting period, the total future minimum lease payments under non-cancellable operating leases in respect of land and buildings are analysed as follows:

	Group	
	2010	2009
	RMB'000	RMB'000
Within one year	**3,565**	5,467
In the second to fifth year inclusive	**7,143**	9,432
Over five years	**2,975**	4,309
	13,683	19,208

36. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, there are certain updates in respect of the Group's business and financial restructuring in progress, and further details of which are stated in note 2 to the financial statements.

37. COMPARATIVE FIGURES

Due to the adoption of certain new and revised HKFRSs during the current year, the presentation of certain items, balances and the related explanatory notes to the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative figures have been re-presented to conform with the current year's presentation.

38. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 10 August 2011.