# THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in FU JI Food and Catering Services Holdings Limited (Provisional Liquidators Appointed), you should at once hand this circular and the accompanying forms to the purchaser or to the licensed securities dealer or registered institution in securities or other agent through whom the sale was effected for transmission to the purchaser.

This circular is for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for the shares or other securities of the Company.

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福記食品服務控股有限公司 (已委任臨時清盤人)

#### FU JI Food and Catering Services Holdings Limited

(Provisional Liquidators Appointed) (Incorporated in the Cayman Islands with limited liability)

(Stock Code : 1175)

#### MARVEL LIGHT HOLDINGS LIMITED

(Incorporated in the British Virgin Islands with limited liability)

PROPOSED RESTRUCTURING OF THE COMPANY INVOLVING, INTER ALIA (1) CAPITAL RESTRUCTURING; (2) OPEN OFFER;
(3) SUBSCRIPTION OF SUBSCRIPTION SHARES AND PREFERENCE SHARES;
(4) DEBT RESTRUCTURING INVOLVING ISSUE OF SCHEME SHARES;
(5) GROUP REORGANISATION;
(6) APPLICATION FOR LISTING OF NEW SHARES, OFFER SHARES, SUBSCRIPTION SHARES, NEW SHARES TO BE ISSUED UPON CONVERSION OF PREFERENCE SHARES AND SCHEME SHARES;
(7) AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION OF THE COMPANY;
(8) CHANGE IN BOARD LOT SIZE;
(9) APPLICATION FOR WHITEWASH WAIVER; AND (10) PROPOSED APPOINTMENT OF DIRECTORS

Independent financial adviser to the Independent Board Committee, the Independent Shareholders and the Open Offer Independent Shareholders



A letter of advice from Quam Capital Limited, the independent financial adviser to the Independent Board Committee, the Independent Shareholders and the Open Offer Independent Shareholders is set out on pages 104 to 105 of this circular. A notice convening the EGM to be held at Room 101 Auditorium, 3 Lockhart Road, Wanchai, Hong Kong, at 2:00 p.m. on Monday, 25 March 2013 is set out on pages 289 to 298. Whether or not you intend to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible and in any event not later than 48 hours before the time fixed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting should you so wish. In such event, the instrument appointing a proxy shall be deemed revoked.

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In this circular, unless the context requires otherwise, the following expressions have the following meanings:

"acting in concert"	has the meaning ascribed thereto in the Takeovers Code
"Anhui Investment"	安徽省投資集團有限責任公司 (Anhui Province Investment Group Co., Ltd.*), a state-owned enterprise in the PRC
"Anhui Venture"	安徽省創業投資有限公司 (Anhui Province Venture Investment Group Co., Ltd.*), a company established under the laws of the PRC and is wholly-owned by Anhui Investment
"Announcement"	the announcement of the Company dated 21 January 2013 in relation to the proposed Restructuring, the proposed amendments to the memorandum and articles of association of the Company and the proposed change in board lot size
"Application Form(s)"	the application form(s) for use by the Qualifying Shareholder(s) in connection with the Open Offer
"associate(s)"	has the meaning ascribed thereto in the Listing Rules
"Board"	the board of Directors
"business day"	a day (excluding Saturdays, Sundays, public holidays and a day on which a tropical cyclone warning signal No. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time and remaining in effect between 9:00 a.m. and 5:00 p.m. and is not discontinued at or before 12:00 noon) on which banks are generally open for business in Hong Kong
"BVI"	British Virgin Islands
"CAGR"	compounded annual growth rate, the smoothed annualised gain rate of an investment over a prescribed period of time

"Capital Cancellation"	the proposed cancellation of the authorised but unissued share capital of the Company following the Capital Reduction
"Capital Increase"	the proposed increase of the authorised share capital of the Company to HK\$200,000,000 following completion of the Capital Reduction, Capital Cancellation and Share Consolidation
"Capital Reduction"	the proposed reduction of the par value of every Share in issue from HK\$0.01 to HK\$0.001
"Capital Restructuring"	the proposed restructuring of the capital of the Company through the collective implementation of the Capital Reduction, the Capital Cancellation, the Share Consolidation and the Capital Increase
"Cayman Court"	the Grand Court of the Cayman Islands
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"Company"	FU JI Food and Catering Services Holdings Limited (Provisional Liquidators Appointed), an exempted company incorporated under the laws of the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange
"Companies Law"	the Companies Law (2012 Revision) of the Cayman Islands, as amended from time to time
"Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended from time to time
"Completion"	the satisfaction (or waiver) of each of the conditions precedent to the effectiveness of the transactions contemplated in the Restructuring Documentation and the fulfilment of any other action or matter as provided for under the terms of the Restructuring Documentation

"Concert Party Group"	the Investor, the Investor Holdco, their respective ultimate beneficial owners and parties acting in concert with any of them, and "Concert Party Group member" means any member of the Concert Party Group
"Conditional Placement Agreement"	the agreement to be entered into by the Investor regarding the disposal of certain New Shares in order to maintain the public float requirements under the Listing Rules
"connected person(s)"	has the meaning ascribed thereto in the Listing Rules, and "connected" is construed accordingly
"Create Talent"	Create Talent Limited (傑創有限公司), a company incorporated under the laws of the BVI, and a wholly-owned subsidiary of the Company
"Creditor(s)"	collectively all the creditors of the Company (other than the Investor)
"Cross-border Recognition"	the recognition of the Scheme in another jurisdiction, whether under laws relating to bankruptcy, liquidation, insolvency, reorganisation, winding-up, or composition or adjustment of debts or similar law, international principles of judicial comity, statute, enactment or other regulation including any application under the Foreign Bankruptcy Rules or an ancillary compromise or arrangement made in the Cayman Islands pursuant to section 86 of the Companies Law
"Cross-border Scheme"	any scheme of arrangement effected in the Cayman Islands under section 86 of the Companies Law or any other relevant jurisdiction as may be considered necessary for Cross-border Recognition
"Debt Restructuring"	the proposed debt restructuring to be implemented by the Company to settle the Indebtedness pursuant to the terms of the Scheme
"Debt Restructuring Agreement"	an agreement relating to the debt and capital restructuring of the Company dated 5 September 2011 between the Parties, as amended by the Supplemental Agreement

"Deed of Assignment"	the deed of assignment dated 5 September 2011 entered into between the Company, the Provisional Liquidators, the Scheme Administrators, certain members of the Group and Quick Glory on the terms provided for in the Debt Restructuring Agreement
"Director(s)"	the director(s) of the Company
"EAF(s)"	the form(s) of application for Offer Shares in excess of the entitlements of each Qualifying Shareholder
"EGM"	the extraordinary general meeting of the Shareholders to be held at Room 101 Auditorium, 3 Lockhart Road, Wanchai, Hong Kong, at 2:00 p.m. on Monday, 25 March 2013 in accordance with the Companies Law (and any requirements of the Stock Exchange) to consider and approve the resolutions set out in the notice of EGM in this circular
"Excluded Companies"	collectively, the Phase I Disposal Companies, the Restaurant Business Disposal Companies, the Phase III Disposal Companies and the Scheme Group Companies
"Excluded Shareholders"	Overseas Shareholder(s) to whom the Board (based on legal opinions provided by legal advisers to the Company if the Board considers it necessary) considers it necessary or expedient not to offer the Offer Shares on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
"Executive"	the executive director of the Corporate Finance Division of the SFC or any of his/her delegate
"Fortune Guard"	Fortune Guard Holdings Limited (保祺控股有限公司), a company incorporated under the laws of the BVI, and a wholly-owned subsidiary of the Investor
"GDP"	gross domestic product, the market value of all officially recognised final goods and services produced within a country in a prescribed period of time

"Group"	the Company and its subsidiaries from time to time
"Group Reorganisation"	the proposed reorganisation of the Group's structure which involves, <i>inter alia</i> , the transfer of assets of the Group to Fortune Guard pursuant to the Phase I Disposal, the Restaurant Business Disposal and the Phase III Disposal and the transfer of the entire shareholdings of the Scheme Group Companies to the Scheme
"Guangdong Huaheng"	廣東華亨能源有限公司 (Guangdong Huaheng Energy Co., Ltd.*), a company established under the laws of the PRC
"HACCP"	Hazard Analysis and Critical Control Point, a systematic preventative approach to food safety that addresses physical, chemical and biological hazards as a means of prevention rather than finished product inspection. HACCP is used in the food industry to identify potential food safety hazards, so that key actions, known as Critical Control Points, can be taken to reduce or eliminate the risk of the hazards being realised. The system is used at all stages of food production and preparation processes. HACCP principles have been promoted and incorporated into food safety legislation in many countries around the world
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Court"	the High Court of Hong Kong
"Indebtedness"	all outstanding indebtedness of the Company
"Independent Board Committee"	the independent committee of the Board comprising the independent non-executive Director, who has no direct or indirect interest in (i) the Debt Restructuring Agreement for advising the Independent Shareholders in relation to the Subscription, the issue of the Scheme Shares and the Whitewash Waiver; and (ii) the Open Offer for advising the Open Offer Independent Shareholders in relation to the Open Offer

"Independent Financial Adviser"	Quam Capital Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO, who has been appointed as the independent financial adviser to the Independent Board Committee, the Independent Shareholders and Open Offer Independent Shareholders
"Independent Shareholders"	the Shareholders other than (i) the Concert Party Group; and (ii) any other Shareholder who is interested in or involved in the Restructuring, the transactions contemplated under the Debt Restructuring Agreement, the Subscription Agreement, the Underwriting Agreement and/or the Whitewash Waiver
"Independent Third Party(ies)"	a person(s) or company(ies) who or which is/are independent of and not connected (within the meaning of the Listing Rules) with the Company and its connected persons
"Investor"	Marvel Light Holdings Limited (奇輝控股有限公司), a company incorporated under the laws of the BVI
"Investor Holdco"	安徽豐收投資有限公司 (Anhui Harvest Investment Company Limited*), a company established under the laws of PRC
"ISO"	International Organisation for Standardisation
"Last Acceptance Date"	3 June 2013 or such other date as the Underwriter may agree in writing with the Company, being the latest time at which application may be validly accepted as described in the Prospectus
"Last Trading Day"	28 July 2009, being the last trading day for the Shares on the Main Board of the Stock Exchange before the trading of Shares was suspended on 29 July 2009
"Latest Practicable Date"	26 February 2013, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Latest Time for Termination"	4:00 p.m. on the second business day following (but excluding) the Last Acceptance Date

"Listing Committee"	the listing committee of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mr. Wei"	Mr. Wei Dong, the former chairman of the Company and a former executive Director, who is also a substantial Shareholder and the spouse of Ms. Yao
"Ms. Yao"	Ms. Yao Juan, a former executive Director, who is also a substantial Shareholder and the spouse of Mr. Wei
"New Share(s)"	the new share(s) in the capital of the Company following the Capital Restructuring becoming effective with a par value of HK\$0.01 each
"Offer Share(s)"	the New Share(s) proposed to be offered to the Qualifying Shareholders for subscription at the subscription price of HK\$0.74 per Offer Share pursuant to the Open Offer
"Open Offer"	the proposed issue of the Offer Shares on the basis of one Offer Share for every one New Share held by the Qualifying Shareholders on the Record Date on the terms to be set out in the Prospectus Documents and summarised therein
"Open Offer Documentation"	the documents necessary to effect and complete the Open Offer in accordance with the Listing Rules (including, but not limited to, the Underwriting Agreement, necessary Stock Exchange forms and other customary allotment documents) to validly authorise the Open Offer in accordance with the memorandum and articles of association of the Company
"Open Offer Independent Shareholders"	Shareholders other than the controlling Shareholders, namely Mr. Wei, Ms. Yao and their respective associates
"Overseas Letter"	a letter from the Company to the Excluded Shareholder(s) explaining the circumstances under which the Excluded Shareholder(s) are not permitted to participate in the Open Offer

"Overseas Shareholders"	the Shareholders whose registered addresses as shown on the register of members of the Company at 5:30 p.m. on the Record Date are in places outside Hong Kong
"Parties"	the parties to the Debt Restructuring Agreement
"Perfect Future"	Perfect Future Investment Limited (創輝投資有限公司), a company incorporated under the laws of Hong Kong and, being one of the Phase I Disposal Companies, was a wholly-owned subsidiary of the Company and currently a wholly-owned subsidiary of Fortune Guard
"Phase I Disposal"	the disposal of all equity interests in or share capital of Phase I Disposal Companies together with all assumed liabilities and any freezing orders or other encumbrances pursuant to the Phase I Disposal Documentation
"Phase I Disposal Companies"	the target companies wholly-owned by the Group (either directly or indirectly with other members of the Group) as listed out in the Phase I SPA
"Phase I Disposal Documentation"	those agreements executed under Hong Kong law and any other documents or agreements as may be necessary for the implementation of the Phase I Disposal
"Phase I SPA"	the sale and purchase agreement dated 29 June 2010 between the Company, the Provisional Liquidators, the Investor, Fortune Guard and certain members of the Group in respect of the Phase I Disposal
"Phase II Disposal"	the transfer of all equity interests in or share capital of Create Talent together with all assumed liabilities and subject to any freezing orders or other encumbrances
"Phase II Documentation"	any documents or agreements as may be necessary for the completion of either the Phase II Restructuring or Phase II Disposal depending on whether the Resumption is successful

"Phase III Disposal"	the disposal of all equity interests in or share capital of the Phase III Disposal Companies together with all assumed liabilities and any freezing orders or other encumbrances pursuant to the Phase III Disposal Documentation
"Phase III Disposal Companies"	the target companies wholly-owned by the Group (either directly or indirectly with other members of the Group) as listed out in the Phase III SPA
"Phase III Disposal Documentation"	those agreements executed under Hong Kong law and any other documents or agreements as may be necessary for the implementation of the Phase III Disposal
"Phase III SPA"	the sale and purchase agreement dated 5 September 2011 between the Company, the Provisional Liquidators, the Investor, Fortune Guard and certain members of the Group in respect of the Phase III Disposal
"Placing Down"	the proposed placing of New Shares owned by the Investor to ensure that the minimum public float is maintained by the Company as required under the Listing Rules
"PRC" or "China"	the People's Republic of China, for the purpose of this circular only, excludes Hong Kong, Macau and Taiwan
"Preference Shares"	the cumulative non-voting non-redeemable preference shares in the capital of the Company with a par value of HK\$0.01 per share credited as fully paid up
"Prospectus"	a document relating to the Open Offer to be despatched to Shareholders, in such form as may be agreed between the Company and the Underwriter
"Prospectus Documents"	the Prospectus, the Application Form and the EAF
"Provisional Liquidators"	Messrs Yeung Lui Ming (Edmund), Lai Kar Yan (Derek) and Darach E. Haughey of Deloitte Touche Tohmatsu of 35th Floor, One Pacific Place, 88 Queensway, Hong Kong
"Qualifying Shareholder(s)"	the Shareholder(s), other than the Excluded Shareholder(s), whose names appear on the register of members of the Company as at the close of business on the Record Date

"Quick Glory"	Quick Glory Limited (耀捷有限公司), a company incorporated under the laws of the BVI and a wholly-owned subsidiary of the Company
"Record Date"	16 May 2013 or such other date as the Company and the Underwriter may agree in writing, being the date by reference to which entitlements to the Open Offer will be determined
"Redbud Holding"	紫荊控股有限公司 (Tsinghua Redbud Holding Ltd.*), a state-owned enterprise in the PRC
"Restaurant Business"	the Chinese restaurant business carried on or controlled by certain members of the Group as listed out in the Restaurant Business SPA
"Restaurant Business Disposal"	the disposal of all equity interests in or share capital of the Restaurant Business Disposal Companies together with all assumed liabilities and any freezing orders or other encumbrances pursuant to the Restaurant Business Disposal Documentation
"Restaurant Business Disposal Companies"	the target companies wholly-owned by the Group (either directly or indirectly with other members of the Group) as listed out in the Restaurant Business SPA
"Restaurant Business Disposal Documentation"	those agreements executed under Hong Kong law and any other documents or agreements as may be necessary for the implementation of the Restaurant Business Disposal
"Restaurant Business SPA"	the sale and purchase agreement dated 13 January 2011 between the Company, the Provisional Liquidators, the Investor, Fortune Guard and certain members of the Group in respect of the Restaurant Business Disposal
"Restructured Group"	the Group after completion of the Group Reorganisation, which consists of the Company, the Restructured Group Companies and subsidiaries of the Company established after the Scheme became effective on 9 August 2011

"Restructured Group	Sky Achieve Limited (天成有限公司), Fu Ji Management
Companies"	Limited (福記管理有限公司), Qing Dao Wei Xian Da
	Catering Services Limited*(青島味鮮達餐飲服務有限公
	司), Fuyao Famous Delicacies Club (Shanghai) Catering
	Company Limited*(福堯名肴會(上海)餐飲有限公
	司), Shenzhen Fu Ji Standard Catering Services System
	Limited*(深圳市福記標準送餐服務系統有限公司),
	Shanghai Weishuo Catering Services Limited*(上海味
	碩餐飲配送服務有限公司), Shanghai Rongchu Catering
	Management Limited*(上海隆廚餐飲管理有限公司),
	Wuhan Weihuakang Catering Services Limited*(武漢市
	味華康餐飲服務有限公司), Wuxi Daily Fresh Trading
	Company Limited*(無錫多鮮樂貿易有限公司), Genius
	Star International Limited (賢星國際有限公司), Fully
	Peace Limited (太和有限公司), Create Talent Limited (傑
	創有限公司) and Hong Kong Fulltime Limited (香港富大
	有限公司)
"Restructuring"	the proposed restructuring of the Company pursuant to
Restructuring	the Restructuring Documentation, involving, <i>inter alia</i> , the
	Debt Restructuring, the Capital Restructuring, the Open
	Offer and the Subscription
	oner and the Subscription
"Restructuring Costs"	all fees, costs and expenses incurred by the Company
	and each other member of the Group and the Provisional
	Liquidators in connection with the negotiation, entry into
	and implementation of Restructuring and the Restructuring
	Documentation generally and all transactions contemplated
	thereby
"Restructuring Documentation"	the Debt Restructuring Agreement, the Phase I Disposal
Restructuring Documentation	Documentation, the Restaurant Business Disposal
	Documentation, the Phase II Documentation, the
	Subscription Agreement, the Shortfall Guarantee, the
	Conditional Placement Agreement, the Scheme Documents,
	the Phase III Disposal Documentation, the Underwriting
	Agreement, the Open Offer Documentation, the Deed
	of Assignment, the Waiver Agreement and all other
	documents necessary to implement their terms, including
	those necessary for Cross-border Recognition in other
	jurisdictions, if required
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"Resumption"	the resumption of the trading in the shares of the Company on the Stock Exchange
"Resumption Conditions"	the conditions to be fulfilled by the Company for the Resumption, such conditions being more particularly disclosed in the announcement of the Company dated 26 October 2012
"Resumption Proposal"	the written proposal submitted to the Stock Exchange for the purpose of seeking approval of the Stock Exchange for the Resumption
"Scheme"	the scheme of arrangement between the Company and the Scheme Creditors pursuant to section 166 of the Companies Ordinance
"Scheme Administrators"	those persons appointed as such under the terms of the Scheme (and any Cross-border Recognition) in respect of which it is anticipated that the Provisional Liquidators will be elected
"Scheme Consideration"	the payment of cash and, where applicable, the issue and allotment of Scheme Shares to the Scheme Creditors, to be distributed in accordance with the terms of the Scheme
"Scheme Creditors"	the creditors of the Company whose claims were accepted by order of the Scheme Administrators for the purpose of the Scheme
"Scheme Documents"	the composite document including the explanatory statement and terms of the Scheme
"Scheme Group Companies"	all those companies as set out in the Scheme to be transferred to Quick Glory for the benefit of the Scheme upon Completion
"Scheme Shares"	the 23,380,000 New Shares to be issued and allotted to the Scheme Creditors under the Scheme

"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
"Shanghai Huali"	上海華利投資有限公司 (Shanghai Huali Investment Co., Ltd.*), a company established under the laws of the PRC and owned as to 80% by Redbud Holding
"Share(s)"	ordinary share(s) of par value HK\$0.01 each in the existing capital of the Company
"Share Consolidation"	the proposed consolidation of every 10 issued shares of the Company of par value HK\$0.001 each into one consolidated New Share of par value HK\$0.01 each immediately upon the Capital Reduction and the Capital Cancellation becoming effective
"Shareholder(s)"	the holder(s) of the Share(s) or holder(s) of the New Share(s) after completion of the Capital Restructuring
"Shortfall Guarantee"	that guarantee by deed poll dated 5 September 2011 granted by the Investor in favour of the Scheme Creditors on the terms provided for in the Debt Restructuring Agreement
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription"	the subscription of the Subscription Shares and the Preference Shares by the Investor pursuant to the Subscription Agreement
"Subscription Agreement"	a subscription agreement entered into on 18 January 2013 among the Company, the Provisional Liquidators and the Investor for the purpose of the issue and allotment of the Subscription Shares and the Preference Shares
"Subscription Share(s)"	the New Share(s) to be issued and allotted by the Company to the Investor pursuant to the Subscription

"Supplemental Agreement"	a supplemental agreement entered into on 18 January 2013 between the Company, the Provisional Liquidators, the Investor and the Investor Holdco to amend certain terms of the Debt Restructuring Agreement
"Takeovers Code"	the Code on Takeovers and Mergers as applied in Hong Kong
"Underwriter"	the underwriter of the Open Offer, being the Investor
"Underwriting Agreement"	the underwriting agreement entered into on 18 January 2013 between the Company, the Provisional Liquidators and the Underwriter in relation to the Open Offer, pursuant to which the Underwriter will fully underwrite the Offer Shares not taken up by the Qualifying Shareholders under the Open Offer
"Underwritten Shares"	54,129,675 Offer Shares fully underwritten by the Underwriter on and subject to terms and conditions as set out in the Underwriting Agreement
"United States" or "U.S."	the United States of America, its territories and possessions, any state of the United States, and the District of Columbia
"Waiver Agreement"	the waiver agreement dated 5 September 2011 entered into between the Company, the Provisional Liquidators, the Scheme Administrators, the Restructured Group Companies, the Scheme Group Companies, Phase I Disposal Companies, Restaurant Business Disposal Companies and Phase III Disposal Companies on the terms provided for in the Debt Restructuring Agreement
"Whitewash Waiver"	a waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the obligations on the part of the Concert Party Group to make a mandatory general offer under Rule 26 of the Takeovers Code for all the securities of the Company not already owned or agreed to be acquired by the Concert Party Group as a result of the underwriting of the Underwritten Shares for the Open Offer and the subscription of the Subscription Shares by the Investor

"Working Capital Facility"	the banking facility granted by the Investor (or entities controlled by it) in the maximum amount of HK\$204,550,000 as the same is governed by the laws of the PRC
"Working Capital Facility Amendment"	the variation to the Working Capital Facility, if necessary, to be entered into by, amongst others, the Company and the Investor, extending the term for maturity and requested in writing by the Company and/or the Provisional Liquidators, increasing the level of the facilities available in respect of the Working Capital Facility
"Wuxi Factory"	the factory located in Wuxi, Jiangsu Province, PRC which is owned by 無錫美通食品科技有限公司 (Wuxi Metiong Food & Technology Company Limited*)
"HK\$" and "cents"	Hong Kong dollars and cents, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"US\$" or "U.S. dollars"	United States dollars, the lawful currency of the United States
"%"	per cent.

Unless the content states otherwise, conversion of RMB into HK is made for illustrative purpose only, at the rates of RMB1.00 = HK\$1.22 in this circular.

Certain amounts and percentage figures included in this circular have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

\* For identification purpose only

# **EXPECTED TIMETABLE**

The following events are conditional on the results of the EGM and the approval from the Cayman Court. The dates are therefore tentative. The Company will notify the Shareholders of any changes to the expected timetable by way of announcement(s) as and when appropriate.

Latest time for lodging proxy forms for the EGM 2:00 p.m. on Saturday, 23 March 2013
Date of the EGM2:00 p.m. on Monday, 25 March 2013
Announcement of results of the EGM By 7:00 p.m. on Monday, 25 March 2013
First hearing to obtain directions from Cayman CourtTuesday, 9 April 2013 regarding the Capital Reduction
Latest time for lodging transfer of the Shares
Hearing in Cayman Court of Petition for Capital Reduction
Closure of register of members for posting ofMonday, 29 April 2013 to new share certificates for the New Shares Monday, 6 May 2013 (both dates inclusive)
Registration of order confirming Capital Reduction and After 5:00 p.m. on         minutes with the Registrar of Companies       Monday, 6 May 2013         in the Cayman Islands i.e. effective date of         the Capital Restructuring and record date         for posting of new share certificates for the New Shares
Effective date for change in board lot size Tuesday, 7 May 2013 from 1,000 Shares to 10,000 New Shares
Posting of new share certificate for the New Shares and Tuesday, 7 May 2013 register of members reopens

# **EXPECTED TIMETABLE**

Last day of dealing in the New Shares on Tuesday, 7 May 2013 a cum-entitlements basis
First day of dealing in the New Shares on
Latest time for lodging transfer of
Closure of register of members to determineFriday, 10 May 2013 to the eligibility of the Open Offer Thursday, 16 May 2013 (both dates inclusive)
Record Date and time for the Open Offer Thursday, 16 May 2013
Register of members reopens and the date of Monday, 20 May 2013 despatch of the Prospectus Document
Last Acceptance Date of the Open Offer under
Latest time for termination of the Open Offer
Announcement of results of the Open Offer Monday, 10 June 2013
Completion of the Subscription and Tuesday, 11 June 2013 despatch of certificates for the Offer Shares, Subscription Shares, Preference Shares and Scheme Shares
If the Open Offer is terminated or for wholly and Tuesday, 11 June 2013 partially unsuccessful excess application, refund cheques to be despatched on or before

# **EXPECTED TIMETABLE**

Resumption of trading in the New Shares and Friday, 14 June 2013 dealings in Offer Shares commence
Designated broker starts to stand in the market Friday, 14 June 2013 to provide matching services for the sale and purchase of odd lots of the New Share
Designated broker ceases to stand in the market Friday, 5 July 2013 to provide matching services for the sale and purchase of odd lots of the New Shares

Note: All references to time in this circular are references to Hong Kong time.

Dates or deadlines specified in this circular for events in the timetable for (or otherwise in relation to) the Capital Restructuring and the Open Offer are indicative only and may be extended or varied by agreement between the relevant parties, and subject to the availability of the Cayman Court for hearings and the approval by the Stock Exchange of such amendments. Any consequential changes to the expected timetable will be published or notified to the Shareholders appropriately.

# EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE OPEN OFFER

If there is a tropical cyclone warning signal number 8 or above, or a "black" rainstorm warning

- (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the Last Acceptance Date, the latest time of acceptance of and payment for the Offer Shares will not take place at 4:00 p.m. on the Last Acceptance Date, but will be extended to 5:00 p.m. on the same day instead;
- (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the Last Acceptance Date, the latest time of acceptance of and payment for the Offer Shares will not take place on the Last Acceptance Date, but will be rescheduled to 4:00 p.m. on the following business day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the latest time for acceptance of and payment for the Offer Shares does not take place on the Last Acceptance Date, the dates mentioned in the section headed "Expected Timetable" in this circular may be affected. An announcement will be made by the Company in such event.



# 福記食品服務控股有限公司

(已委任臨時清盤人)

# FU JI Food and Catering Services Holdings Limited

(Provisional Liquidators Appointed) (Incorporated in the Cayman Islands with limited liability)

(Stock Code : 1175)

Provisional Liquidators: Mr. Lai Kar Yan, Derek Mr. Darach E. Haughey Mr. Yeung Lui Ming, Edmund

*Executive Director:* Mr. Chin Chang Keng, Raymond

Independent non-executive Director: Mr. Chung Wai Man Registered Office: Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands

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

1 March 2013

To the Shareholders

Dear Sir or Madam,

# PROPOSED RESTRUCTURING OF THE COMPANY INVOLVING, INTER ALIA (1) CAPITAL RESTRUCTURING; (2) OPEN OFFER; (3) SUBSCRIPTION OF SUBSCRIPTION SHARES AND PREFERENCE SHARES; (4) DEBT RESTRUCTURING INVOLVING ISSUE OF SCHEME SHARES; (5) GROUP REORGANISATION; (6) APPLICATION FOR LISTING OF NEW SHARES, OFFER SHARES, SUBSCRIPTION SHARES, NEW SHARES TO BE ISSUED UPON CONVERSION OF PREFERENCE SHARES AND SCHEME SHARES; (7) AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION OF THE COMPANY; (8) CHANGE IN BOARD LOT SIZE; (9) APPLICATION FOR WHITEWASH WAIVER; AND (10) PROPOSED APPOINTMENT OF DIRECTORS

#### INTRODUCTION

Reference is made to the announcements of the Company dated (i) 30 October 2009 in relation to the background to the decision of the Company to file winding up petition; (ii) 26 May 2010 in relation to the proposed restructuring of the Company and in particular the entering into of the Heads of Terms; (iii) 7 July 2010 in relation to the Phase I Disposal; (iv) 26 May 2011 in

relation to, *inter alia*, the Restaurant Business Disposal; (v) 24 October 2012 in relation to the effective date of the Scheme; (vi) 26 October 2012 in relation to the Resumption Conditions; and (vii) the Announcement.

#### **Resumption Proposal and Conditional Approval for Resumption**

On 14 January 2011, 6 September 2011 and 6 July 2012, the Company submitted respectively the initial and updated Resumption Proposal to the Stock Exchange. The Company also provided from time to time further explanations and supplementary documents in response to the queries raised by the Stock Exchange with respect to the Resumption Proposal.

On 18 October 2012, the Stock Exchange provided the Company with a written approval of the Resumption, subject to the Company's fulfilment of the following conditions as set out in the said written approval by 17 June 2013:

- (i) completion of the Open Offer, the Subscription and all other transactions as contemplated under the Resumption Proposal;
- (ii) inclusion in the circular to Shareholders the followings:
  - (a) detailed disclosure of the Resumption Proposal and information about the Group comparable to prospectus standards;
  - (b) profit forecasts for the year ending 31 March 2013 and the six-month ending 30 September 2013 together with reports from the auditors and the financial adviser of the Company under paragraph 29(2) of Appendix 1b of the Listing Rules; and
  - (c) a pro forma balance sheet upon completion of the Resumption Proposal and a comfort letter from an independent accounting firm under rule 4.29 of the Listing Rules;
- (iii) provide a comfort letter from auditors or the financial adviser of the Company relating to working capital sufficiency for the next 12 months from the latest practicable date before the expected date of the Resumption;
- (iv) publish all outstanding financial results of the Company and address any concerns that may be raised by auditors of the Company through qualification of their audit reports;
- (v) provide confirmation from an independent professional party that the Group has an adequate and effective internal control system; and

(vi) discharge of the winding-up petition against the Company and the Provisional Liquidators.

The Company should also comply with the Listing Rules. The Stock Exchange may modify the above conditions if the Company's situation changes.

As at the Latest Practicable Date, the condition described in (iv) above has been fulfilled and the condition described in (ii) will be fulfilled upon despatch of this circular.

#### General

The purpose of this circular is to provide you with, among other things, details of (i) the proposed Capital Restructuring, the Open Offer, the Subscription, the Debt Restructuring Agreement involving the issue of the Scheme Shares and the Group Reorganisation, the Whitewash Waiver, the amendments to memorandum and articles of association of the Company, the change in board lot size and appointment of the proposed Directors; (ii) the recommendations of the Independent Board Committee; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee, the Independent Shareholders and the Open Offer Independent Shareholders; and (iv) a notice of the EGM.

#### THE DEBT RESTRUCTURING AGREEMENT

The Debt Restructuring Agreement is the definitive agreement for the Restructuring. The Debt Restructuring Agreement provides that the completion of various transactions or arrangements contemplated thereunder, *inter alia*, (i) the Phase I Disposal, (ii) the Restaurant Business Disposal, (iii) the Phase III Disposal, (iv) the Scheme, (v) the Open Offer and (vi) the Subscription are subject to certain conditions, either being more particularly provided for in the respective documentation relating to each such transaction or arrangement or in the Debt Restructuring Agreement. Details of the Debt Restructuring Agreement, together with the detailed arrangements of (1) the Capital Restructuring, (2) the Open Offer, (3) the Subscription, (4) the Debt Restructuring, and (5) the Group Reorganisation are set out below.

#### Parties to the Debt Restructuring Agreement

- (1) The Investor
- (2) The Investor Holdco
- (3) Fortune Guard
- (4) The Company

- (5) The Provisional Liquidators
- (6) Certain members of the Group as at the date of the Debt Restructuring Agreement
- (7) Perfect Future
- (8) Quick Glory

The Investor has confirmed to the Company and the Provisional Liquidators that the Concert Party Group and their respective associates are Independent Third Parties, and are not acting in concert with, the Company, the Directors, the substantial Shareholders or any of their subsidiaries or their respective associates.

#### 1. Capital Restructuring

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$20,000,000 divided into 2,000,000 Shares of par value HK\$0.01 each, of which 541,296,756 Shares are issued and credited as fully paid up. Pursuant to the Debt Restructuring Agreement, the share capital of the Company will be reorganised in the following manner:

#### (i) Capital Reduction

The Capital Reduction will involve a reduction of the issued share capital of the Company by reducing the par value of every issued Share from HK\$0.01 to HK\$0.001, generating a credit of HK\$4,871,670.80 on the basis of 541,296,756 Shares in issue. Such credit will be applied in a manner permitted by the Companies Law, including but not limited to setting off part of the accumulated losses of the Company of approximately RMB2,380.5 million as at 31 March 2012.

#### (ii) Capital Cancellation

The Capital Cancellation will take place immediately following the Capital Reduction becoming effective. The authorised but unissued share capital of the Company of HK\$19,458,703.24 will be cancelled.

#### (iii) Share Consolidation

Every 10 issued shares of par value HK\$0.001 each will be consolidated into one New Share of par value HK\$0.01 each. On the basis of 541,296,756 Shares currently in issue, there will be 54,129,675 New Shares of HK\$0.01 each in issue immediately following the Share Consolidation becoming effective.

Any fractions of New Shares arising from the Share Consolidation becoming effective will be ignored and will not be allocated to the Shareholders in question but all such fractional New Shares will be aggregated and, if possible, sold for the benefit of the Company.

#### (iv) Capital Increase

The authorised share capital of the Company will be increased from HK\$541,296.75 to HK\$200,000,000 divided into 19,800,000,000 New Shares and 200,000,000 Preference Shares.

#### Effect of the Capital Restructuring

The following table sets out the share capital of the Company before and after the completion of the Capital Restructuring (assuming there is no change in the number of Shares from the Latest Practicable Date to immediately before the Capital Restructuring):

	Par value	Authorised share capital	Issued and paid-up share capital
Immediately before the Capital Restructuring	HK\$0.01	HK\$20,000,000 divided into 2,000,000,000 Shares	HK\$5,412,967.56 divided into 541,296,756 Shares
After the Capital Reduction and the Capital Cancellation	HK\$0.001	HK\$541,296.756 divided into 541,296,756 shares	HK\$541,296.756 divided into 541,296,756 shares
After the Share Consolidation	HK\$0.01	HK\$541,296.75 divided into 54,129,675 New Shares	HK\$541,296.75 divided into 54,129,675 New Shares
After the Capital Increase	HK\$0.01	HK\$200,000,000 divided into 19,800,000,000 New Shares and 200,000,000 Preference Shares	HK\$541,296.75 divided into 54,129,675 New Shares

#### **Reasons for the Capital Restructuring**

The carrying value of the Company has been substantially depleted by accumulated losses of the Company of approximately RMB2,380.5 million and has resulted in net liabilities as at 31 March 2012. The credit resulting from the Capital Reduction will be applied to set off part of the accumulated losses of the Company. In addition, completion of the Capital Restructuring is one of the conditions precedent for the Open Offer and the Subscription, the proceeds of which will be used (i) as part of the Scheme Consideration, (ii) to settle the Restructuring Costs in accordance with the Debt Restructuring Agreement and (iii) as general working capital for the continuation and future expansion of the existing businesses of the Restructured Group. Accordingly, the Directors are of the view that the Capital Restructuring is in the interests of the Group and the Shareholders as a whole.

#### Conditions of the Capital Restructuring

The Capital Restructuring is conditional upon:

- the obtaining of an order confirming the Capital Reduction from the Cayman Court, the registration of the order confirming Capital Reduction and a minute of the Capital Reduction with the Registrar of Companies in the Cayman Islands;
- the passing of the necessary resolutions to approve the Capital Restructuring by the Shareholders at the EGM;
- (iii) the passing of the necessary resolutions to approve the amendments to the memorandum and articles of association of the Company to reflect the changes in the Company's share capital as a result of the Capital Restructuring by the Shareholders at the EGM; and
- (iv) the Listing Committee granting the listing of, and permission to deal in, the New Shares in issue upon the Capital Restructuring becoming effective.

For the avoidance of doubt, the Capital Restructuring is not conditional on the completion of the Open Offer or the Subscription.

None of the conditions described above can be waived by the Parties pursuant to the Debt Restructuring Agreement. As at the Latest Practicable Date, none of the conditions described above has been fulfilled.

#### Latest time for lodging transfer of Shares and closure of register of members

In order to be registered as a member in order to qualify for the posting of new share certificates for the New Shares, Shareholders must lodge any transfers of Shares (together with the relevant share certificates) with Computershare Hong Kong Investor Services Limited, the branch share registrar of the Company, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong by 4:30 p.m. on Friday, 26 April 2013.

Subject to completion of the Capital Restructuring, the Company's register of members is expected to be closed from Monday, 29 April 2013 to Monday, 6 May 2013 (both dates inclusive), for the purpose of, among other things, establishing entitlements for the posting of new share certificates for the New Shares. No transfer of Shares or New Shares will be registered during this period.

#### Posting of new certificates to the Shareholders

Subject to completion of the Capital Restructuring, the Company will post the new share certificates (in blue colour) for the New Shares to the Shareholders at the Company's expense. The old share certificates (in orange colour) for existing Shares will be void automatically upon the despatch of the new share certificates. The board lot size of the fully paid Offer Shares is 10,000.

#### 2. Open Offer

Pursuant to the Debt Restructuring Agreement, the Company will issue 54,129,675 Offer Shares at the subscription price of HK\$0.74 per Offer Share and grant each Qualifying Shareholder a right to subscribe for one Offer Share for every one New Share held by the Qualifying Shareholders on the Record Date payable in full on application. Offer Shares not taken up by the Qualifying Shareholders will be fully underwritten by the Underwriter. The Underwriter is an investment holding company and its ordinary course of business does not include underwriting. It is expected that the Company will raise approximately HK\$40 million as a result of the Open Offer. The purpose of the Open Offer is to provide an opportunity for the existing Shareholders to participate in and benefit from the Restructuring and to strengthen the capital base of the Company.

#### **Issue statistics**

Basis of the Open Offer	:	One Offer Share for every one New Share held on the Record Date
Number of Shares in issue as at the Latest Practicable Date	:	541,296,756 Shares
Number of New Shares in issue upon completion of the Capital Restructuring	:	54,129,675 New Shares
Number of Offer Shares to be issued	:	54,129,675 Offer Shares
Total number of New Shares in issue as enlarged upon completion of the Open Offer	:	108,259,350 New Shares

Subscription Price	:	HK\$0.74 per Offer Share payable in full on application
Number of Underwritten Shares fully underwritten by the Underwriter	:	54,129,675 Offer Shares

As at the Latest Practicable Date, (i) there are 541,296,756 Shares in issue and no other outstanding options, warrants, derivatives or convertible securities are in issue which confer any rights to subscribe for, convert or exchange into the Shares as at the Latest Practicable Date; and (ii) the Company has not procured any undertaking and has not received any undertaking provided by any Shareholders to subscribe for their entitlement under the Open Offer or any arrangement that may have an effect on the Open Offer.

#### Qualifying Shareholders

The Open Offer is only available to the Qualifying Shareholders. The Company will send (i) the Prospectus Documents to the Qualifying Shareholders; and (ii) if and to the extent legally and practically permissible, the Prospectus and the Overseas Letter, but without the Application Form and the EAF, for information purposes only, to the Excluded Shareholders, if any.

In order to be registered as a member on the Record Date with a view to qualify as a Qualifying Shareholder, Shareholders must lodge any transfer of Shares or New Shares, as the case may be (together with the relevant share certificates) with Computershare Hong Kong Investor Services Limited, the branch share registrar of the Company, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, by 4:30 p.m. on Thursday, 9 May 2013.

Qualifying Shareholders who do not take up the Offer Shares to which they are entitled (one Offer Share for every one New Share held on the Record Date) should note that their shareholding in the Company will be diluted.

#### Closure of register of members

The register of members of the Company is expected to be closed from Friday, 10 May 2013 to Thursday, 16 May 2013, (both inclusive) for determining the entitlements of the Qualifying Shareholders to the Open Offer, and accordingly no transfer of Shares or New Shares will be registered during this period.

#### **Excluded Shareholders**

If, at 4:30 p.m. on the Record Date, a Shareholder's address on the register of members of the Company is in a place outside Hong Kong, that Shareholder may not be eligible to participate in the Open Offer.

The Company will make enquiries pursuant to Rule 13.36(2)(a) of the Listing Rules with overseas legal advisors as to the feasibility of extending the Open Offer to Overseas Shareholders taking into account the applicable securities legislation of the relevant overseas jurisdictions or the requirements of the relevant regulatory body or stock exchange for the issue of the Offer Shares to the Overseas Shareholders.

If, after making such enquiry, the Company is of the opinion that it would be unduly burdensome to, or otherwise necessary or expedient not to offer the Offer Shares to such Overseas Shareholders on account of any legal restrictions under the laws of such jurisdiction or the requirements of the relevant regulatory body or stock exchange in that jurisdiction, the Open Offer will not be extended to such Overseas Shareholders and they will become the Excluded Shareholders. The results of the enquiries and the basis of any exclusion of the Excluded Shareholders will be included in the Prospectus Documents.

The Prospectus Documents are not intended to be registered or filed under any applicable securities or equivalent legislation of any jurisdiction other than Hong Kong.

#### Conditions of the Open Offer

The Open Offer is conditional upon:

- (i) the Scheme having become effective in accordance with its terms;
- (ii) the Capital Restructuring having become fully effective as a matter of the applicable law;
- (iii) the Whitewash Waiver having been granted by the SFC;
- (iv) all necessary authorisation in applicable jurisdictions having been obtained;
- (v) the passing of the necessary resolutions to approve the Open Offer by the Open Offer Independent Shareholders at the EGM;
- (vi) the due execution of the Open Offer Documentation;

- (vii) the Underwriter fully underwriting the Open Offer by the due execution of the Underwriting Agreement; and
- (viii) the Resumption Conditions having been fulfilled, save and except (1) completion of the Open Offer and the Subscription; (2) allotment of the Scheme Shares; and (3) discharge of the Provisional Liquidators and the petition for the winding-up of the Company.

For the avoidance of doubt, the Open Offer is not conditional upon the completion of the Subscription.

None of the conditions described above can be waived by the Parties pursuant to the Debt Restructuring Agreement. As at the Latest Practicable Date, the condition described in (i) above has been fulfilled.

#### **Application for excess Offer Shares**

Any Qualifying Shareholder may apply for entitlements of the Excluded Shareholders (see the paragraphs headed "Excluded Shareholders" above) and any Offer Shares provisionally allotted but not accepted by other Qualifying Shareholders.

Qualifying Shareholders may apply for excess Offer Shares by completing the EAF and lodging the same with a separate remittance for the excess Offer Shares being applied for. The Directors will allocate the excess Offer Shares at their discretion on a fair and equitable basis on the following principles:

- (i) preference will be given to topping up odd lots to whole board lots where they appear to the Directors that such applications are made to round up odd-lot holdings to whole-lot holdings and that such applications are not made with intention to abuse this mechanism; and
- (ii) subject to availability of excess Offer Shares after allocation under principle
   (i) above, the remaining excess Offer Shares will be allocated to Qualifying Shareholders, who have applied for excess Offer Shares, on a pro-rata basis based on the number of the excess Offer Shares applied by them, with allocations to be made in full board lots where practicable.

Shareholders with their Shares or New Shares held by a nominee company should note that the Board will regard the nominee company as a single Shareholder according to the register of members of the Company for the purpose of allocation of excess Offer Shares. Accordingly, Shareholders should note that the aforesaid arrangement in relation to the allocation of excess Offer Shares will not be extended to ultimate beneficial owners individually.

Shareholders with their Shares or New Shares held by a nominee company are advised to consider whether they would like to arrange for the registration of the relevant Shares or New Shares in the name of the beneficial owner(s) prior to the Record Date.

Excess application from Qualifying Shareholders (including registered nominee company) will be accepted by the Company even if their assured entitlement of the Offer Shares is not subscribed for in full.

#### Status of the Offer Shares

When allotted, issued and fully paid, the Offer Shares will rank *pari passu* in all respects with the New Shares in issue on the date of allotment and issue of the Offer Shares. Holders of the Offer Shares will be entitled to receive all future dividends and distributions which are declared, made and paid after the date of allotment and issue of the Offer Shares.

#### Fractions of Offer Shares

Fractional entitlements to the Offer Shares will not be issued but will be aggregated and taken up by the Underwriters. The Company will not allot any fraction of Offer Shares.

#### Certificates and refund cheques for the Offer Shares

Subject to the Open Offer becoming unconditional, certificates for all fully-paid Offer Shares are expected to be despatched by ordinary post to those Qualifying Shareholders who have accepted and paid for their Offer Shares, at their own risk. Refund cheques in respect of the Offer Shares if the Open Offer is terminated will be despatched by ordinary post to the applicants at their own risk.

#### **Underwriting Arrangement**

On 18 January 2013, the Company as issuer and the Underwriter entered into the Underwriting Agreement relating to the Open Offer, under which the Underwriter has agreed to underwrite the Underwritten Shares. No underwriting commission shall be payable to the Underwriter. The Underwriter shall bear all costs, fees and out-of-pocket expenses which may be incurred by it for the performance of the Underwriting Agreement.

The obligations of the Underwriter under the Underwriting Agreement are conditional upon:-

- (i) the Resumption Conditions having been fulfilled, save and except (1) completion of the Open Offer and the Subscription; (2) allotment of the Scheme Shares; and (3) discharge of the Provisional Liquidators and the petition for the winding-up of the Company;
- (ii) the Whitewash Waiver having been granted by the SFC;
- (iii) the Scheme having become effective in accordance with its terms;
- (iv) the Capital Restructuring having become fully effective as a matter of applicable law;
- (v) all necessary notifications, registrations, applications, filings, authorisations, orders, recognitions, grants, consents, licenses, confirmations, clearances, permissions, no-action relief, exemption relief orders and approvals and all applicable waiting periods (including any extensions thereof) having been obtained or expired;
- (vi) all obligatory resolutions at an extraordinary general meeting of existing Shareholders required by applicable law or the Listing Rules having been obtained;
- (vii) the signing by or on behalf of all of the Directors of the Company of one printed copy of each of the Prospectus Documents and the certification by two Directors of two copies of each of the Prospectus Documents;
- (viii) the delivery to the Underwriter of one such copy of each of the Prospectus Documents signed by or on behalf of all of the Directors;
- (ix) the delivery to the Stock Exchange and filing and registration with the Companies Registry of Hong Kong respectively of one copy of each of the Prospectus Documents each duly certified by two Directors (or by their agents duly authorised in writing) in compliance with the Companies Ordinance (and all other documents required to be attached thereto) and otherwise complying with the requirements of the Companies Ordinance and the Listing Rules;
- (x) the posting of copies of the Prospectus Documents to the Qualifying Shareholders;

- (xi) compliance by the Company with all its obligations under the Underwriting Agreement in relation to the procedures of the Open Offer and the delivery of necessary documents; and
- (xii) the Listing Committee (1) agreeing to grant the listing of, and permission to deal in, the Offer Shares either unconditionally or subject to such conditions which the Underwriter in its reasonable opinion accepts and the satisfaction of such conditions (if any); and (2) not having withdrawn or revoked such listing and permission on or before 10:00 a.m. on Monday, 10 June 2013, being the settlement date prescribed in the Underwriting Agreement or such other date as the Underwriter may agree in writing with the Company and the Provisional Liquidators.

Save and except the conditions described in (v) and (xi) above which the Underwriter may at any time waive in writing, all other conditions described above cannot be waived by any party. As at the Latest Practicable Date, the condition described in (iii) above has been fulfilled.

If at 4:00 p.m. on the Latest Acceptance Date, there shall remain any Offer Shares not taken up by Qualifying Shareholders, then the Underwriter shall subscribe or procure subscribers for such untaken Offer Shares and shall pay or procure to be paid to the Company the amount due on acceptance in respect of such untaken Offer Shares. If the conditions set out above are not fulfilled (or not being waived by the Underwriter) by 4:00 p.m. on the second business day after the Latest Acceptance Date, the Underwriting Agreement may be terminated by the Underwriter by giving written notice to the other parties, and all rights and obligations of the parties will cease immediately upon termination save for any antecedent breach of the Underwriting Agreement.

Shareholders and potential investors of the Company should note that the Open Offer is subject to the satisfaction of the conditions of the Open Offer and the terms and conditions of Underwriting Agreement. Accordingly, the Open Offer may or may not proceed.

#### 3. The Subscription

Pursuant to the Debt Restructuring Agreement, the Investor will subscribe for and the Company will allot and issue to the Investor (or its nominee) upon completion of the Subscription (i) 202,702,703 Subscription Shares at the subscription price of HK\$0.74 each and (ii) 135,135,135 Preference Shares at the subscription price of HK\$0.74 each and for this purpose the Subscription Agreement has been entered into on 18 January 2013. The Subscription is conditional upon the satisfaction (or waiver) of the conditions precedent provided under the Subscription Agreement.

#### Subscription Shares

The Subscription Shares to be issued will rank *pari passu* in all respects with the New Shares and will have the same voting, dividend and other rights attached or accruing thereto as from the date of allotment and issue of the Subscription Shares.

#### **Preference Shares**

The Preference Shares to be issued in accordance with the Debt Restructuring Agreement and the Subscription Agreement will upon their issue carry the following rights:

Fixed cumulative dividend	:	0% per annum on the paid-up value
Ability to redeem	:	Non-redeemable
Convertibility	:	Convertible into one New Share for each Preference Share at any time after 6 months of the date of issue
Voting right	:	Non-voting at general meeting of the Company unless resolution to be proposed at a general meeting for winding-up the Company, or a resolution is to be proposed, which if passed, would vary or abrogate the rights or privileges of holders of the Preference Shares
Claim on liquidation claims	:	Upon liquidation, the claim on liquidation proceeds of the Company is senior to other ordinary shares based on the par value per Preference Share

#### Conditions precedent of the Subscription

Pursuant to the Subscription Agreement, the Subscription is conditional upon:

- (i) Resumption Conditions having been fulfilled, save and except (1) completion of the Subscription; (2) allotment of Scheme Shares; and (3) discharge of the Provisional Liquidators and the petition for the winding-up of the Company;
- (ii) the Capital Restructuring having been completed;
- (iii) the Open Offer having been completed;

- (iv) the Listing Committee of the Stock Exchange (1) having granted the listing of, and permission to deal in, *inter alia*, the Subscription Shares, the New Shares to be issued upon conversion of the Preference Shares, the New Shares to be issued as a result of the Capital Restructuring and the New Shares to be issued under the Open Offer, either unconditionally or subject to such conditions reasonably acceptable to the Provisional Liquidators and the satisfaction of such conditions (if any); and (2) not having withdrawn or revoked such listing and permission on or before 4:00 p.m. of the date of completion of the Subscription;
- (v) the Whitewash Waiver having been granted by the SFC;
- (vi) the Company having convened the EGM at which the resolutions in relation to the Subscription Agreement and the transactions contemplated thereunder shall have been duly passed by the Shareholders and all other consents and acts required under the Listing Rules having been obtained and completed;
- (vii) the Company having convened a board meeting at which resolutions shall have been duly passed by the Directors to approve the Subscription Agreement and the transactions contemplated thereunder;
- (viii) the passing of the necessary resolutions of the board of directors of the Investor approving the Subscription Agreement and the transactions contemplated thereunder;
- (ix) the obtaining by the Company and the Investor of all other necessary consents, authorisation, court sanction or other approvals in connection with the Subscription;
- (x) the absence of any law, regulation or other government action on the part of any relevant government authority which would prohibit the Company from completing the Subscription; and
- (xi) there being no material breach of the terms and conditions by any party under the Debt Restructuring Agreement.

Save and except the conditions described in (viii), (ix) and (xi), which the Provisional Liquidators may at any time waive in writing and the condition described in (xi), which the Investor may at any time waive in writing (provided that condition described in (xi) may only be waived by the Provisional Liquidators when the Investor is in default and by the Investor when the Company and/or the Provisional Liquidators are in default), all other conditions described above cannot be waived by any party. As at the Latest Practicable Date, none of the conditions described above has been fulfilled.

If the conditions described above are not fulfilled (or not being waived by the Provisional Liquidators or by the Investor (as the case maybe)) by 30 June 2013, the Subscription Agreement may be terminated by the Provisional Liquidators by giving written notice, to the other parties, and all rights and obligations of the parties will cease immediately upon termination save for any antecedent breach of the Subscription Agreement.

Completion of the issue and allotment for the Subscription Shares and Preference Shares shall take place simultaneously on the date falling after 3 business days upon the fulfilment or waiver of the conditions described above or such other date as agreed between the parties in writing.

#### 4. Debt Restructuring

#### The Scheme

Based on the notices of claim received, it was estimated that the admitted claims owed by the Company to the Creditors amounts to approximately HK\$2,651.9 million. The indebtedness figure stated above is indicative only and the payment to the claims of the Creditors will be subject to the arrangement of the Scheme. After reviewing the notices of claim received, the books and records recovered by the Provisional Liquidators and the list of shareholders of the Company, as at the Latest Practicable Date, none of the Scheme Creditors holds any Shares.

Upon the Scheme becoming effective on 9 August 2011, all the Indebtedness owed by the Company was fully compromised and discharged by the arrangements contemplated under the Scheme, in exchange for the Scheme Consideration more particularly described below:

#### Cash consideration

Cash consideration comprises (i) cash maintained in the Company's bank accounts after deducting all necessary cost and expense for the administration of the Provisional Liquidators; (ii) realisation cash proceeds from Phase I Disposal, Restaurant Business Disposal and Phase III Disposal; (iii) upon successful Resumption, part of the proceeds from the Open Offer and the Subscription or, in the event of failure in Resumption, the consideration to be paid by the Investor for the Phase II Disposal.

The estimated cash consideration is approximately (i) HK\$539.3 million if the Resumption is successful; or (ii) HK\$409.3 million if the Resumption fails. Approximately HK\$291.4 million has been distributed to the Scheme Creditors in accordance with the Scheme and the remaining cash consideration is expected to be distributed to the Scheme Creditors after completion of the Capital Restructuring, the Open Offer and the Subscription.

#### Allotment of New Shares to the Scheme Creditors

Pursuant to the terms of Scheme, the Company will allot and issue 23,380,000 Scheme Shares to the Scheme Creditors. The Scheme Shares are expected to be allotted and issued to the Scheme Creditors after completion of the Capital Restructuring, the Open Offer and the Subscription. The Scheme Shares will rank *pari passu* in all respects with the New Shares in issue as at the date of allotment and issue of the Scheme Shares.

The 23,380,000 Scheme Shares represent:

- (i) approximately 6.99% of the enlarged issued share capital of the Company upon completion of the Capital Restructuring and as enlarged by the Offer Shares, the Subscription Shares and the Scheme Shares (assuming no conversion of the Preference Shares); and
- (ii) approximately 4.98% of the enlarged issued share capital of the Company upon completion of the Capital Restructuring and as enlarged by the Offer Shares, the Subscription Shares, the Scheme Shares and following full conversion of the Preference Shares.

#### The Phase III SPA

Pursuant to the Phase III SPA, as part of the consideration for the Phase III Disposal, all indebtedness, claims and any other liability of the Company, its subsidiaries and any entity which directly or indirectly controls or is controlled by, or is under common control with the Company from time to time (collectively, the "Larger Group Companies" and each a "Larger Group Company") to any person other than a Larger Group Company up to an amount of approximately RMB480.6 million, which shall include all indebtedness, claims and any other liability of any Scheme Group Company to any person other than Larger Group Company and all contingent liabilities of the Larger Group Companies being approximately RMB120.1 million as calculated at the date of the Phase III SPA, which amount may increase when such liabilities are determined by the Provisional Liquidators, shall be deemed to be assumed by Fortune Guard immediately following signing of the Phase III SPA.

#### The Waiver Agreement

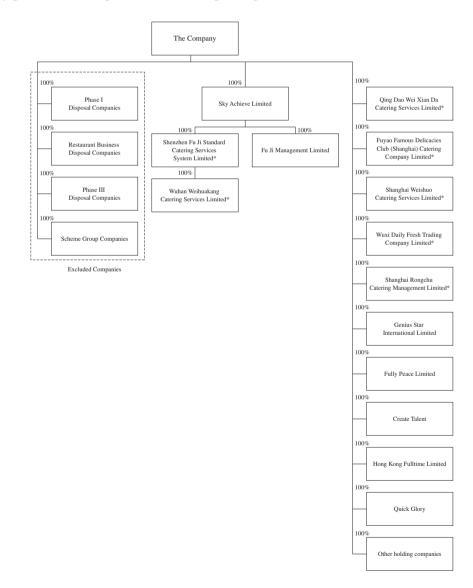
Pursuant to the Waiver Agreement, all accounts receivable due or payable between the Restructured Group and the Phase I Disposal Companies, the Restaurant Business Disposal Companies, the Phase III Disposal Companies and the Scheme Group Companies shall be waived and discharged upon Completion.

As a result of the foregoing, all the existing indebtedness of the Restructured Group will be fully compromised and discharged upon Completion except for accounts receivable due or payable between the Restructured Group Companies and debts arising from ordinary course of business.

### 5. The Group Reorganisation

Pursuant to the Heads of Terms and subsequently the Debt Restructuring Agreement, the Group has undergone a downsizing and business re-engineering on its structure and operation in an orderly manner. By proceeding with the Phase I Disposal, Restaurant Business Disposal and Phase III Disposal as contemplated in the Debt Restructuring Agreement and the relevant Restructuring Documentation, the Group will gradually scale down to become the Restructured Group. The Directors confirm that the Group Reorganisation which involves, *inter alia*, the transfer of assets of the Group to Fortune Guard by way of the Phase I Disposal, the Restaurant Business Disposal and the Phase III Disposal and the transfer of the entire shareholdings of the Scheme Group Companies to Quick Glory for the benefit of the Scheme. Since each of Fortune Guard and Quick Glory was not a Shareholder, the said transfers would not constitute special deals under Rule 25 of the Takeovers Code.

The simplified group structure of the Group as at the Latest Practicable Date and immediately prior to the completion of the Group Reorganisation is as follows:

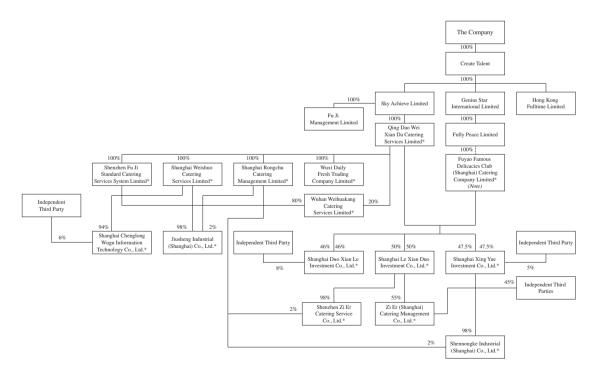


Notes:

- 1. Certain of the Restructured Group Companies were indirectly wholly-owned by the Company through the Phase I Disposal Companies, the Restaurant Business Disposal Companies, the Phase III Disposal Companies and/or the Scheme Group Companies prior to completion of the Group Reorganisation. The group structure of the Group immediately prior to the completion of the Group Reorganisation was simplified for illustrative purpose.
- 2. As at the Latest Practicable Date, certain of the Phase I Disposal Companies, the Restaurant Business Disposal Companies, the Phase III Disposal Companies and the Scheme Group Companies were transferred to Fortune Guard or Quick Glory.

The assets held by the Phase I Disposal Companies were principally land and buildings which were frozen or under the risk of repossession by the local government in the PRC. The Restaurant Business Disposal Companies were principally engaged in the operations and management of Chinese restaurants, whereas the Phase III Disposal Companies mainly hold other non-core assets of the Group, representing certain lands and buildings in the PRC. The Scheme Group Companies mainly represent investment holding companies which would be transferred to Quick Glory for the benefit of the Scheme upon Completion.

The expected structure of the Restructured Group upon Completion is as follows:



Note:

Fuyao Famous Delicacies Club (Shanghai) Catering Company Limited\* (福堯名肴會 (上海)餐飲有限公司) is currently held on trust by the Investor in favour of Fully Peace Limited.

The Restructured Group upon Completion will principally engage in the (i) provision of catering services to corporations; and (ii) production and sale of convenience food products.

The Restructured Group expects to engage in the production and sale of convenience food products mainly through its wholly-owned subsidiary, Shanghai Weishuo Catering Services Limited\*(上海味碩餐飲配送服務有限公司), Shennongke Industrial (Shanghai) Co., Ltd.\*(神 農客實業(上海)有限公司) and Hong Kong Fulltime Limited, where the provision of catering services to corporation will be conducted through other subsidiaries, namely, Shenzhen Fu Ji Standard Catering Services System Limited\*(深圳市福記標準送餐服務系統有限公司), Wuxi Daily Fresh Trading Company Limited\*(無錫多鮮樂貿易有限公司), Wuhan Weihuakang Catering Services Limited\*(武漢市味華康餐飲服務有限公司), Qingdao Wei Xian Da Catering Services Limited\*(青島味鮮達餐飲服務有限公司), Fuyao Famous Delicacies Club (Shanghai) Catering Company Limited\*(福堯名看會(上海)餐飲有限公司), Shenzhen Zi Er Catering Service Co., Ltd.\*(深圳市滋兒餐飲配送服務有限公司) and Zi Er (Shanghai) Catering Management Co., Ltd.\*(滋爾(上海)餐飲管理有限公司).

The remaining companies of the Restructured Group, namely Shanghai Rongchu Catering Management Limited\*(上海隆廚餐飲管理有限公司), Fu Ji Management Limited, Sky Achieve Limited, Genius Star International Limited, Fully Peace Limited, Shanghai Duo Xian Le Investment Co., Ltd\*(上海多鮮樂投資管理有限公司), Shanghai Le Xian Duo Investment Co., Ltd\*(上海樂 鮮多投資有限公司) and Shanghai Xing Yue Investment Co., Ltd\*(上海星躍投資有限公司) are either investment holding companies or companies principally engaging in administrative functions for the Restructured Group as at the Latest Practicable Date.

Upon completion of the Group Reorganisation, the Excluded Companies will cease to be subsidiaries or associates of the Company. It is expected that upon completion of the Restructuring, the Group will consist of the Restructured Group only.

#### **Termination of the Debt Restructuring Agreement**

Pursuant to the Debt Restructuring Agreement, the Provisional Liquidators or the Investor may by written notice to the other Parties terminate the Debt Restructuring Agreement if any of the events described in (a) to (g) below occurs before Completion; provided that no such termination of the Debt Restructuring Agreement will affect the rights and obligations of the parties under the Shortfall Guarantee, the Phase I Disposal Documentation, the Working Capital Facility Amendment, the Restaurant Business Disposal Documentation, the Phase II Documentation, the Deed of Assignment, the Waiver Agreement or the Phase III Disposal Documentation (which documents will govern the rights and obligations of the parties thereto).

(a) **Performance unlawful**: At any time, it is or becomes unlawful for any Party to perform or comply with any or all of its material obligations under the Debt Restructuring Agreement and/or any of the Restructuring Documentation;

- (b) **Incorrect representation**: Any representation, warranty or statement made by any of the Investor, the Investor Holdco and Fortune Guard and each subsidiary, associate or nominee of any of them in the Debt Restructuring Agreement or in any document furnished under or in connection therewith is incorrect in any material respect as at the date on which it is made and not remedied or otherwise rectified within fourteen (14) business days after being notified by the Provisional Liquidators of the same;
- (c) Breach: Any of the Investor, the Investor Holdco, the members of the Group, or the Provisional Liquidators has breached any of the terms and conditions set out in the Debt Restructuring Agreement which breach is unable to be fully rectified within fourteen (14) business days of such breach;
- (d) Regulatory consent or approval: Any regulatory authority in Hong Kong, the Cayman Islands, the United Kingdom, PRC or such other applicable jurisdiction and whose consent, authorisation or approval is required for any transaction contemplated by the Restructuring Documentation indicates that the required consent or approval will not be given on terms acceptable to the Parties and the reasons for its refusal to give such consent or approval cannot be overcome and such consent or approval cannot be obtained without varying one or more terms of the Debt Restructuring Agreement to the material detriment of any Party;
- (e) **Approval of the Shareholders**: The Company fails to obtain the Shareholders' approval of the transactions contemplated by the Restructuring Documentation at the EGM (or any adjournment thereof) if any such approval is required as a matter of applicable law;
- (f) **Approval of the Creditors**: The Company fails to obtain the Creditors' approval for the Scheme or as the case may be either the Cross-border Recognition or the Cross-border Scheme; or
- (g) **Court approval**: The Hong Kong Court declines to sanction approval of the Scheme or the Cayman Court declines to sanction approval of the Cross-border Recognition or the Cross-border Scheme, as the case may be.

For the avoidance of doubt, all other terms, provisions and conditions of the Debt Restructuring Agreement will remain in full force and effect and will not in any way be impaired nor made invalid or unenforceable by the occurrence of the events described in (f) and/or (g) above. The Parties have unconditionally and irrevocably agreed that in the event of the Company failing to obtain the approval of Creditors for the Scheme or as the case may be either the Cross-border Recognition or the Cross-border Scheme, the Parties will use their best endeavours to agree on the terms for a new Scheme.

# The subscription price for the Offer Shares, the Subscription Shares and the Preference Shares

The subscription price for the Offer Shares, the Subscription Shares and the Preference Shares of HK\$0.74 each represent:

- a discount of approximately 99.03% to the theoretical closing price of HK\$76.00 per New Share as adjusted for the effect of the Capital Restructuring based on the closing price of HK\$7.6 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 98.93% to the average theoretical closing price of HK\$69.26 per New Share as adjusted for the effect of the Capital Restructuring based on the average closing price of HK\$6.926 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 98.87% to the average theoretical closing price of HK\$65.34 per New Share as adjusted for the effect of the Capital Restructuring based on the average closing price of HK\$6.534 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day; and
- (iv) a premium of approximately HK\$22.04 over the audited consolidated net liabilities per New Share of approximately RMB17.46 (equivalent to approximately HK\$21.30) as at 31 March 2012 (based on the Company's audited consolidated net liabilities of approximately RMB945.2 million as at 31 March 2012 and 54,129,675 New Shares in issue upon the Capital Restructuring becoming effective).

The subscription price for the Offer Shares, the Subscription Shares and the Preference Shares was arrived at after arm's length negotiation between the Company and the Investor (in the capacity of the Underwriter in respect of the Offer Shares) after taking into account, among other things, the suspension of the trading of the Shares and the audited consolidated net liabilities per New Share of approximately RMB17.46 as at 31 March 2012 based on the Company's audited consolidated net liabilities of approximately RMB945.2 million as at 31 March 2012 and 54,129,675 New Shares in issue upon the Capital Restructuring becoming effective.

On the basis that the Qualifying Shareholders are to be offered a chance to elect to subscribe for the Offer Shares and to maintain their respective pro rata shareholdings in the Company as well as an opportunity to apply for additional shares (if they so wish) by way of application for excess Offer Shares, the Directors consider that the subscription price for the Offer Shares, the Subscription Shares and the Preference Shares is fair and reasonable and the Open Offer is in the interests of the Group and the Shareholders as a whole.

The shareholding structure of the Company after Completion is illustrated in the section headed "The Group and its shareholding structure" below. The Subscription Shares, the Preference Shares and the Scheme Shares are not subject to any lock-up restrictions.

#### **APPLICATION FOR LISTING**

The Company will apply to the Listing Committee for the listing of, and permission to deal in the New Shares, the Offer Shares, the Subscription Shares, the New Shares to be issued upon conversion of the Preference Shares and the Scheme Shares. Dealings in the New Shares, the Offer Shares, the Subscription Shares, the New Shares to be issued upon conversion of the Preference Shares and the Scheme Shares will be subject to the payment of stamp duty in Hong Kong (where applicable). Subject to the granting of listing of, and permission to deal in, the New Shares, the Offer Shares, the Subscription Shares, the New Shares to be issued upon conversion of the Preference Shares and the Scheme Shares on the Stock Exchange, the New Shares, the Offer Shares, the Subscription Shares, the New Shares to be issued upon conversion of the Preference Shares and the Scheme Shares on the Stock Exchange, the New Shares, the Offer Shares, the Subscription Shares, the New Shares to be issued upon conversion of the Preference Shares and the Scheme Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the New Shares, the Offer Shares, the Subscription Shares, the New Shares to be issued upon conversion of the Preference Shares and the Scheme Shares on the Stock Exchange or such other date as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

No expenses are estimated to be directly attributable to the issue of, and the application for the listing of the New Shares, the Offer Shares, the Subscription Shares, the New Shares to be issued upon conversion of Preference Shares and the Scheme Shares as the costs arising therefrom are covered by the Restructuring Costs whereas the Restructuring Costs (excluding the professional fees payable to the Provisional Liquidators which shall be borne by the Company) shall be reimbursed and settled by the Investor upon Completion. All Restructuring Costs (other than the professional fees payable to the Provisional Liquidators shall be borne by the Company) shall be borne by the Investor and the Company is not liable to the Restructuring Costs other than professional fees payable to the Provisional Liquidators.

#### **INFORMATION ABOUT THE GROUP**

#### Business operation prior to the trading suspension

The Group was a food and catering services provider in the PRC. The Group was principally engaged in (i) provision of catering services to corporations; (ii) operations of Chinese restaurants and theme restaurants; and (iii) production and sale of convenience food products and other related business prior to the suspension of trading of the Shares on 29 July 2009.

#### **Restoration of the Group's business operations**

The audited financial results of the Group for the four years ended 31 March 2012 are summarised below:

#### Consolidated income statement

	For the year ended 31 March			
	2012	2011	2010	2009
	(audited)	(audited)	(audited)	(audited)
	RMB '000	RMB'000	RMB'000	RMB'000
Turnover	198,046	175,626	140,505	177,902
Cost of sales	(141,801)	(128,622)	(120,226)	(130,431)
Gross profit	56,245	47,004	20,279	47,471
Profit/(loss) for the year	1,645,941	(373,907)	(471,884)	(4,348,248)

On 19 October 2009, the Company presented a petition to the Hong Kong Court for its winding-up on the ground that the Company was insolvent and unable to pay its debts taking into account its actual, contingent and prospective liabilities. By an order made by the Hong Kong Court on the same day, the Provisional Liquidators were appointed as joint and several provisional liquidators of the Company to preserve and safeguard the assets of the Company, to act in the interest of the general body of the Creditors and to explore the possibility of restructuring or other options that may be available to the Group.

On 16 March 2010, the Company, the Provisional Liquidators and the Investor entered into the Heads of Terms which set out the major provisions of the proposed restructuring of the Company including, *inter alia*, the Phase I Disposal, the Phase II Disposal, the Capital Restructuring and the Debt Restructuring as defined in the Heads of Terms, which were subject to the execution of definitive documentation. On 1 April 2010, the Hong Kong Court sanctioned, among other things, the asset disposals contemplated in the Heads of Terms.

Since the suspension of trading of the Shares, the Company and the Provisional Liquidators initiated various business restructurings with an attempt to stabilise and turnaround the core businesses of the Group which has resulted in an increase in the gross profit of the Group from approximately RMB20.3 million for the year ended 31 March 2010 to approximately RMB56.2 million for the year ended 31 March 2012. The measures taken by the Company and Provisional Liquidators include but are not limited to the following:

- Disposal of the loss-making operation of Chinese restaurants and theme restaurants;
- Closures of loss-making catering sites, which results in the reduction of number of catering sites from 33 in October 2009 to 9 as at the Latest Practicable Date;
- Reduction of the number of staff by approximately 64% to reduce overhead costs;
- Improvement of product mix and quality of food products to enhance profit margin; and
- Recommencement of the operation of the Wuxi Factory in August 2011 to increase operational efficiency.

#### Disposal of the Chinese restaurant business

Notwithstanding the remedial measures taken by the Company, the operation of Chinese restaurants and theme restaurants suffered continuous operating losses, whereas the Group is nevertheless liable for the outstanding and future rental liabilities of certain idle processing centre under the long term lease arrangements. As such, the Restaurant Business SPA was entered into for the purpose of implementing the Restaurant Business Disposal. The Restaurant Business SPA was sanctioned by the Hong Kong Court on 27 January 2011.

#### Evolution of the business models of the Group

The Group has utilised the central factory model to enhance the operational efficiency of the Group and quality of its food products over the years. The following chart illustrates the operation flow of the businesses of the Group:

#### **Central factory model**



#### Central factory model

Since the commencement of the provision of catering services in 2002, the Group operated the catering services business with several regional kitchens which supplied processed meals to nearby catering sites until 2005. This operational model was able to cope with bulk production of processed meals. Through bulk production, the Group was able to increase its production efficiency and reduce its production costs. However, the processed meals could only be preserved for around five hours by using this operational model.

The Group substituted the regional kitchens with regional processing centres set up close to the major catering sites since 2005. Production has been switched from producing processed meals to frozen semi-processed food which are delivered from the regional processing centres to the relevant catering sites. The frozen semi-processed food can be preserved for around two days instead of around five hours for the processed meals under previous operational model. The kitchen staff at each catering site then defrost and heat up the frozen semi-processed food before serving.

The Group has later developed new techniques in preserving its frozen semi-processed food where the food preservation time increases from around two days to six months. In March 2008, in addition to the regional processing centres, the Group set up a more advanced and megasized centralised processing centre (i.e. Wuxi Factory) which could produce semi-processed food products. This third generation operational model was trial-implemented in 2008 serving more than ten catering sites in the Eastern China region for a short period of time. However, due to financial crisis in 2008 and huge financial debts, the Group halted the operations of Wuxi Factory, being the then central factory, in early 2009.

As part of the business plans of the Group to minimise costs, improve production efficiency and enhance quality of food and hygiene, the Group recommenced the operations of the Wuxi Factory in August 2011 but in a smaller scale as compared to its previous operation in 2008. With the commencement of the semi-processed food business of the Group in December 2011, the Group gradually moved certain production lines to its key suppliers' factories and to outsource certain processing work to these suppliers.

As at the Latest Practicable Date, the Group operated 2 regional processing centres and Wuxi Factory. In order to further reduce operating costs and streamline the production process, some production machines at regional processing centres and Wuxi Factory were relocated to factories of the Group's key suppliers. The key suppliers' factories are responsible for the production of semi-processed food products, whereas the regional processing centres and Wuxi Factory are only involved in minimal food production and they are mainly responsible for providing procurement and logistic services. Part of the food processing procedures is also being outsourced to key suppliers' factories where key operational staff of the Group are assigned to station at and supervise the production processes with a view to monitoring and maintaining the quality of the semi-processed food products. Leasing agreements and processing agreements have been entered into between the Group and these key suppliers and they set out the major terms for production of semi-

processed food products. The key suppliers' factories are required to process the food ingredients into semi-processed food products based on the (i) raw materials sourced through the suppliers of the Group; (ii) recipes of the food products provided by the Group; and (iii) required quality control procedures of the Group to ascertain safety and quality of the food products produced. These semi-processed food products will in turn be utilised in two major business categories of the Group.

The recommencement of the central factory model and the relocation of production process to key suppliers' factories has brought various benefits to the Group by directly and indirectly reducing operational costs and increasing the Group's revenue:–

- The cost per unit of output is lower than that under a regional processing centre model due to economies of scale and intensive use of machineries;
- As substantial portion of the food processing work is performed in the key suppliers' factories, the number of experienced chefs and preparation staff required for cooking on catering sites can therefore be reduced;
- It can significantly reduce wastage of food i.e. abnormal wastage cost. Large catering clients usually require non-stop supply of meals every day. As it will only take around 15 minutes to convert semi-processed food to meals available for serving, excessive dishes due to the difficulty in estimating the daily number of meals required will be avoided;
- Apart from cost savings, the central factory operation can further enhance control over hygiene of food production hence minimising the possibility of food accidents; and
- As there is an intensive use of machines, food products are at high level of standardisation and have less fluctuation in size, weight and quality.

#### The businesses of the Group

The Group is currently engaged in (i) provision of catering services to corporations; and (ii) production and sale of convenience semi-processed food products.

#### (i) Provision of catering services business

The catering services of the Group include setting up and operation of canteens in premises provided by customers of the Group. The Group generates revenue from sales of meals to the end customers of the canteens who pay by meal cards, and/or in cash. The Group arranges settlement with certain institutional customers on a monthly basis in accordance with the number of meals served for each month. As at 31 December 2012, the

Group had the capacity to serve more than 60,000 sets of meals per day. As at the Latest Practicable Date, the Group provided catering services at 9 catering sites and the end customers were mainly factory workers of small to medium enterprises and students.

#### Sales

The Group participates in tenders or directly negotiates with potential customers for catering business opportunities. The Group evaluates the potential catering sites based on various factors, including (i) the location of the catering sites; (ii) the specific requirements on food quality and variety set by the catering sites; and (iii) the estimated number of target customers. Upon reaching a consensus, the Group and the customers will enter into catering services agreements which set out major business terms and conditions, such as the number and variety of meals, capital commitment by the Group and utilities expenses sharing.

The normal practice of the Group is to set up canteens, the size and number of which depend on the expected number of meals to be served on-site, directly at the location of the customers. The Group is granted a right to provide catering services and the Group generates revenue by selling meals to end customer.

#### Products

The Group currently serves breakfast, lunch and dinner at the catering sites. The products currently provided by the Group for the catering services business include (i) Chinese fast food standard meals which represent daily pre-determined meal sets; and (ii) Chinese delicious meals. Chinese delicious meals represent "free selection set" whereas the end customers can choose from a variety of cuisines offered by paying a higher price as compared to the Chinese fast food standard meals.

#### (ii) Production and sale of convenience seafood and semi-processed food

Since February 2004, the Group has engaged in the sale of convenience food products under the Group's "Home Kitchen" brand and the convenience food business is regarded as a "business-to-customers" business. "Home Kitchen" food products are mainly lunch boxes which require heating up in microwave ovens and can be served within a few minutes. However, this "business-to-customer" convenience food business had been temporarily suspended in June 2011 owing to the refinement of business strategy. The Group recommenced its convenience food business in the last quarter of 2011 focusing on semi-processed food business and convenience seafood business.

The Group commenced the new convenience seafood business in October 2011 and offering tailor-made frozen seafood products at reasonable prices to capture the high demand for frozen seafood from overseas customers.

The semi-processed food business commenced in December 2011. At the request of some customers, the Group offers customised semi-processed food products (mainly meat) on the basis that such products were immediately available for use by customers, which are mostly small to medium-sized catering service providers. This brought great convenience to customers in terms of cost reduction and saving of time hence allowing customers to optimise their time and cost. The semi-processed food business further improves production efficiency and economies of scale by leveraging on the production capacity of certain key suppliers and the existing production lines of the Group. Also, this allows the Group to maximise the usage of raw materials and minimise wastage.

#### Sales

For the sale of convenience seafood products, the Group discusses with its potential customers in respect of their requirements such as the type, quantity, size of the seafood products and other specific requests (if any), for example, clearing of internal organs, cutting of heads and tails, etc. Upon customers' confirmation, sales contracts are entered into between the Group and customers to document major terms of the sales order and the customer will issue an official sales order to the Group. Upon receipt of a sales order from a customer, the Group will source the required seafood products from its existing network of suppliers or request the processing factories to produce the products based on the customer's specifications. The products will be delivered directly to the customers. Customers are required to settle their invoices within 15 days upon delivery.

For the sale of semi-processed food products, the Group discusses with potential customers or distributors in respect of the types of semi-processed food products they would like to order. Upon confirmation, a sales contract will be entered into between the Company and that customer/distributor to confirm the key business terms, including the service period, delivery time, price, type of products, standard of quality and credit terms. During the service period specified in the sales contract, the customer/distributor will regularly (e.g. weekly or monthly) notify the Group the estimated quantity of products demanded by issuing official sales order to the Group and the Group will then request the key suppliers' factories to produce the products based on their specifications. The key suppliers' factories will then deliver the products directly to the customers/distributors who are required to settle their invoices within 30 days.

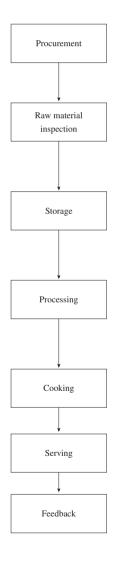
#### Products

The products currently provided by the Group for the convenience seafood and semiprocessed food include pork, poultry, frozen seafood products, fishes, seasoning and noodles.

#### **Procurement and production**

The Group is committed to its customers' satisfaction with the quality and hygiene standard of its food products. The procurement and production processes of the Group is summarised under the paragraph headed "Central factory model" in this section.

To ensure the hygiene standard of the production of food by the Group, the Group has implemented the HACCP system for its production line in the regional processing centres, Wuxi Factory and key suppliers' factories. The HACCP system is a set of control and analysis procedures which promotes services efficiency and hygienic control by employing food processing technology, microbiology, quality control and hazard analysis. It controls hazard analysis at every "critical point" in the food production process, including food ingredients purchasing and food production etc. The control procedures implemented by the Group are summarised as follows:



The Group focuses on sourcing food ingredients directly from primary source. The Group implements "Control procedures for sourcing (採購控制程序)", "Selection procedures for qualified supplier (合格 供貨商確定程序)" and "Qualified supplier assessment procedures (合格供應商評審程序)" etc. for supplier selection.

All delivered/supplied food ingredients will be examined and inspected by the standardisation department to ensure the quality and quantity procured by the Group are in accordance with the Group's policy and standard. The Group implements "Testing procedures for raw material (原材料檢驗程序)", "Inspection standard for poultry (家禽驗收標準)", "Inspection standard for pork (豬肉驗收標準)" and "Inspection standard for vegetables (蔬菜驗收標準)" for food ingredients inspection.

The delivered/supplied food ingredients will be delivered directly to the key suppliers' factories for processing. The Group implements "Warehouse cleaning and sterilization procedures (倉庫清潔消毒程序)", "Food ingredients storage period labelling standard (食品原料安全存儲期限標準)", "Refrigeration cleaning and sterilization procedures (冰箱清潔消毒程序)" and "Seafood container pool cleaning and sterilization procedures (海鮮池清洗消毒程序)" to manage its warehouse and food storage.

The Group's key suppliers' factories will process the food in accordance with "Production equipment cleaning and sterilization procedures (生產加工設備清洗消毒程序)", "Guidelines for the sterilization and use of knives (刀具消毒和操作規範)", "Chopping board cleaning and sterilization procedures (砧板使 用清洗消毒程序)", "Vegetables cleaning machine cleaning and sterilization procedures (蔬菜清洗機清 洗消毒程序)" and "Sashimi tools cleaning and sterilization procedures (刺身房工具消毒程序)".

The Group implements "Hand washing and sterilization procedures (洗手消毒程序)", "Wok and pan and cleaning and sterilization procedures (炒鍋、煮鍋清潔消毒程序)" and "Cleaning cloth usage and cleaning and sterilization procedures (抹布使用清洗消毒程序)" to ensure the hygiene of the cooking and sterilization process.

The Group implements "Utensils cleaning and sterilization procedures (餐具清洗消毒程序)" and "Environment hygiene standard procedures (環境衛生操作程序)" while serving the Group's customers.

HACCP control system includes the document control for the feedback of clients. The Group implements "Technical documents control procedures (技術文件控制程序)", "Document record control procedures (文件記錄控制程序)" and "Customer complaint control procedures (顧客投訴控制程序)" to monitor the feedback from customers.

The production process for the catering services business begins with the purchase of raw materials, including vegetables, pork, chicken, fish, spices, rice, from different suppliers. Raw materials will then go through various processes, including but not limited to, categorisation, washing, cutting into pieces, and then further processed in the key suppliers' factories.

Under the agreements entered into between the Company and the key suppliers' factories, the key suppliers' factories are required to process the food ingredients into semi-processed food products based on the (i) raw materials sourced through the suppliers of the Group; (ii) recipes of the food products provided by the Group; and (iii) required quality control procedures of the Group to ascertain the safety and quality of the food products produced. The agreements also set out major terms in relation to the production of food products, such as the processing fees, duration of the service, quality specification of the food products to be produced, quality control procedures and food products delivery arrangement agreed between the parties at arms' length negotiation. The Group is required to pay processing fees to the suppliers at predetermined rates and apart from the processing fees, the Group may also be charged for food storage fees if the food products are kept at the key suppliers' factories in excess of the agreed period set out in respective agreements. The key suppliers' factories are required to obtain necessary licenses and comply with the quality and hygiene regulatory requirements for food production and are subject to inspections by the Group.

The semi-processed food products will then be stored either in the cold storage in the key suppliers' factories and/or the Wuxi Factory and regional processing centres and be recorded as the assets of the Group which will be delivered to catering sites for further processing or cooking. Local kitchen staff at the catering sites will defrost and re-heat the semi-processed food products and serve the same to the end customers. For non-meat dishes, raw materials are generally sourced by, and directly cooked at the kitchens at the catering sites before serving. The production lines under the central factory model adopted by the Group are capable of mass production.

#### **Quality control**

#### (i) Provision of catering services business

The Group appoints procurement personnel to regularly evaluate suppliers' performance and would only enter into contracts with suppliers who have obtained quality certifications and meet the standards of the Group. Technical personnel have been assigned to station in the regional processing centres, Wuxi Factory and the key suppliers' factories to monitor the production process, to conduct inspections and to exert control over quality, quantity and hygiene during food production process.

#### (ii) Production and sale of convenience seafood and semi-processed food

Before delivering the semi-processed seafood products to overseas customers, products will be sent to the China Inspection and Quarantine Bureau for inspection and quarantine. Quality certificate will be issued upon satisfactory inspection which will then be used to obtain export goods customs clearance. The Group will also conduct inspections on the semi-processed seafood products before shipping to its customers.

Sales contracts for semi-processed food products are entered into with customers which abide to the regional and local food hygiene laws and regulations. During the food production process, technical personnel were assigned to station in the regional processing centres, Wuxi Factory and key suppliers' factories to monitor the production process and to exert control over quality, quantity and hygiene of food production. Upon customers' request, products could be sent to the China Inspection and Quarantine Bureau for inspection and quarantine.

#### Inventory control and procurement process

The food ingredients and raw materials used for processing through the key suppliers' factories are sourced through the centralised procurement system and processed in accordance with the Group's standardised recipes and procedures. Procurement personnels in the regional processing centres and Wuxi Factory are responsible for collecting and consolidating purchase orders, ordering requisite food ingredients from suppliers and arranging allocation and delivery of food ingredients to the regional processing centres and/or key suppliers' factories. The Group will make initial deposit payments to these factories before placing orders and the deposit will later be set-off against the processing fee payable by the Group for its orders. The Group sources certain types of seafood for its convenience seafood business from its existing network of seafood suppliers in the coastal provinces, in particular, Fujian province. The Group is required to settle each seafood purchase invoice immediately after the corresponding purchase agreement has been signed. Customised frozen seafood products will then be directly transported by the supplier to locations (usually ports) designated by the customer. For the food ingredients which are perishable such as vegetables, with the approval from the finance department at the headquarters, the key operational staff of the Group stationed at the key suppliers' factories makes purchase at a minimum level pursuant to the estimated quantity required for its production.

Procurement personnels in the regional processing centres and Wuxi Factory are also responsible for the selection of suppliers for raw materials or food ingredients. To ensure stable and timely supply of food ingredients with good quality, the Group regularly evaluates the performance of the suppliers and has only entered into supply contracts with suppliers who have obtained quality certifications. Suppliers, on the other hand, are required to supply the food ingredients and raw materials which conform with the requirements under the PRC laws and regulations, and any other relevant safety standards and hygiene requirements.

Since the convenience seafood and semi-processed food products are sourced and produced upon receipt of each sales order and will be delivered to the customer in the same month, the Group is able to maintain inventory at a low level.

#### Logistics arrangement

The majority of the food ingredients sourced by the Group are delivered by the suppliers to the key supplier's factories for processing directly. Processed food products will either be stored in the cold storage facilities in the key suppliers' factories or delivered to the Wuxi Factory or regional processing centres. Procurement personnels in the regional processing centres and Wuxi Factory are responsible for arranging allocation and delivery of food ingredients to and from the key suppliers' factories as well as delivery of the food products to the catering sites and the customers of the convenience seafood and semi-processed food. The Group has engaged external delivery services companies to support the logistics arrangement by the procurement personnels of the Group.

#### Leases

As at the Latest Practicable Date, the Group has leased 5 properties for offices, processing centres and factories for terms varying from 1 to 5 years.

#### **Major customers**

As at the Latest Practicable Date, the Group mainly provides catering services to institutional clients, universities and local authorities in the PRC.

The top 5 major catering site customers are Shenzhen Hongfujin Precision Industry Co., Ltd.\* (鴻富錦精密工業(深圳)有限公司), Qingdao Haiyongda Property Management Co., Ltd.\* (青島海永達物業管理有限公司), Anhui Polytechnic University (安徽工程大學), Anhui University of Finance & Economics (安徽財經大學) and Zibo Vocational Institute (淄博職業學 院). The terms of the catering services agreements depend on the negotiation with the individual customer. Please refer to the below table for the contractual terms of the catering services agreements with the top 5 major catering site customers of the Group and the respective previous renewal duration.

Customer name	Contractual terms	Previous renewal duration	Year of commencement of business
Shenzhen Hongfujin Precision Industry Co., Ltd.* (鴻富錦精密工業(深圳) 有限公司)	1 January 2013 to 30 June 2013	6 months	2007
Qingdao Haiyongda Property Management Co., Ltd.* (青島海永達物業管理有限公司)	1 April 2012 to 31 March 2013	7 months to 15 months	2010
Anhui Polytechnic University (安徽工程大學)	17 August 2012 to 17 August 2013	12 months	2010
Anhui University of Finance & Economics (安徽財經大學)	10 April 2011 to 20 July 2016	Not applicable	2011
Zibo Vocational Institute (淄博職業學院)	1 August 2011 to 31 July 2013	36 months	2008

For each of the two years ended 31 March 2011 and 2012, total sales to the top five customers of the Group amounted to approximately 92.0% and 82.1% of the Group's turnover respectively. In particular, sales to the largest customer of the Group accounted for approximately 73.9% and 32.9%, of the Group's total turnover for each of the two years ended 31 March 2011 and 2012 respectively. As at the Latest Practicable Date, the Group has entered into sales agreements with 2 customers and approximately 30 local distributors which purchase semi-processed food from the Company and has secured 2 customers which purchase frozen seafood products on a regular basis. The customers/distributors of the semi-processed food products are located in the PRC while the customers of the convenience seafood products are located in Philippines.

#### Marketing

The Group operates in a highly competitive food and beverage industry. Despite the competition in the industry, the Group does not advertise its brand and business through media in the PRC as at the Latest Practicable Date but instead, solicit customers through the existing customers and businesses networks of the senior management for reduction of costs. The Group targets large corporations and institutional organisations in newly developed business districts to market its catering services businesses. In addition, the Group promoted its convenience food business through its showrooms located at some regional food ingredient wholesale centers by demonstrating its product samples and distribution of promotional pamphlets with food product price to potential customers and through the existing customer base and business networks of the senior management.

#### **Major suppliers**

The Group further modified and re-commenced its central factory model in August 2011 to centralise the sourcing of raw materials and food ingredients and the production of semi-processed food by moving certain production lines to the key suppliers' factories and outsourcing certain processing work to these suppliers. The production of semi-processed food products serves both the catering services business and the convenience seafood and semi-processed food business of the Group. Therefore, both businesses share the same production machines and food ingredients.

Some production machines at regional processing centres and Wuxi Factory were relocated to the key suppliers' factories which are closer to the catering sites. Leasing agreements and processing agreements have been entered into between the Group and the key suppliers which set out the major terms for production of semi-processed food products. The key suppliers' factories are required to process the food ingredients into semi-processed food products based on the (i) raw materials sourced through the suppliers of the Group; (ii) recipes of the food products provided by the Group; and (iii) required quality control procedures of the Group to ascertain the safety and quality of the food products produced.

The Group has also established stringent internal control measures and standards for selecting and approving suppliers and their processing factories. In the process of food production, the Group makes concerted efforts to ensure each production procedure meets the required quality control standards. Technical personnel are appointed to station and monitor at the regional processing centres, Wuxi Factory and key suppliers' factories to monitor the production process and procurement team is established for selection of suppliers.

For each of the two years ended 31 March 2011 and 2012, total purchase from the top five suppliers amounted to approximately 48.5% and 76.7% of the Group's purchase respectively. In particular, purchase from the largest supplier of the Group accounted for approximately 16.1% and 42.2% of the total purchase of the Group for each of the two years ended 31 March 2011 and 2012 respectively. During the six months period ended 30 September 2012, the purchases from catering services business and convenience food business accounted for approximately 23.4% and 76.6% of the Group's total purchases, respectively. For catering services business, all top five suppliers of the Group have established business relationship with the Group for more than 2 years. The Group is therefore able to negotiate and ensure a better control on the quality, cost and delivery time of raw materials.

#### Settlement

#### (i) Provision of catering services business

The Group keeps cash sales at a minimal level. Depending on the facilities at the customers' catering sites and the arrangement with the customers, the Group generally arranges settlement by the customers through (i) credit; (ii) value-stored card system; or (iii) meal coupon system as follows:

*On credit:* The Group settles the balances with the institutional customer on a monthly basis in accordance with the number of meals served for each month. In general, varying from customers, the credit period granted to the customers ranged from approximately 30 to 60 days;

Value-stored card system: The end customers purchase credits in advance with a value-stored card from the management of the catering venue. With every purchase of meal made at canteens, the value of the purchase will be debited from the value-stored card. The Group then settles the balances with the management of the institutional customers on a monthly basis with reference to the aggregate value recorded in the value-stored card system for the sales during the period; and

*Meal coupon system:* The end customers purchase meal coupons by cash at the cashier of the canteens. The meal coupons can be exchanged for meals in different values upon presentation to the service counter at the canteens.

#### (ii) Production and sale of convenience seafood and semi-processed food

The customers for the convenience seafood and semi-processed food business are usually on credit and customers are required to settle their invoices within around 15 to 30 days from delivery of food products.

#### **Cash control**

In the event that cash is received from its catering services business for the sale of meal coupons, the cash is initially kept at the site cashiers. The site cashier is required to report the number of meal coupons received and sold in the daily cash report which is checked by the team leader at each catering site. Cash count is performed at each shift end by the site cashier and is inspected by the team leader and daily cash report is prepared and submitted together with the cash received to the finance department for final checking.

#### Insurance

The Group's insurance policies primarily cover social insurance and damage to certain fixed assets. In order to minimise its product liability risks, the Group places significant emphasis on quality control and food safety. The Directors consider that the Group's current insurance coverage over its production facilities, fixed assets and product liability is adequate.

#### Competition

The food and beverage industry in the PRC is highly competitive and competitions are expected to intensify. Barriers to entry to the industry are considered minimal for small to medium scale food service providers as new entrants can access the market fairly easily provided that they can satisfy certain general and specific licensing requirements. Apart from initial capital investment, there is no significant barrier or restriction on entry to this industry. The Group competes directly and indirectly with other service providers in the PRC in the food and beverage business in terms of location, pricing, services, food quality and variety and financial resources.

The Group has implemented various measures on cost control, quality control, efficiency and product innovation to maintain its competitiveness with its competitors, both local and foreign catering service providers. In anticipation of increasing competition in the Group's respective business, the Directors believe that the Group as a whole is well-positioned to compete effectively in the respective areas of operation, based on the Group's development of the central factory model that enhances production efficiency, the cost cutting measures, the emphasis on food safety and the economies of scale achieve through the central procurement of food ingredients and raw materials.

#### Intellectual property rights

As at the Latest Practicable Date, the Group has registered 112 trademarks in the PRC for its operations. The Group has registered the domain name of <u>http://www.fujicateringhk.com</u>. As at the Latest Practicable Date, the Group had not received any claim against it for infringement of any trademark nor was it aware of any pending or threatened claims in relation to any such infringement, nor had any claim been made by the Group against third parties in relation to the infringement of intellectual property rights owned by the Group or third parties.

### Outsourcing

As at the Latest Practicable Date, the Group gradually moved certain production lines to its key suppliers' factories and to outsource certain processing work to these suppliers. Key operational staff of the Group are assigned to station at and supervise the production process with a view to monitoring and maintaining the quality of the semi-processed food products. Leasing agreements and processing agreements have been entered into between the Group and these key suppliers and they set out the major terms for production of semi-processed food products. In addition, as at the Latest Practicable Date, the Group has also procured external delivery service providers for food products delivery and delivery of food ingredients and raw materials to respective factories for production.

#### **BUSINESS STRATEGIES**

#### **Location selection**

Following significant downsizing, the Group's business operations will be concentrated in several coastal provinces, namely: Shandong, Jiangsu, Anhui and Guangdong. The Group's headquarters and centralised processing centre is located in Wuxi of Jiangsu province.

For the sake of management efficiency and cost minimisation, certain production lines are relocated to the key suppliers' factories. In the future, the Group will first focus on business expansion in the greater Changjiang delta region and Shandong, followed by other coastal provinces, such as Guangdong and Fujian. Expansion in the inland and western provinces of the PRC such as Qinghai, Gansu and Tibet will be of lower priority due to their long distance from the key suppliers' factories.

### **Operational efficiency**

The centralised procurement system adopted by the Group enables the Group to collectively procure the food ingredients and raw material used in its production activities. Procurement personnels in the regional processing centres and Wuxi Factory are responsible for collecting and consolidating purchase orders, ordering requisite food ingredients from suppliers and arranging allocation and delivery of food ingredients to the regional processing centres and key supplies' factories. Centralised procurement enables the Group to achieve economies of scale, thereby reducing its production costs. Further, the Group can achieve better control in the overall planning and operation of the Group's business.

#### Food and service quality and safety

The Group is committed to ensuring customers' satisfaction with the food and services it provides. The central factory model facilitates the Group with greater control over the procurement of food ingredients and production of its food products. As a result, the Group can deliver food and services of consistent quality throughout its business. In addition, the Group places great emphasis on the safety of its food products through applying strict quality control measures. As at the Latest Practicable Date, the Group has obtained the HACCP certificate and ISO certificate for its production and quality management systems. The HACCP accreditation and the Group's other efforts in achieving high standard of food safety give the Group a competitive advantage over its competitors.

#### Size of the end customers in the catering sites

The Directors consider that the Group can achieve economies of scale with higher operational efficiency in serving sizable catering sites. The Group is able to optimise the benefits by sharing of delivery charges for the food products produced from the key suppliers' factories and bulk purchase of food ingredients and raw materials used in its production activities. In order to ascertain the profitability of the operations of catering sites, the Group will focus on serving sizeable institutional clients and local universities with more than 3,000 headcounts. The Group was able to achieve an average of more than 60,000 meals served per day for its catering sites for the six months period ended 30 September 2012.

### **COMPETITIVE STRENGTHS**

#### Centralised factory model enhances operational effectiveness and cost efficiency

Under the central factory model of the Group, procurement of certain raw materials will be highly centralised. This centralised procurement system allows the Group to procure in bulk for the food ingredients and raw materials that are required by its catering services and semi-processed convenience food production. Food processing will further be carried out in centralised locations.

The Group, as far as practicable, procures the food ingredients directly from primary resources rather than through intermediaries to reduce intermediary costs. By procuring in bulk, not only the Group could bargain for lower prices to reduce the Group's production costs, but it also enables the Group to achieve economies of scale by maximising the usage of food ingredients, minimising wastage and sharing common resources. The Group can also benefit from central procurement and production on its quality standardisation as detailed under the paragraph headed "Central factory model" in this section thereby enhancing overall operational efficiency of the Group and reducing in its overall production costs.

#### **Quality Control**

The central factory model coupled with standardised quality management systems adopted throughout the various stages of production enable the Group to produce high quality products. In addition, the Group also deploys key operational staff to station in key suppliers' factories to supervise the production process and carry out quality control on semi-processed food products. As there is an intensive use of machines under the central factory model, food products are at high level of standardisation which reduces fluctuation in size, weight and quality of the food products produced. The key operational staff stationed in key suppliers' factories can also examine the food products on sites once the food products were produced.

The Group places great emphasis on the safety of its food products through applying strict quality control measures. As at the Latest Practicable Date, the Group has obtained the HACCP certificate and ISO certificate for its production and quality management systems. The relevant quality control measures for the catering services business and the convenience food business are disclosed under the paragraphs headed "(i) Provision of catering services business" and "(ii) Production and sale of convenience seafood and semi-processed food" in this section respectively. The HACCP accreditation and the Group's other efforts in achieving high standard of food safety give the Group a competitive advantage over its competitors.

# Long operating history with established reputation in the food and beverage market in the PRC

The Group has been engaging in the food and beverage industry in the PRC under the brand name "Fu Ji (福記)" since 2000 and has established a reputation as a provider of quality food and catering services. The Directors believe that the Group's reputation and brand recognition was built upon the consistent provision of quality food and services by the Group through adopting stringent criteria for choice of food ingredients.

#### **Experienced management**

The Group's proposed key management members have good academic background with extensive management experience. Their industrial and management experiences will be an invaluable asset to the Group and a key element to the Group's success and future advancement.

#### Staff

The number of staff (including the executive Director) of the Group as at 31 December 2012 was as follows:

Functions	Number of employees
Merchandising & planning	20
Sales & marketing	32
Quality control	19
Administration	88
Production	946
Total	1,105

Senior management

The existing senior management of the Group comprises the following members:

**Mr. Tan Ru Cheng** ("Mr. Tan"), aged 40, obtained a bachelor's degree in food science and engineering and a master of natural science in microbiology from Huazhong Agricultural University\* (華中農業大學) in China in 1997 and 2004 respectively.

In September 2008, Mr. Tan joined the Group and has worked as the research and development director of the product research and development department of the Company. Prior to 2008, he has worked as a teaching assistant and lecturer in cooking techniques, principles of food engineering and food plant designs courses at Huazhong Agricultural University\* (華中農業大學) in China.

Mr. An Yong Hong ("Mr. An"), aged 34, obtained a bachelor's degree in philosophy from Xiangtan University\* (湘潭大學) in China in 2002. Mr. An has years of management experience in large enterprises and is familiar with business management processes. Mr. An worked as the executive of general office of Hunan Junhe Group Co., Ltd\* (湖南駿和集團 有限公司) from March 2010 to June 2011. Mr. An later joined Hunan Guangyi Group Co., Ltd\* (湖南廣益農業開發集團股份公司) from August 2011 for a year and in charge of the human resources department. Mr. An joined the Group in October 2012 and is currently the vice president of business administration department of the Group.

Ms. Gong Yi Heng ("Ms. Gong"), aged 40, obtained a bachelor's degree in finance and accounting from Changsha University (長沙大學) in China in 1994. Ms. Gong also obtained master of business administration, an online distance learning programme from Columbia Southern University in 2004. Ms. Gong has years of experience in financial management. Before joining the Group, Ms. Gong served as the chairman of the board of supervisors in Guangdong Sunrise Holdings Company Limited (廣東盛潤集團股份有限公 司). Ms. Gong joined the Group in September 2011 and is currently the vice president of the accounting department of the Group.

Mr. Zhang Wan Wei ("Mr. Zhang"), aged 40, obtained a bachelor's degree of statistics and international trade from Jiangxi University of Finance and Economics\* (江西財經學院) in 1994 and a master in business administration in Shanghai University of Finance and Economics\* (上海財經大學) in China in 2009. Mr. Zhang has 17 years of experience in investment and financing. He worked at the Wuxi branch of China Citic Bank\* (中信銀行股份有限公司無錫分行) from July 1994 to June 2002 and at Nanhua Development Group Co., Ltd.\* (南華發展集團有限公司) from June 2002 to November 2006. He also served as a general manager of Zhejiang Hengxingli Holding Group Co., Ltd.\* (浙江恒興力控股集團有限公司) from December 2006 to December 2009. Mr. Zhang joined the Group in March 2010 and is currently the vice president of investment and financing department of the Group.

**Mr. Jin Yuan Hai** ("Mr. Jin"), aged 31, graduated from Northwestern Polytechnical University\* (西北工業大學) in China with a bachelor of computer science and technology in 2003. Mr. Jin has 7 years of experience in software development and information management. Mr Jin worked as the senior development engineer from June 2004 to March 2009 at Shanghai Yiwei Information Technology Co., Ltd.\* (上海怡維資訊科技有限公司). After that, Mr Jin worked as the development director at Jollywiz Digital Business Limited\* (上海樂麗電子商務服務有限公司) in Shanghai for 2 years since June 2009. Mr. Jin joined the Group in November 2011 and is currently the vice president of information technology department of the Group and is responsible for the overall development of the information system.

Mr. Chang Jian ("Mr. Chang"), aged 38, graduated from Baoton University of Iron and Steel Technology\* (包頭鋼鐵學院) with bachelor of metals pressure processing in 1998. Mr. Chang obtained a master in industrial engineering from Wuhan University of Science and Technology\* (武漢科技大學) in 2009. Mr. Chang has approximately 15 years of experience in human resources management. Previously, Mr. Chang worked as a process technician, director of assets management department and human resources department during his employment at Shougang Shuicheng Iron&steel (Group) Co., Ltd.\* (首鋼水城鋼鐵(集團) 有限責任公司) from July 1998 to August 2005. Mr. Chang worked as the human resources project supervisor at China Stone Management Consulting Group\* (北京華夏基石企業管理 諮詢有限公司) from September 2005 to August 2010. After that, Mr. Chang worked as the director of human resources and strategic development of Shanghai Huitian New Chemical Material Company Limited\* (上海回天化工新材料有限公司) for about 2 years since September 2010. Mr. Chang joined the Group in July 2012 and is currently the vice president of human resources department of the Group.

Ms. Du Wei Wei ("Ms. Du"), aged 32, obtained a bachelor's degree of chemical engineering and crafts from Xiamen University\* (廈門大學) in China in 2003 and a master in business administration from University Aix-Marseille III in France in 2009. Ms. Du has 7 years of experience in business administration and participated in several international projects. She worked at the international project department of Chiway Education Group\* (中鋭教育集團) for 4 years since July 2003 and at Lafarge Group in France in September 2008 to February 2009. Ms. Du joined the Group in June 2009 and is currently the vice president in law and contract management department of the Group.

Mr. Zhou Aijie ("Mr. Zhou"), aged 39, graduated from East China Institute of Chemical Technology\* (華東工業大學) with a bachelor of system engineering in 1996 from East China Institute of Chemical Technology\* (華東工業大學), which has later been renamed as East China University of Science and Technology\* (華東理工大學) in May 1996. He also obtained a master in business administration from Fudan University\* (復旦大 學) in China in 2002. Mr. Zhou joined the Group in February 2003 as business development manager and was responsible for the overall development of the Group and is currently the department head of the catering services business department of the Group. Mr. Zhou is currently also working as the guest graduate school instructor of the School of Management of Shanghai University\* (上海大學管理學院) since May 2012.

As explained below, a new Board will be formed and assisted by the existing management team of the Group in operating the business of the Group.

The current Board comprises Mr. Chin Chang Keng, Raymond as executive Director, and Mr. Chung Wai Man as independent non-executive Director. Upon Completion and Resumption, it is proposed that all existing Directors will resign from the Board and the Investor will initially nominate Ms. Yang Qin and Mr. Wang Jianqing as new executive Directors, Dr. Leung Hoi Ming, Mr. Mak Ka Wing, Patrick and Mr. Sung Wing Sum as independent non-executive Directors. Details of the background of the proposed Directors are set out in Appendix VI in this circular.

Based on the aforesaid, the Group believes that the new Board has sufficient expertise in running the business of the Group.

#### **PROSPECT AND FUTURE PLAN**

Leveraging on the business network of the Investor and riding on the successful implementation of the business model, the Company will continue to reinforce its position in improving major businesses and expanding its business scale based on the following business strategies of the Group. The Group intends to further streamline its operations to further enhance its profit margin and improve quality assurance.

Based on the existing resources available to the Group and on the assumption that the Open Offer and the Subscription will be successfully implemented, the Group has formulated the following business plan to develop the existing business portfolio of the Group:

#### (i) Expansion of the catering services business

The Group plans to open 10 to 12 new catering sites in 18 months following Resumption. For this purpose, the Group is in search for potential target customers. The management of the Group is currently in discussion with various potential customers with a view to developing business relationships with them in terms of the catering services business of the Group. As at the Latest Practicable Date, no written agreement has been entered into in this regard.

#### (ii) Enhance popularity of food products

According to the National Bureau of Statistics of China, the average growth rates of per capita disposable income and consumption expenditure of urban households and rural households in the PRC have been rising over the years. It is the expectation of the Group that coupled with the increasing disposable income, people would be more cautious on food choices and their consumption would likely aim at higher quality food. To capture this business opportunity, the Group is looking into producing higher quality food products and meals at its catering sites to offer better choices to customers. The Group has served Chinese delicious meals at its catering sites. Since the price of the Chinese delicious meals are higher than the other standard meals served at the catering sites of the Group, the wider acceptance of the Chinese delicious meals can contribute to a higher profit margin of the Group.

#### (iii) Expansion in the convenience seafood and semi-processed food business

The Group plans to continue to expand the convenience seafood and semi-processed food business through its distributors. The Group has enhanced its marketing capabilities through its convenience food business by way of strategically locating its showroom at some regional food ingredients: wholesale centers with its product samples and distribution of promotional pamphlets with food product prices. With improved operational efficiency and lower cost of production through the central factory model, the Group targets to solicit potential customers for the convenience seafood and semi-processed food in the regional food ingredient wholesale centers.

#### **RISK FACTORS**

#### (i) Business and operation risks

The Group requires various approvals, licences and permits to operate its business and the loss of or failure to obtain or renew any or all of these approvals, licences and permits could materially and adversely affect its business

In accordance with the laws and regulations of the PRC, the Group is required to maintain various approvals, licences and permits in order to operate its business. These licences and registrations are achieved upon satisfactory compliance with, amongst others, the applicable laws and regulations in relation to food and production safety and hygiene etc. Most of these licences are subject to periodic or aperiodic examinations or verifications by relevant authorities and are valid only for a fixed period of time subject to renewal and accreditation.

If the Group is unable to meet the relevant requirements or is found to be in material breach of any laws or regulations, and as a result, the Group is unable to pass the examination or verification, the Group may be penalised according to the relevant laws and regulations and/or its licences may be revoked. There is no assurance that the Group will be able to pass every examination or verification in the future or will be able to renew all its licences, approvals and/or permits when they expire. If the Group cannot obtain and maintain all licences, approvals and/or permits to operate its business, its business may be disrupted and/or the Group may be subject to fines and penalties.

#### Reliance on prompt delivery and quality transportation

Disruption such as adverse weather conditions, political turmoil, social unrest and strikes can lead to delayed or lost deliveries, and may result in loss of revenue and compensation to customers and damage to the image and reputation of the Group.

The conditions of fresh, chilled or frozen meat products, seafood products and fresh vegetables (being perishable goods) may deteriorate due to delivery delays, malfunctioning of freezer facilities or poor handling during delivery of the food products to its customers. This may result in the Group failing to provide quality food and services to customers as well as damage to the Group's image and reputation.

#### Temporary limited financing channels

The Company spent more than one year to stabilise its operation since the suspension of trading of the Shares on 29 July 2009. In order to revitalise and perhaps expand its business, the Group may require additional working capital for launching new marketing and advertisement campaigns. As the Company has a past track record of insolvency, it may face difficulty in obtaining banking facilities on favourable terms. Any delays or interruptions in obtaining the required financing may have adverse impact on the business operations and expansion of the Group.

#### The businesses of the Group is reliant on several major customers and suppliers

The businesses of the Group depend on a limited number of major customers and suppliers. For each of the two years ended 31 March 2011 and 2012, total sales to the top five customers of the Group amounted to approximately 92.0% and 82.1% of the Group's turnover respectively. In particular, sales to the largest customer of the Group accounted for approximately 73.9% and 32.9%, of the Group's total turnover for each of the two years ended 31 March 2011 and 2012 respectively. For each of the two years ended 31 March 2011 and 2012 respectively. For each of the two years ended 31 March 2011 and 2012, total purchase from the top five suppliers amounted to approximately 48.5% and 76.7% of the Group's purchase respectively. In particular, purchase from the largest supplier of the Group accounted for approximately 16.1% and 42.2% of the total purchase of the Group for each of the two years ended 31 March 2011 and 2012 respectively. In the event that less revenue is received from the major customers or less food ingredients can be procured from the major suppliers of the Group, the future business and the financial position of the Group may be adversely affected.

# Fluctuations in the price and quality of raw materials may adversely affect the business operation of the Group

The principal raw materials for the Group's production are fresh and vegetables and meat. The Group's food and beverage business depends on reliable and sufficient sources of large quantities and good quality of raw materials. Availability of raw materials are subject to price volatility caused by any fluctuation in aggregate supply and demand, and other external conditions, such as climate and environmental conditions. However, the Group cannot assure that its key suppliers will continue to provide the Group with sufficient quantities and good quality raw materials at reasonable prices, or that the Group's raw materials prices will remain stable in the future, and if the Group is unable to manage these costs or unable to transfer any increase the prices of its products or services to its customers, this may have an adverse impact on the Group's future business and profit margin.

# Instances of food contamination could materially harm the Group's reputation and negatively impact its business

The Group's business is susceptible to the risk of food contamination. While the Group has taken relevant measures to avoid the risk of food contamination, the Group cannot guarantee that those measures taken by the Group can fully prevent food contamination. Furthermore, food contamination incidents can be caused by third party food suppliers or for reasons which are beyond the Group's control. The Group's insurance policies primarily cover social insurance and damage to certain fixed assets. In order to minimise its product liability risks, the Group places significant emphasis on quality control and food safety. As at the Latest Practicable Date, the Directors are not aware of any report of food poisoning from its end customers due to the consumption of the food prepared by the Group. However, if the Group's products are found to be unfit for consumption, the Group may be required to compensate the consumers for any illness or injury suffered. The Group may also be ordered to suspend or cease production by the relevant government authority. In addition, such incident is likely to result in negative publicity and a loss of customer confidence and/ or goodwill which may in turn lead to a reduction in sales and/or cancellation of major contracts, which can adversely affect the profitability and financial position of the Group.

# The business model of the Group is reliant on the central factory model and production of semi-processed food product from its key suppliers' factories

The businesses of the Group depend on the central factory model and a limited number of key suppliers' factories which assist the Group in its production of food products. The central factory model and the relocation of certain production processing to the key suppliers' factories of the Group are crucial for the cost reduction and operational efficiency of the Group. As at the Latest Practicable Date, the Group operated 2 regional processing centres and Wuxi Factory. In order to further reduce operating costs and streamline the production process, some production machines at regional processing centres and Wuxi Factory were relocated to factories of the Group's key suppliers. In the event that certain of its key suppliers' factories failed to produce food products according to the Group's requirement or the Group is unable to operate its business under the central factory model, the future business and the financial position of the Group may be adversely affected.

### The Group may be unable to adequately protect its intellectual property, which could harm the value of its brand and adversely affect its business

The Group believes that the Group's brand is essential to its success and competitive advantage. Although the Group has registered trademarks in the PRC, there is no guarantee that third parties will not infringe the Group's intellectual property rights or any of the Group's trademark applications will not be challenged by third parties and will eventually be successfully granted. The Group is not currently aware of any infringement of its intellectual property rights. However, should there be any material infringement of the Group's intellectual property rights in the future, the financial conditions and the results of the Group's operation could be materially and adversely affected. Furthermore, if any of the Group's trademarks become unavailable to the Group, the Group could face disruptions in its operations and, as a consequence, the financial conditions and results of its operations could be materially and adversely be affected due to the importance of the trademarks to the Group's business operations.

#### (ii) Risks relating to the industry

# Food and beverage business is highly competitive in the PRC. If the Group is not able to compete with its competitors, the Group's results could be adversely affected

The food and beverage industry in the PRC is highly competitive and competitions are expected to intensify. Barriers to entry to the industry are considered minimal for small to medium scale food service providers as new entrants can access the market fairly easily provided that they can satisfy certain general and specific licensing requirements. Apart from initial capital investment, there is no significant barrier or restriction on entry to this industry. The Group competes directly and indirectly with other service providers in the PRC in the food and beverage business in terms of location, pricing, services, food quality and variety and financial resources. Where the Group has implemented various measures on cost control, quality control, efficiency and product innovation to maintain its competitiveness, its business and financial conditions will be adversely affected if it fails to overcome the intense competition or stay competitive in the industry.

# Outbreak of severe acute respiratory syndrome ("SARS"), influenza A virus subtype H1N1 ("H1N1") or other epidemic in the community where the Group operates

An outbreak of SARS, H1N1 or other epidemics in the future, if protracted and uncontrolled, may result in the contraction of such disease amongst the Group's employees or those with whom the Group conduct business on a regular basis, making it necessary to suspend or close certain parts of the operations of the Group to prevent the spread of the disease. In addition, if there is an outbreak of SARS, H1N1 or other epidemics in the community where the Group operates, consumers may be reluctant to dine out or purchase semi-processed or processed food in order to minimise human interaction and contracting such diseases. The reduction of human interaction and social activity may lead to decrease in consumer volume. As such, the business operations and financial performance may be adversely affected during such outbreak and the time required to recover the normal business during the post-outbreak period is generally unknown and may not be forthcoming as it takes time for consumers to regain confidence.

#### (iii) Risks relating to the PRC

# Adverse changes in economic and political policies of the PRC government could have a material adverse effect on the overall economic growth of the PRC, which could materially and adversely affect the business of the Group and its results of operations

A majority of the business of operations of the Group is conducted in the PRC. Accordingly, the business, financial condition, results of operations and prospects of the Group are significantly affected by the economic, political and legal developments in the PRC. The PRC economy differs from the economies of most developed countries in many respects, including the degree of government involvement, level of development, growth rate, control of foreign exchange, access to financing and allocation of resources. Customers tend to become more cost-conscious as a result of a slowdown in the economy or decreases in disposable income, this may lead to a reduction in their consumption of convenience food, which may adversely affect the revenue of the Group.

# Uncertainties with respect to the PRC legal system could materially and adversely affect the Group

A majority of the businesses of the Group is conducted through subsidiaries in the PRC. Thus, the operations of the Group in the PRC are governed by PRC laws and regulations. The PRC subsidiaries are generally subject to laws and regulations applicable to foreign investments in China and, in particular, laws applicable to wholly foreign-owned enterprises. The PRC legal system is based on written statutes.

Prior court decisions may be cited for reference but may not be solely relied upon as precedent cases. Since 1979, PRC legislation and regulations have significantly enhanced the protections afforded to various forms of foreign investments in China. However, China has not developed a fully integrated legal system and the enacted laws and regulations in China may still not sufficiently cover all aspects of economic activities in China. In particular, since these laws and regulations are relatively new, and due to the limited volume of published decisions and their non-binding nature, the interpretation and enforcement of these laws and regulations involve uncertainties. In addition, the PRC legal system is based in part on government policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. As a result, the Group may not be aware of its violation of these policies and rules until some time after the violation. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention.

#### Government control over currency conversion may affect the value of investment

The PRC government imposes controls on the convertibility of the RMB into foreign currencies and, in certain cases, the remittance of currency out of China. The Group receives a majority of its revenues in RMB. Under the current corporate structure, a majority of the income of the Company is derived from dividend payments from its PRC subsidiaries. Shortages in the availability of foreign currency may restrict the ability of the subsidiaries of the Company in PRC to remit sufficient foreign currency to pay dividends or other payments to the Company, or otherwise satisfy their foreign currency denominated obligations. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade-related transactions, can be made in foreign currencies without prior approval from the PRC State Administration of Foreign Exchange, by complying with certain procedural requirements. However, approval from appropriate government authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as repayment of loans denominated in foreign currencies. The PRC government may also, at its discretion, restrict access in the future to foreign currencies for current account transactions. If the foreign exchange control system prevents the Group from obtaining sufficient foreign currency to satisfy its currency demands, the Group may not be able to pay dividends in foreign currencies to its Shareholders, including holders of the Shares or New Shares.

#### Fluctuations in exchange rates may result in foreign currency exchange losses

The change in value of the RMB against the U.S. dollar and other currencies is affected by, among other things, changes in China's political and economic conditions. Since 1994, the conversion of RMB into other currencies, including Hong Kong Dollars and U.S. dollars, has been based on rates set by the People's Bank of China, which are set daily based on the previous business day's inter-bank foreign exchange market rates and current exchange rates on the world financial markets. On 21 July 2005, the PRC government

adopted a more flexible managed floating exchange rate system to allow the value of the RMB to fluctuate within a regulated band that is based on market supply and demand with reference to a basket of currencies. The PRC government has since made and may make further adjustments to the exchange rate system in the future.

A majority of the revenues and costs of the Group are denominated in RMB, and a significant portion of its financial assets are also denominated in RMB. The Company relies on dividends and other fees paid to the Company by its subsidiaries in China. Any significant revaluation of RMB may materially and adversely affect cash flows, revenues, earnings and financial position, and the value of, and any dividends payable on, the Shares or New Shares in Hong Kong dollars. Conversely, any devaluation of the RMB may adversely affect the value of, and any dividends payable on, the Shares in foreign currency terms.

The dividends received by the Company from its Chinese subsidiaries may be subject to PRC tax under the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得 税法) (the "New EIT Law"), which would have a material adverse effect on the results of operations; the non-PRC Shareholders will be subject to a Chinese withholding tax upon the dividends payable by the Company and gains on the sale of Shares or New Shares, if the Company is classified as a PRC "resident enterprise"

Under the New EIT Law, dividends, interests, rent, royalties and gains on transfers of property payable by a foreign-invested enterprise in China to its foreign investor who is a non-resident enterprise will be subject to a 10% withholding tax, unless such non-resident enterprise's jurisdiction of incorporation has a tax treaty with China that provides for a reduced rate of withholding tax. Under the arrangement for avoidance of double taxation between mainland China and Hong Kong, the effective withholding tax applicable to a Hong Kong non-resident company is currently 5% if it directly owns no less than 25% stake in the Chinese foreign-invested enterprise.

Under the New EIT Law, an enterprise established outside China with its "de facto management body" within China is considered a "resident enterprise" in China and is subject to the Chinese enterprise income tax at the rate of 25% on its worldwide income. The Group cannot assure that the Company will not be deemed to be a PRC resident enterprise under the New EIT Law and be subject to the PRC enterprise income tax at the rate of 25% on its worldwide income. It is also unclear whether the dividends the Company receives from its subsidiaries will constitute dividends between "qualified resident enterprises" and therefore qualify for exemption from withholding tax, even if the Company is deemed to be a "resident enterprise" for PRC enterprise income tax purposes. If the Chinese tax authorities subsequently determine that the Company should be classified as a resident enterprise, non-PRC Shareholders will be subject to a 10% withholding tax upon dividends payable by the Company and gains on the sale of Shares or New Shares under the New EIT Law.

## High inflation in the PRC could affect the Group's business, financial condition, results of operations and prospects

If inflation remains high in the PRC despite the mitigating measures implemented by the PRC government, the costs of operation of the Group may also increase. Any increase in the rental, wages or prices of raw materials or food ingredients will increase the Group's burden and may adversely affect its results of operations and financial position especially when the Group is unable to increase the prices in line with the increase in operating costs.

## The financial crisis to the global credit and capital markets and their impact on the PRC economy may materially and adversely affect the Group's financial condition and cash flows, results of operations, prospects and future expansion plans

The recent global financial crisis, which includes the European sovereign debts crisis and the lowering on the long-term sovereign credit rating on the United States, has adversely affected the global credit and capital markets, particularly in the United States and Europe, which have experienced difficult conditions. As the financial crisis has prolonged, broadened and intensified, the growth of the overall global economy has been negatively impacted for an extended period of time. These challenging market conditions have resulted in reduced liquidity, greater volatility, a reduction in available financing and a lack of market confidence. Apart from these adverse impacts, an indirect effect may result from the tightening of credit control policy and the Group may need to take out loan facilities with relatively higher interest rates in the future.

In addition, the Group cannot assure that the measures implemented by governments around the world to stabilise the credit and capital markets will improve market confidence and the overall credit environment and economy. Moreover, these recent and developing economic and governmental factors may have a material adverse effect on the Group's financial condition, cash flows, results of operations, prospects and future expansion plans.

#### (iv) Risks relating to statements made in this circular

#### Certain statistics and facts in this circular are derived from various official government sources and publications or other sources and have not been independently verified

This circular includes certain statistics and facts that are extracted from official government sources and publications or other sources. The Company believes that such statistics and facts are prepared by the relevant sources after having taken reasonable care. Whilst the Company believes that it is prudent for it to rely on such statistics and facts, there is no assurance that such statistics and facts are free from error or mistake. The statistics and facts from these sources have not been independently verified by the Company and its Directors and no representation is given as to their accuracy and completeness.

Due to possible flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics from official government publications referred to or contained in this circular may be inaccurate or may not be comparable to statistics produced for other economies and should not be relied upon. Furthermore, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. In all cases, Shareholders should give consideration as to how much weight or importance they should attach to, or place on, such statistics or facts.

#### Forward-looking statements contained in this circular may not materialise

Included in this circular are various forward-looking statements which can be identified by the use of forward-looking terminology such as "aims", "believes", "expects", "will", "should", "could", "seeks", "anticipates", "plans" or "intends" or by the negative of any of these terms or comparable terminology, or by discussion of strategy or intentions.

This circular contains certain forward-looking statements relating to the plans, objectives, expectations and intentions of the Directors. Such forward-looking statements are based on numerous assumptions as to the present and future business strategies of the Group and the development of the environment in which the Group operates. These statements involve known and unknown risks, uncertainties and other factors which may cause the actual financial results, performance or achievements of the Group to be materially different from the anticipated financial results, performance or achievements of the Group expressed or implied by these statements. The actual financial results, performance or achievements of the Group may differ materially from those discussed in this circular.

#### LEGAL AND REGULATORY REQUIREMENTS

Set out below is a summary of those applicable PRC laws and regulations which the Company considers will have material implications on the Group's business and operation. Based on the information available, the Directors are not aware of any non-compliance with relevant laws and regulations by the Group which may have material impact on the Group as at the Latest Practicable Date.

## Laws and regulations on food safety and licensing requirement for consumer food services

In accordance with the Food Safety Law (食品安全法) and the Implementation Rules of the Food Safety Law (食品安全法實施條例), effective on 1 June and 20 July 2009 respectively, the State Council shall set up the Food Safety Commission, whose duties shall be stipulated by the State Council. The health administration department under the State Council shall assume the food safety integrated coordinating responsibility and shall be in charge of food safety risk evaluation, formulation of food safety standard regulations,

publication of food safety information, formulation of the qualification conditions for food inspection institutions and the inspection standards, and organizing investigation and disposal of serious food safety accidents. The quality supervision department and the administration for industry and commerce under the State Council, as well as the food and drug supervision and administration department of the state shall, in accordance with the provisions of Food Safety Law and the duties stipulated by the State Council, implement the supervision and administration respectively on food production, food circulation, and catering service activities.

The Implementation Rules of the Food Safety Law, effective on 20 July 2009, further specify the detailed measures to be taken and conformed to by food producers and business operators in order to ensure food safety as well as the penalties that shall be imposed should these required measures not be implemented.

On 4 March 2010, the Ministry of Health promulgated the Administrative Measures on Food and Beverage Service Licensing (餐飲服務許可管理辦法) and Administrative Measures on Food Safety Supervision in Food and Beverage Services (餐飲服務食品安全 監督管理辦法). Both measures came into force on 1 May 2010, and the Administrative Measures for Food Hygiene Licenses (食品衛生許可證管理辦法) and the Administrative Measures for Food Hygiene in the food and beverage industry (餐飲業食品衛生管理辦法) were repealed concurrently. Pursuant to the Administrative Measures on Food and Beverage Service Licensing, the local food and drug administrations at various levels are responsible for the administration of food and beverage service licensing. Providers of consumer food services are required to obtain a food service license and are responsible for safety in food and beverage services in accordance with the law. A service provider, providing food and beverage services at different locations or venues must obtain separate food and beverage service licenses for each venue.

In the event of any change in the operation locations, a new food and beverage service license is required. The food and beverage service license is valid for a period of three years. For those temporarily providing consumer food services, an interim food and beverage service license valid for a period not exceeding six months must be obtained. Where renewal is required, the consumer food services providers are required to submit a renewal application in writing to the original issuing department at least 30 days before the expiry date of the validity period of the food and beverage service license. Overdue renewal application may follow the same procedure as new application for food and beverage service license. The original issuing department, after accepting the renewal application for the food and beverage service license, must focus on whether there has been any change to the hygiene facilities, as well as whether the applicant has satisfied the basic conditions required for the grant of a license, and a new food and beverage service license will be issued upon successful renewal.

Any transfer, alteration, lending, sale or leasing of food and beverage service licenses by consumer food service provider is strictly prohibited. Consumer food services providers shall operate within the scope of their licenses in accordance with the law and the scope specified in their food and beverage service licenses. The food and beverage service license must be hung or displayed at a conspicuous position in the venue for dining. If the consumer food service providers had already obtained a food hygiene license before the implementation date of the Administrative Measures on Food and Beverage Service Licensing, the pre-existing food hygiene license will remain effective until the expiry date as stipulated. The consumer food service providers holding a food hygiene license shall apply to the appropriate local food and drug supervision and administration authorities in the administrative regions where they operate, for a food and beverage service license before the food hygiene license's expiry date.

#### Regulations on licensing requirement for the food production and processing

On 1 September 2005, the Implementation Rules for the Supervision and Administration on Quality and Safety of Food Production and Processing Enterprises (Trial) (食品生產加工企業質量安全監督管理實施細則(試行)) came into force. Those who engage in food production and processing operations for the purpose of sale within the territory of the PRC must abide by the rules. Pursuant to such Rules, the State has adopted a market access system for food quality and safety. Enterprises engaging in food production and processing must fulfill the requisite production conditions that guarantee food quality and safety, and must obtain the Production License for National Industrial Products (全國工業產品生產許可證) according to required procedures, and the food produced and processed must be inspected, pass the test and imprinted (or adhered) with the market access logo for food quality and safety before leaving the factory for sale. Food subject to production license administration implemented by the State may not be produced by enterprises that have not obtained the Production License for National Industrial Products. Food is prohibited from leaving the factory for sale without being imprinted (or adhered) with the market access logo for food quality and safety.

According to the product catalogue issued by the General Administration of Quality Supervision, Inspection and Quarantine for the implementation of the production license administration system, those whose business falls within the product catalogue shall apply for the Production License for National Industrial Products.

#### Laws and regulations relating to taxation

#### Income Tax

Prior to 1 January 2008, income tax payable by foreign-invested enterprises in the PRC was governed by the Foreign-Invested Enterprise and Foreign Enterprise Income Tax Law of the PRC (中華人民共和國外商投資企業和外國企業所得税法) (the "old FIE Tax Law") promulgated on 9 April 1991 and effective as of 1 July 1991 and the related implementation rules. According to the old FIE Tax Law and the relevant implementation rules, foreign-invested enterprises engaging in the production of goods and provision of services with an expected business life of over ten years were to enjoy full exemption from income tax for two years beginning in the first year of achieving profitability, and thereafter were to enjoy a 50% discount in income tax for the following three years (that is, the third to fifth year from the year of achieving profitability).

However, under the New EIT Law, which was promulgated on 16 March 2007 and became effective on 1 January 2008, income tax rates applicable to both domestic and foreign-invested enterprises were unified at 25% effective from 1 January 2008. Enterprises which enjoyed income tax rates lower than the standard rate of 25% are given a five-year transitional period. Such enterprises will continue to enjoy the lower tax rate before they are gradually subject to the tax rate of 25% within the transitional period. Enterprises which were entitled to two years of 100% exemption and three years of 50% reduction on tax payments before the EIT Law was promulgated may continue to enjoy such exemption and reduction until the term of such privilege expires.

#### Business tax

Pursuant to the amended Provisional Regulations of the People's Republic of China on Business Tax (中華人民共和國營業税暫行條例) enacted by the State Council on 10 November 2008 and enforced on 1 January 2009 and its Implementation Rules on the Provisional Regulations of The People's Republic of China on Business Tax (中華人民共和國營業税暫行條例實施細則) issued by the Ministry of Finance on 15 December 2008, the business tax rate ranges from 3% to 20%.

#### Regulations on the sanitation of public assembly venue

The Regulation for the Administration of Sanitation of the Public Assembly Venue (公共場所衛生管理條例) effective on 1 April 1987, and the Implementation Rules for the Regulation for the Administration of Sanitation of the Public Assembly Venue (公共場所衛 生管理條例實施細則) effective on 1 May 2011 were promulgated by the State Council and the Ministry of Health respectively. The said regulations were adopted for the purpose of creating favourable and sanitary conditions for public assembly venues, preventing disease transmission and safeguarding people's health. Depending on the requirements of the local health authority, a restaurant may be required to obtain a public assembly venue hygiene license from the local health authority before it applies for a business license. Under the aforementioned regulations, the local health authorities shall take the responsibility of supervising the sanitary conditions of public assembly venues within their respective jurisdiction. Violation of the said regulation and rules may result in administrative penalties ranging from warning, fine, order of rectification, suspension of business, or even the revocation of the public assembly venue hygiene license, depending on the seriousness of the violation.

#### **Regulations on fire prevention**

The Fire Prevention Law of the PRC (the "Fire Prevention Law", 中華人民共和國消 防法) was adopted on 29 April 1998 and amended on 28 October 2008. According to the Fire Prevention Law and other relevant laws and regulations of the PRC, the Ministry of Public Security and its local counterparts at or above county level shall monitor and administer the fire prevention affairs. The fire prevention units of such public security departments are responsible for implementation. The Fire Prevention Law provides that the fire prevention design or construction of a construction project must conform to the national fire prevention technical standards. For a construction project that needs a fire prevention design under the national fire protection technical standards for project construction, the construction entity must submit the fire prevention design documents to the fire prevention department of the public security authority for approval or filing purposes (as the case may be). No construction permit shall be given for the construction projects for which the fire prevention design has not been approved or are considered unqualified after the review, nor shall such construction entity commence their construction. Upon completion of a construction project to which a fire prevention design has been applied, according to the requirements of the Fire Prevention Law, such project must go through an acceptance check on fire prevention by, or filed with, the relevant fire prevention departments of public security authorities. No construction may be put into use before it is accepted by the relevant fire prevention units of public security authorities. For each public assembly venue, such as karaoke clubs, dancing halls, cinemas, hotels, restaurants, shopping malls, trade markets and etc., the construction entity or entity using such venue shall, prior to use and operation of any business thereof, apply for a safety check on fire prevention with the relevant fire prevention department under the public security authority at or above the county level where the venue is located, and such place cannot be put into use and operation if it fails to pass the safety check on fire prevention or fails to conform to the safety requirements for fire prevention after such check.

#### Laws and regulations relating to environmental protection

#### **Environmental Protection Law**

The Environmental Protection Law of the PRC (the "Environmental Protection Law", 中華人民共和國環境保護法) was promulgated and effective on 26 December 1989. This Legislation has been formulated for the purpose of protecting and improving both the living environment and the ecological environment, preventing and controlling pollution, other public hazards and safeguarding people's health.

According to the provisions of the Environmental Protection Law, in addition to other relevant laws and regulations of the PRC, the Ministry of Environmental Protection and its local counterparts take charge of administering and supervising said environmental protection matters. According to the provisions of the Environmental Protection Law, the environmental impact statement on any such construction project must assess the pollution that the project is likely to produce and its impact on the environment, and stipulate preventive and curative measures; the statement shall be submitted to the competent administrative department of environmental protection for approval. Installations for the prevention and control of pollution in construction projects must be designed, built and commissioned together with the principal part of the project. Permission to commence production at or utilize any construction project shall not be granted until its installations for the prevention and control of pollution have been examined and confirmed to meet applicable standards by the appropriate administrative department of environmental protection that examined and approved the environmental impact statement. Installations for the prevention and control of pollution shall not be dismantled or left idle without authorization. Where it is absolutely necessary to dismantle any such installation or leave it idle, prior approval shall be obtained from the competent local administrative department of environmental protection.

The Environmental Protection Law makes it clear that the legal liabilities of any violation of said law include warning, fine, rectification within a time limit, compulsory cease operation, compulsory reinstallation of dismantled installations of the prevention and control of pollution or compulsory reinstallation of those left idle, compulsory shutout or closedown, or even criminal punishment.

#### Law on prevention and control of water pollution

The Law on Prevention and Control of Water Pollution of the PRC (the "Water Pollution Prevention and Control Law", 中華人民共和國水污染防治法) first came into effect as of 1 November 1984 and was subsequently amended on 15 May 1996 and 28 February 2008, respectively. The law applies to the prevention and control of pollution of rivers, lakes, canals, irrigation channels, reservoirs and other surface water bodies and groundwater within the PRC. According to the provisions of the Water Pollution Prevention Law and other relevant laws and regulations of the PRC, the Ministry of Environmental Protection and its local counterparts at or above county level shall take charge of the administration and supervision on the matters of prevention and control of water pollution.

The Water Pollution Prevention Law provides that environmental impact assessment should be conducted in accordance with the relevant laws and regulations for new construction projects and expansion or reconstruction projects and other facilities on water that directly or indirectly discharge pollutants to water bodies. Facilities for the prevention and control of water pollution at a construction project shall be designed, built and put into use along with the main structure of the construction project. The construction project shall only be used after facilities for the prevention and control of water pollution pass the inspection and acceptance by the Ministry of Environmental Protection and its appropriate local counterparts. Dismantling or putting off operation of such installations shall be subject to prior approval of the local counterpart of the Ministry of Environmental Protection at or above the county level.

Under the Provisions on the Inspection and Acceptance of Environmental Protection of Construction Projects, promulgated on 27 December 2001, each construction project is subject to the inspection and acceptance of the Ministry of Environmental Protection or its local counterparts upon the completion of construction, and only after the construction project has passed the inspection and acceptance and acquired the approval thereon can it be put into production or use.

In addition, pursuant to the Water Pollution Prevention and Control Law and the Notice on Issues Concerning Strengthening the Levying of Pollutant Discharge Fees on Village and Township Enterprises and Food and Beverage and Entertainment Service Industries issued by the State Administration for Environmental Protection (國家環境保護局關於加強鄉鎮企業和餐飲娛樂服務業排污收費有關問題的通知) and Regulation on Administration of the Levying and the Use of Pollutant Discharging Fees (排污費徵收使用 管理條例), food and beverage service enterprises that directly discharge pollutants into a water body shall pay pollutant discharge fees according to the type and quantity of the water pollutants discharged and the standard scale of collecting pollutant discharge fees.

#### Law on intellectual property rights

The period of validity of a registered trademark shall be ten years, to be counted from the date of approval of the registration under the Trademark Law of the PRC (the "Trademark Law", 中華人民共和國商標法) amended as of 27 October 2001 and came into effect on 1 December 2001. The administrative authority for industry and commerce has the power to investigate and handle any act of infringement of the exclusive right to use a registered trademark according to laws. Where the case is so serious as to constitute a crime, it shall be transferred to the judicial authority for handling.

#### Laws and regulations relating to labor and production safety and insurance

#### Labor Contract Law

As of 1 January 2008, labor contracts shall be concluded in writing if labor relationships are to be or have been established between enterprises or institutions and the laborers under the Labor Contract Law of the PRC (the "Labor Contract Law", 中華人民共和國勞動合同法). Enterprises and institutions are forbidden to force the laborers to work beyond the time limit and the employers shall pay laborers overtime working compensation in accordance with national regulations. In addition, the labor wages shall not be lower than local standards on minimum wages and shall be paid to the laborers timely. According to the Labor Law of the PRC (中華人民共和國勞動法) effective as of 1 January 1995, enterprises and institutions shall establish and perfect its system of work place safety and sanitation,

strictly abide by state rules and standards on work place safety and sanitation, educate laborers of work place safety and sanitation. Work place safety and sanitation facilities shall comply with state-fixed standards. The enterprises and institutions shall provide laborers with work place safety and sanitation conditions which are in compliance with state stipulations and relevant articles of labor protection.

#### **Production Safety Law**

According to the PRC Production Safety Law (the "Production Safety Law", entrymathaneta + production and the production as provided in the Production Safety Law and other relevant laws, administrative regulations, national standards and industrial standards. Any entity that is not equipped with measures for safe production is not allowed to engage in production and business operation activities. Enterprises and institutions shall offer education and training programs to the employees thereof regarding production safety. The design, manufacture, installation, use, checking, maintenance, repair and disposal of safety equipment shall be in conformity with the national standards or industrial standards. In addition, enterprises and institutions shall provide personal protective equipments that reach the national standards or industrial standards to the employees thereof, supervise and educate them to use these equipments according to the prescribed rules.

#### Regulations on occupational injury insurance

According to the Regulations on Occupational Injury Insurance (工傷保險條例) effective as of 1 January 2004, the Interim Measures concerning the Maternity Insurance for Enterprise Employees (企業職工生育保險試行辦法) effective as of 1 January 1995, the Interim Regulations concerning the Levy of Social Insurance (社會保險費徵繳暫行條 例) effective as of 22 January 1999, the Interim Measures concerning the Administration of the Registration of Social Insurance (社會保險登記管理暫行辦法) effective as of 19 March 1999 and the Regulations concerning the Administration of Housing Fund (住房公積 金管理條例) effective as of 3 April 1999 and amended on 24 March 2002, enterprises and institutions in the PRC shall provide their employees with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, occupational injury insurance and medical insurance, as well as housing fund and other welfare plans.

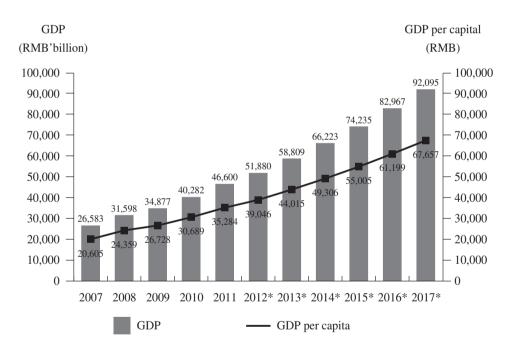
#### **INDUSTRY OVERVIEW**

#### Growth of the Economy in the PRC

The ongoing global economic crisis since 2008 has created many challenges for China and other major economies. As the principal business activities of the Group are conducted in the PRC, the prospect of its business will inevitably be affected by the PRC economy.

China's continuing economic growth, increasing disposable income, expanding emerging city development, growing urbanisation, increasing concerns on food safety, together with the growing taste for foreign foodstuff, are considered as the major influencing factors which sustain the demand and sustainable growth of food industry in China.

The chart below illustrates the historical GDP from 2007 to 2011 and forecast GDP from 2011 to 2017 at current market price in the PRC, whereas the economy of the PRC has expanded continuously according to Economist Intelligence Unit. The GDP of the PRC increased from approximately RMB26.6 trillion in 2007 to approximately RMB46.6 trillion in 2011, representing a CAGR of approximately 15% between 2007 and 2011. The GDP of the PRC is forecasted to reach approximately RMB92.1 trillion in 2017, representing a growth of approximately 97.6% from 2011. In addition, the GDP per capita of the PRC increased from approximately RMB21,000 in 2007 to approximately RMB35,000 in 2011. It is forecasted that GDP will increase at a CAGR of approximately 12% from 2011 to 2017.



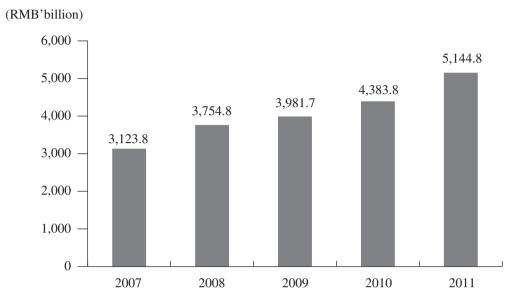
The GDP and GDP per capita in the PRC from 2007 to 2017

Source: Economist Intelligence Unit

\* The GDP and GDP per capita from 2012 to 2017 represent forecasted figures

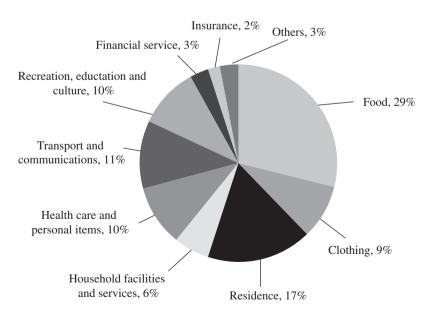
#### Consumers of food and beverage industry in China

According to the National Bureau of Statistics of China, consumer expenditure in food in the PRC has increased from approximately RMB3.1 trillion in 2007 to approximately RMB5.1 trillion in 2011, representing a CAGR of approximately 13.4% from 2007 to 2011. The following diagram illustrates the consumer expenditure in food in the PRC between 2007 and 2011.



### Consumer expenditure in food in the PRC from 2007 to 2011

According to the National Bureau of Statistics of China, urban households in the PRC spent a substantial portion of their disposable income on food in 2011, which represented approximately 29% of the total consumer expenditure of urban households. The chart below illustrates the composition of consumer expenditure of urban households in the PRC in 2011.



#### Composition of consumer expenditure of urban households in the PRC in 2011

Source: National Bureau of Statistics of China

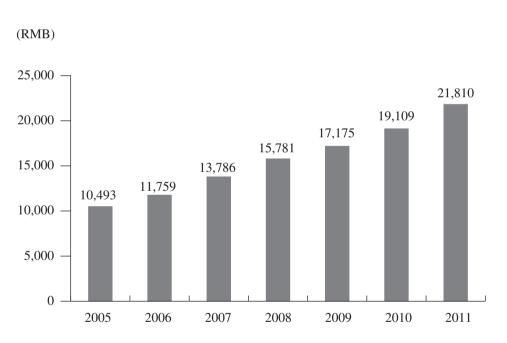
Source: National Bureau of Statistics of China

#### Driving forces of food industry in China

Among all the forces that contribute to China's food industry, disposable income and urbanisation are considered as the major drivers.

#### Rising disposable income of urban households

Disposable income is the locomotive behind food industry growth. According to the National Bureau of Statistics of China, food consumption has contributed approximately 29% consumer expenditure of urban households in the PRC in 2011. The annual per capita disposable income of urban households in the PRC increased at a CAGR of approximately 12.7% from approximately RMB10,000 in 2005 to approximately RMB22,000 in 2011. The increase illustrates continuous improvement in income levels of urban households in the PRC. The chart below illustrates the per capita disposable income of urban households in the PRC from 2005 to 2011.



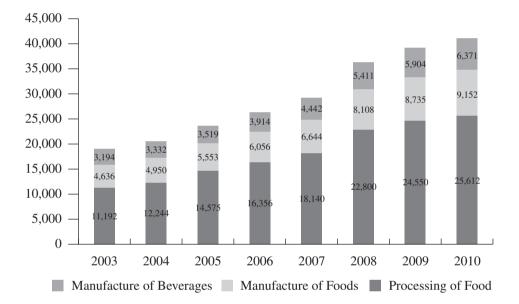
#### Annual per capita disposable income of urban households in the PRC from 2005 to 2011

Source: National Bureau of Statistics of China

In addition to fuelling the overall growth in food expenditure, the continuing growth in disposable income is likely to lead to middle-income consumer boom in urban areas. This group of consumers tend to spend a higher proportion of their income on dining out, pre-packaged food and are relatively more concerned about quality.

#### Development of food and beverage industry in the PRC

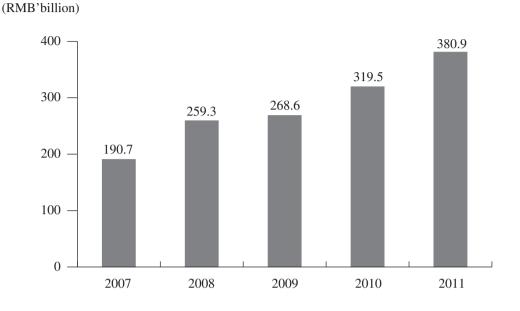
According to the China Statistical Yearbook, the total number of companies engaged in the food sectors in the PRC increased from approximately 19,000 in 2003 to approximately 41,000 in 2010, representing a CAGR of approximately 11.7%.



Growth in number of companies in food sectors in the PRC from 2003 to 2010

Source: China Statistical Yearbook, 2004-2011

According to the National Bureau of Statistics of China, sales revenue of the food and beverage industry in the PRC recorded a CAGR of approximately 19% from approximately RMB190.7 billion in 2007 to approximately RMB380.9 billion in 2011. It shows that PRC consumers generally spend more on food consumption as their per capita GDP increases. The chart below illustrates the sale revenue of the catering industry in the PRC from 2007 to 2011.

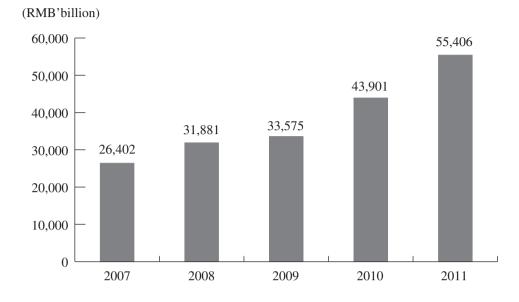


#### Sales revenue of food and beverage industry in the PRC from 2007 to 2011

The Group mainly provides catering services to institutional clients, universities and local authorities in the PRC. As such, the growth in institutional clients which are manufacturing companies and higher education students can be influential to the growth of the Company.

As per the China Statistical Yearbook, the number of higher education students increased from approximately 40.1 million in 2007 to approximately 46.9 million in 2011, representing a CAGR of approximately 3.9% between 2007 and 2011. Furthermore, the sales revenue of large and medium-sized industrial enterprises in the PRC increased from approximately RMB9 trillion in 2007 to approximately RMB55 trillion in 2011, representing a CAGR of approximately 20.4% between 2007 and 2011. The following diagram illustrates the sale revenue of large and medium sized industrial enterprises in the PRC from 2007 to 2011.

Source: National Bureau of Statistics of China



## Sales revenue of large and medium-sized industrial enterprises in the PRC from 2007 to 2011

#### Food processing segment in the PRC

As per the China Statistical Yearbook, industrial food production in China can be further categorised into 3 categories: namely (i) food processing which covers primary activities such as rice milling, flour milling, oil refining, slaughtering, and aquatic product processing; (ii) food manufacturing which covers packaged food, pastries and confections, dairy products, canned foods, and condiments; and (iii) beverage manufacturing which relates to the production of alcoholic beverages, soft drinks and tea.

China's food processing industry is located in the most developed affluent regions along the eastern coast of the PRC, with Beijing, Shanghai and Guangdong being the centres.

The affluence, high population density, sound infrastructure, as well as the proximity to seaports of the above cities highly contribute to the prosperity of the food processing segment. The strength of the food processing industry in these cities is in dairy products, meat products, seafood products, snacks, instant noodles and drinks and beverages.

Source: China Statistical Yearbook, 2007-2011

Food processors in Shanghai, Nanjing (Jiangsu Province), Kunshan (Jiangsu Province), Suzhou (Jiangsu Province) and Hangzhou (Zhejiang Province) have built a good reputation in eastern China. They have created many famous brands of packaged food and beverage products.

#### Urbanisation and lifestyle changes bring about the boom in the food processing industry

In the coming years, it is expected that the food processing industry will keep evolving rapidly, mainly fueled by rising disposable income and accelerating urbanization. As urbanization continues to expand, the traditional preference for fresh food and wet markets is giving way to processed food and supermarkets. Moreover, Chinese are getting used to frequent dining-out and eating dairy foods while the young and white collar workers prefer frozen and convenience food. All these are contributing factors to increasing demands for processed foods which also have positive impacts on the catering services business of the Group.

#### Constant innovation of technology on food processing

New technologies and new food processing techniques are becoming more and more important to large scale food processors located in eastern China, they are looking for ways to ensure consistent product quality and standardization of the manufacturing process.

#### **INFORMATION ON THE INVESTOR**

The Investor is a company incorporated under the laws of the BVI with limited liability for the purpose of implementing the Resumption Proposal and it has no shareholdings or investment in other companies other than its direct interest in Fortune Guard. The Investor is legally own by Mr. Bi Hao and Mr. Bao Jun each holding 50% of its issued share capital. Mr. Bi Hao and Mr. Bao Jun are directors of the Investor. Pursuant to a declaration of trust dated 18 May 2010, Mr. Bi Hao and Mr. Bao Jun declared, *inter alia*, that (i) the entire issued share capital of the Investor together with all interests, benefits and rights therein are held on trust for the Investor Holdco; and (ii) Mr. Bi Hao and Mr. Bao Jun should exercise the voting rights as shareholders of the Investor in accordance with the instructions from Anhui Venture, Shanghai Huali and Guangdong Huaheng.

Investor Holdco is a company established under the laws of the PRC for the purpose of implementing the Resumption Proposal and as at the Latest Practicable Date, it has no shareholdings or investment in other companies other than its direct beneficial interest in the Investor and its indirect beneficial interest in Fortune Guard. Investor Holdco is beneficially owned by Anhui Venture, Shanghai Huali and Guangdong Huaheng respectively as to 40%, 30% and 30%. The Investor, its ultimate beneficial owners (including the two nominee individual shareholders), directors of Investor Holdco, namely, Mr. Bi Hao, Ms. Ji Qingqiao, Ms. Liu Lu, Mr. Qian Jin, Mr. Wang Jianqing, Ms. Yang Qin and Mr. Zhang Hongyun and the directors of the Investor and Investor Holdco are Independent Third Parties.

 Anhui Venture
 Guangdong Huaheng
 Shanghai Huali

 40%
 30%
 30%

 Investor Holdco
 100%
 Investor

 Investor
 (Note)
 100%

 I00%
 Fortune Guard
 Fortune Guard

Please refer to the below diagram for the corporate structure of the Investor as at the Latest Practicable Date:

Note:

Investor Holdco's shares in the Investor are currently held on trust by two nominee individual shareholders (in equal proportion) on behalf of the Investor Holdco.

Anhui Venture is wholly-owned by Anhui Investment, which is a stated-owned enterprise in the PRC.

Guangdong Huaheng is wholly-owned by Shanghai Hengliyuan Petro Chemical Co., Ltd.\* (上海恒利源石油化工有限公司), which is 90% owned by Mr. Wang Jian Qing and 10% owned by Mr. Wang Jian. Mr. Wang Jian Qing and Mr. Wang Jian are involved in various investment projects in the PRC and have extensive experience in corporate management.

Shanghai Huali is owned as to 80% by Redbud Holding and 20% by Yitou (Shanghai) Industrial Development Co., Ltd.\* (伊投(上海)實業發展有限公司). Redbud Holding is owned as to 74% by a group of state controlled entities, more particularly as to 30% by Hebei Tsinghua Institute of Development\* (河北清華發展研究院), 20% by China Venture Capital Guarantee Co. Ltd.\* (中國創投擔保有限公司), 24% by Redbud Huacheng Investment Consulting Co., Ltd.\* (紫荊華誠投資顧問有限公司), 13% by Yitou (Shanghai) Industrial Development Co., Ltd.\* (伊投(上海)實業發展有限公司) and 13% by Guangdong Huaheng. Yitou (Shanghai) Industrial Development Co., Ltd.\* (伊投(上海)實業發展有限公司) and 13% by Guangdong Huacheng is an investment company jointly owned by Mr. Tang Qin and Ms. Ji Qingqiao as to 50% each. Mr. Tang Qin and Ms. Ji Qingqiao are involved in various investment projects in the PRC and have extensive experience in corporate management.

Pursuant to an undertaking executed by Anhui Venture, Shanghai Huali and Guangdong Huaheng dated 21 May 2010, Anhui Venture, Shanghai Huali and Guangdong Huaheng have undertaken to Mr. Bi Hao and Mr. Bao Jun, the Company and the Provisional Liquidators that they will procure the transfer and vesting of 100% legal interest in the Investor from Mr. Bi Hao and Mr. Bao Jun to Investor Holdco (or its wholly-owned subsidiary) at nil consideration upon Investor Holdco obtaining all necessary approvals, registrations and completion of necessary filing procedures in the PRC. Upon completion of the said transfer, Investor Holdco (or its wholly-owned subsidiary) will become the immediate legal and beneficial owner of the Investor.

The said transfer may trigger an obligation on the part of the Concert Party Group to make a mandatory general offer for all the New Shares not already owned or agreed to be acquired by them under Rule 26.1 of the Takeovers Code. Accordingly, the Investor Holdco has on 8 February 2013 made an application to the Executive for a waiver waiving the Concert Party Group's obligations to make such mandatory general offer pursuant to Note 6 to Rule 26.1 of the Takeovers Code.

Anhui Venture, Shanghai Huali and Guangdong Huaheng have further undertaken to Mr. Bi Hao and Mr. Bao Jun, the Company and the Provisional Liquidators that upon completion of the said transfer, they will continue to perform the obligations of the Investor under the Debt Restructuring Agreement through Investor Holdco and the Investor. As at the Latest Practicable Date, the Investor is in the process of obtaining the necessary approvals, registrations and filing procedures in the PRC for the said transfer and the transfer is expected to be completed prior to the Resumption.

#### **INTENTION OF THE INVESTOR**

The Investor and its ultimate beneficial owners will assist the Group to continue to seek new business opportunities to improve the Group's profitability as well as to further consolidate the Group's business, including but not limited to, various pursuits of organic and inorganic growth of the business should suitable opportunities arise. The Investor and its ultimate beneficial owners do not have any intention to (i) change the existing business operations and structure of the Restructured Group; (ii) inject any new assets or businesses into the Restructured Group; (iii) dispose of any of the material assets of the Restructured Group; (iv) discontinue employment of the current employees of the Group; or (v) introduce any redeployment of fixed assets of the Group other than in the ordinary course of business.

The Company and the Investor (including Anhui Venture, Shanghai Huali and Guangdong Huaheng and their ultimate beneficial shareholders) confirm that they have no agreement, arrangement, negotiation, intention and/or plan to cause the Group to carry out a principal business other than catering provision and convenience food production.

In addition, the Investor and its ultimate beneficial owners do not have any intention to (i) change the existing business operations and structure of the Restructured Group; (ii) inject any new assets or businesses into the Restructured Group; (iii) dispose of any of the material assets of the Restructured Group; (iv) discontinue employment of the current employees of the Group; or (v) introduce any redeployment of fixed assets of the Group other than in the ordinary course of business within 24 months following the Resumption.

The Company and the Investor (including Anhui Venture, Shanghai Huali and Guangdong Huaheng and their ultimate beneficial shareholders) confirm that they have no agreement, arrangement, negotiation, intention and/or plan to cause the Group to carry out a principal business other than catering provision and convenience food production within 24 months following the Resumption.

Upon Completion, the Investor and its ultimate beneficial owners will conduct a detailed review on the business operations and financial position of the Restructured Group for the purpose of formulating appropriate business plans and strategies after 24 months from the Resumption which may include asset acquisitions, business diversification, business rationalisation, business divestment and/or asset disposals in order to enhance the long-term growth potential of the Restructured Group. Nevertheless, the Company, the Investor and its ultimate beneficial owners do not have any agreement, negotiation, intention and/or plan on changes in the business plans and strategies of the Group. Subject to completion of a detailed review of the existing business operations of the Restructured Group and formulation of an appropriate business plan for the Restructured Group, it is the intention of the Investor to further improve the existing business operation of the Restructured Group by taking advantage of the business experience and network of the Investor.

#### INVESTOR'S DEALING AND INTEREST IN THE COMPANY'S SECURITIES

Save for entering into the Debt Restructuring Agreement, the Subscription Agreement and the Underwriting Agreement, none of the Concert Party Group members has dealt in the Shares, outstanding options, derivatives, warrants or other securities convertible or exchangeable into the Shares during the period commencing on the date falling six months prior to the date of the Announcement and up to the Latest Practicable Date. Save for the Placing Down of New Shares which may or may not happen, the Investor and their ultimate beneficial shareholders do not have any plan, agreement, arrangement, intention or understanding to transfer, charge, pledge or otherwise dispose of any New Shares to any other person.

In addition, save for the Placing Down of New Shares which may or may not happen, the Investor and their ultimate beneficial shareholders do not have any plan, agreement, arrangement, intention or understanding to transfer, charge, pledge or otherwise dispose of any New Shares to any other person within 24 months following the Resumption. As at the Latest Practicable Date,

- none of the Concert Party Group members holds, controls or has direction over any Shares, warrants, options or convertible securities of the Company or any derivatives in respect of the securities of the Company;
- (ii) there is no arrangement (whether by way of option, indemnity or otherwise) in relation to the shares of the Investor or the Shares and which might be material to the transactions under the Debt Restructuring Agreement and/or the Whitewash Waiver;
- (iii) there is no agreement or arrangement pursuant to which any Concert Party Group member is a party which relates to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Debt Restructuring Agreement;
- (iv) none of the Concert Party Group members has borrowed or lent any of the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company; and
- (v) none of the Concert Party Group members has received any irrevocable commitment to vote for or against the Debt Restructuring Agreement, the Open Offer, the Subscription and/or the Whitewash Waiver.

## TAKEOVERS CODE IMPLICATIONS; APPLICATION FOR WHITEWASH WAIVER AND WAIVER PURSUANT TO NOTE 6 TO RULE 26.1 OF THE TAKEOVERS CODE

Pursuant to the terms of the Debt Restructuring Agreement, the Concert Party Group will subscribe for 202,702,703 Subscription Shares. If all the Offer Shares are taken up by the Qualifying Shareholders, the Concert Party Group will be interested in (i) approximately 60.63% of the enlarged issued share capital of the Company upon completion of the Open Offer and the Subscription and the allotment of the Scheme Shares to the Scheme Creditors but before conversion of the Preference Shares; and (ii) approximately 71.96% of the enlarged issued share capital of the Subscription, the allotment of the Scheme Shares to the Scheme Creditors but before capital of the Company upon completion of the Open Offer and the Subscription, the allotment of the Scheme Shares to the Scheme Creditors and full conversion of the Preference Shares.

If none of the Offer Shares is taken up by the Qualifying Shareholders whereby the Underwriter will be required to take up the Underwritten Shares, the Concert Party Group will be interested in (i) approximately 76.82% of the enlarged issued share capital of the Company upon completion of the Open Offer and the Subscription and the allotment of the Scheme Shares to the Scheme Creditors but before conversion of the Preference Shares; and (ii) approximately 83.49% of the enlarged issued share capital of the Scheme Shares to the Subscription and the allotment of the Scheme Offer and the Subscription of the Open Offer and the Scheme Shares to the Preference Shares.

Save for the underwriting of the Open Offer, the Subscription, and the arrangement for Placing Down (if necessary), the Concert Party Group members will not make any arrangement in relation to acquisitions or disposals of the Shares or the New Shares prior to the Resumption. None of the Concert Party Group members has entered into any agreement or arrangement with the Directors, recent Directors, Shareholders or recent Shareholders having any connection with the Open Offer and Subscription.

Therefore, the underwriting of the Underwritten Shares and the subscription for the Subscription Shares by the Investor will trigger an obligation on the part of the Concert Party Group to make a mandatory general offer for all the New Shares not already owned or agreed to be acquired by them under Rule 26.1 of the Takeovers Code. Accordingly, on 11 January 2013, the Investor made an application to the Executive for a Whitewash Waiver waiving the obligations of the Concert Party Group to make such mandatory general offer pursuant to Note 1 of the Notes on Dispensation from Rule 26 of the Takeovers Code. The Whitewash Waiver if granted will be subject to, among other things, the approval by the Independent Shareholders at the EGM by way of poll.

Shareholders should note that the maximum potential holding of voting rights for the Concert Party Group upon Completion will exceed 50% of the voting rights of the Company and that any member of the Concert Party Group may increase its shareholding in the Company without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer for the securities of the Company.

As disclosed in the paragraph headed "Information of the Investor" above, Anhui Venture, Shanghai Huali and Guangdong Huaheng, being the shareholders of Investor Holdco, will procure the transfer and vesting of 100% legal interest in the Investor from Mr. Bi Hao and Mr. Bao Jun, the existing registered owner shareholders of the Investor, to Investor Holdco (or its wholly-owned subsidiary). Upon completion of the said transfer, Investor Holdco (or its wholly-owned subsidiary) will become the immediate legal and beneficial owner of the Investor.

The said transfer may trigger an obligation on the part of the Concert Party Group to make a mandatory general offer for all the New Shares not already owned or agreed to be acquired by them under Rule 26.1 of the Takeovers Code. Accordingly, the Investor Holdco has on 8 February 2013 made an application to the Executive for a waiver waiving the Concert Party Group's obligations to make such mandatory general offer pursuant to Note 6 to Rule 26.1 of the Takeovers Code.

#### USE OF PROCEEDS FROM THE OPEN OFFER AND THE SUBSCRIPTION

The aggregate gross proceeds from the Open Offer and the Subscription of approximately HK\$290 million will be applied as follows:

- (i) HK\$170 million as cash consideration under the Scheme as part of the Scheme Consideration;
- (ii) HK\$20 million will be applied to pay the Restructuring Costs in accordance with the Debt Restructuring Agreement; and
- (iii) the balance of approximately HK\$100 million as general working capital for the continuation and future expansion of the existing business of the Restructured Group.

#### FINANCIAL EFFECTS OF THE RESTRUCTURING

#### Assets and liabilities

Based on the unaudited pro forma consolidated statement of financial position of the Group as at 30 September 2012 as set out in Appendix III to this circular, if completion of the Debt Restructuring Agreement and Group Reorganisation had taken place on 30 September 2012, the total assets of the Group as at 30 September 2012 will increase from approximately RMB165.9 million to approximately RMB188.0 million whereas the total liabilities will be significantly reduced from approximately RMB1,129.7 million to approximately RMB70.3 million. On the other hand, the financial position of the Group would be reversed from having net liabilities of approximately RMB963.7 million to net assets of approximately RMB117.7 million. Such improvement is primarily attributable to the proceeds to be raised from the Open Offer and the Subscription pursuant to the Restructuring and the effect of the full and final settlement of the Indebtedness with the Scheme Creditors under the Scheme.

#### Earnings

Upon Completion, the Restructured Group is expected to record a gain of approximately RMB867.2 million for the year ending 31 March 2014 from the Group Reorganisation and the Restructuring as disclosed under note 11 of the section headed "Major bases and assumptions" in Appendix IV of this circular.

#### Working Capital

Based on the unaudited pro forma consolidated statement of financial position of the Group as at 30 September 2012, upon completion of the Group Reorganisation and the Restructuring, the working capital of the Group as at 30 September 2012 will be improved from the net current liabilities of approximately RMB973.3 million to the net current assets of approximately RMB108.2 million. Such improvement is primarily attributable to the proceeds to be raised from the Open Offer, Preference Shares and the Subscription pursuant to the Restructuring and the effect of the full and final settlement of the Indebtedness in accordance the Debt Restructuring Agreement.

#### THE AUDIT QUALIFICATION

As set out in the Appendix I to this circular, the auditor of the Company has given a disclaimer of opinion on the consolidated financial statements of the Company for each of the three years ended 31 March 2012. The disclaimer of opinion for each of the three years ended 31 March 2012 are made based on (i) the opening balances and corresponding figures; (ii) deconsolidation of subsidiaries and impairments on due the from deconsolidated subsidiaries; (iii) due to deconsolidated subsidiaries; (iv) commitments and contingent liabilities; and (v) related party transactions and balances. The auditor of the Company also considered there is material uncertainty relating to the going concern basis. The Company received the above audit qualifications since its suspension of trading from 29 July 2009, details of which are also set out in the Appendix I to this circular.

The Directors and the Provisional Liquidators expect to receive a disclaimer of opinion in relation to the aforesaid audit qualifications on the consolidated financial statements of the Company for the year ending 31 March 2013 as the Group Reorganisation and the Restructuring may not be completed by then.

Assuming that the Group Reorganisation and the Restructuring is completed during the financial year ending 31 Mach 2014, the Company anticipates that the audit qualifications on the consolidated financial statements for the year ended 31 March 2012 and year ending 31 March 2013 will be superseded by the following audit qualifications on the Group's consolidated financial statements for the year ending 31 March 2014: (i) opening balances and corresponding figures (i.e. year ending 31 March 2013); (ii) deconsolidation of the subsidiaries as "no sufficient evidence" can be provided to satisfy the Company's auditor as to the loss of control of certain subsidiaries

since 1 April 2008 until completion of the Group Reorganisation and the Restructuring, which is accordingly unable to satisfy the Company's auditor as to the completeness of the transactions of the Group for period from 1 April 2013 until completion of the Group Reorganisation and the Restructuring; and (iii) the gain on completion of the Group Reorganisation and the Restructuring as "no sufficient evidence" can be provided to satisfy the Company's auditor as to the carrying amounts of various items to be derecognised upon completion of the Group Reorganisation and the Restructuring.

For the year ending 31 March 2015, the Directors and the Provisional Liquidators expect that there will be an audit qualification on the corresponding figures (i.e. year ending 31 March 2014) regarding: (i) completeness of transactions of the Group for the period from 1 April 2013 until completion of the Group Reorganisation and the Restructuring; and (ii) gain on completion of the Group Reorganisation and the Restructuring as recognised in the consolidated statement of comprehensive income and disclosed in related notes. For the year ending 31 March 2016, the Directors and the Provisional Liquidators expect that there should be no audit qualifications in relation to the matters discussed above.

In relation to the material uncertainty relating to the going concern basis as mentioned in the independent auditor's opinion on the consolidated financial statements of the Company for the year ended 31 March 2012, the Directors and the Provisional Liquidators consider that the Group will become liquid with positive current assets and net assets upon Completion. Therefore, such qualification will not recur in the consolidated financial statements for the year ending 31 March 2014.

ANDA CPA Limited, the auditor of the Company, has agreed the aforesaid description in relation to the rectification of the audit qualifications regarding (i) deconsolidation of the subsidiaries and impairments on due from the deconsolidated subsidiaries; (ii) due to deconsolidated subsidiaries; (iii) commitments and contingent liabilities; and (iv) related party transactions and balances; and (v) the material uncertainty relating to the going concern basis, as mentioned in the independent auditor's report for the year ended 31 March 2012.

Having considered the above, upon Completion, the Investor, the Directors and the proposed Directors consider that the above audit qualifications do not have any material implications on the profit forecasts as set out in Appendix IV to this circular and should not materially affect the Group's financial and operation.

#### FUND RAISING ACTIVITIES IN THE PAST 12 MONTHS

The Company did not carry out any rights issue, open offer or other issue of equity securities for fund raising purposes or otherwise within the 12 months immediately prior to the Latest Practicable Date.

#### THE GROUP AND ITS SHAREHOLDING STRUCTURE

The table below sets out the shareholding structure of the Company under different scenarios immediately before and after Completion:

Scenario 1: Assuming all Qualifying Shareholders take up their respective entitlements to the Offer Shares under the Open Offer

									After Capital Reorganisation,		After Capital Reorganisation,		
							After Cap	oital					
							Reorganisati		Open Offer,		Open Offer,		
							Open Offer and		Subscription and allotment		Subscription, allotment		
					After Cap	ital	Subscription	Subscription BUT		to Scheme Creditors BUT		to Scheme Creditors	
	As at the Latest Practicable Date		After Capital Reorganisation		Reorganisation and Open Offer		before conversion of Preference Shares		before conversion of Preference Shares		and conversion of Preference Shares		
	No. of shares	%	No. of shares	%	No. of shares	%	No. of shares	%	No. of shares	%	No. of shares	%	
The Concert Party Group													
Investor (Note 1)	-	-	-	-	-	-	202,702,703	65.19%	202,702,703	60.63%	337,837,838	71.96%	
Mr. Wei (Note 2)	186,185,000	34.40%	18,618,500	34.40%	37,237,000	34.40%	37,237,000	11.97%	37,237,000	11.14%	37,237,000	7.93%	
Ms. Yao (Note 3)	75,000,000	13.85%	7,500,000	13.85%	15,000,000	13.85%	15,000,000	4.82%	15,000,000	4.49%	15,000,000	3.20%	
Scheme Creditors	-	-	-	-	-	-	-	-	23,380,000	6.99%	23,380,000	4.98%	
Other public shareholders	280,111,756	51.75%	28,011,175	51.75%	56,022,350	51.75%	56,022,350	18.02%	56,022,350	16.76%	56,022,350	11.93%	
Total	541,296,756	100.00%	54,129,675	100.00%	108,259,350	100.00%	310,962,053	100.00%	334,342,053	100.00%	469,477,188	100.00%	

Notes:

- 1. As it is expected that the Investor will not become a Qualifying Shareholder on the Record Date, the Investor will not participate in the Open Offer except as the Underwriter.
- 2. As at the Latest Practicable Date, Mr. Wei is beneficially interested in 186,185,000 Shares of which 1,185,000 Shares are held directly by Mr. Wei and 185,000,000 Shares are held by Million Decade Limited, a company wholly-owned by Mr. Wei. Mr. Wei is the spouse of the Ms. Yao.
- 3. As at the Latest Practicable Date, Ms. Yao is beneficially interested in 75,000,000 Shares through Top Ample Limited, a company wholly-owned by Ms. Yao. Ms. Yao is the spouse of Mr. Wei.

Scenario 2: Assuming none of the Qualifying Shareholders take up their respective entitlements to the Offer Shares under the Open Offer, accordingly, the Underwriter will be required to take up the Underwritten Shares in full pursuant to the terms of the Underwriting Agreement

									After Capital Reorganisation, Open Offer,		After Capital Reorganisation, Open Offer,	
							After Cap	oital				
							Reorganisa	ition,				
		Open Offer and					r and	Subscription and allotment		Subscription, allotment		
					After Capital		Subscription BUT		to Scheme Creditors BUT		to Scheme Creditors	
	As at the Latest Practicable Date		After Capital Reorganisation		Reorganisation and Open Offer		before conversion of Preference Shares		before conversion of Preference Shares		and conversion of Preference Shares	
	No. of shares	%	No. of shares	%	No. of shares	%	No. of shares	%	No. of shares	%	No. of shares	%
The Concert Party Group												
Investor (Note 1)	-	-	-	-	-	-	202,702,703	65.19%	202,702,703	60.63%	337,837,838	71.96%
Underwriter					54,129,675	50.00%	54,129,675	17.41%	54,129,675	16.19%	54,129,675	11.53%
Subtotal	-	-	-	-	54,129,675	50.00%	256,832,378	82.59%	256,832,378	76.82%	391,967,513	83.49%
Mr. Wei (Note 2)	186,185,000	34.40%	18,618,500	34.40%	18,618,500	17.20%	18,618,500	5.99%	18,618,500	5.57%	18,618,500	3.97%
Ms. Yao (Note 3)	75,000,000	13.85%	7,500,000	13.85%	7,500,000	6.92%	7,500,000	2.41%	7,500,000	2.24%	7,500,000	1.59%
Scheme Creditors	-	-	-	-	-	-	-	-	23,380,000	6.99%	23,380,000	4.98%
Other public shareholders	280,111,756	51.75%	28,011,175	51.75%	28,011,175	25.87%	28,011,175	9.01%	28,011,175	8.38%	28,011,175	5.97%
Total	541,296,756	100.00%	54,129,675	100.00%	108,259,350	100.00%	310,962,053	100.00%	334,342,053	100.00%	469,477,188	100.00%

Notes:

- 1. As it is expected that the Investor will not become a Qualifying Shareholder on the Record Date, the Investor will not participate in the Open Offer except as the Underwriter.
- 2. As at the Latest Practicable Date, Mr. Wei is beneficially interested in 186,185,000 Shares of which 1,185,000 Shares are held directly by Mr. Wei and 185,000,000 Shares are held by Million Decade Limited, a company wholly-owned by Mr. Wei. Mr. Wei is the spouse of Ms. Yao.
- 3. As at the Latest Practicable Date, Ms. Yao is beneficially interested in 75,000,000 Shares through Top Ample Limited, a company wholly-owned by Ms. Yao. Ms. Yao is the spouse of Mr. Wei.

If none of the Offer Shares is taken up by the Qualifying Shareholders whereby the Underwriter will be required to take up all the Offer Shares, the Concert Party Group will be interested in (i) approximately 76.82% of the enlarged issued share capital of the Company upon completion of the Open Offer, the Subscription and the allotment of the Scheme Shares to the Scheme Creditors but before conversion of the Preference Shares; and (ii) approximately 83.49% of the enlarged issued share capital of the Company upon completion of the Open Offer, the Subscription, allotment of the Scheme Shares to the Scheme Creditors and full conversion of the Preference Shares. If the shareholding of the public Shareholders falls below 25%, the Investor has undertaken to arrange Placing Down of New Shares to maintain the minimum public float as required under the Listing Rules. (For details, please refer to the paragraphs headed "Placing Down by Investor to maintain public float" below.)

#### PLACING DOWN BY INVESTOR TO MAINTAIN PUBLIC FLOAT

The Investor has undertaken with, *inter alia*, the Company and the Provisional Liquidators that, following completion of the Open Offer and the Subscription, it will to the extent required by the Listing Rules and within the time limits permitted by the Stock Exchange, but in any event, prior to the Resumption, engage a placing agent to sell or otherwise dispose to Independent Third Parties and/or third parties independent of the Investor, Investor Holdco and their respective connected persons and not acting in concert with the Investor, its ultimate beneficial owners and their respective parties acting in concert, of such number of New Shares as may be required to ensure that the minimum public float as required under the Listing Rules is maintained to permit the continued listing of all issued New Shares on the Stock Exchange.

The placing agent will place the required number of New Shares to not less than six placees, who will be professional, institutional or other private investors and will procure placees to be Independent Third Parties and/or third parties independent of the Investor, Investor Holdco and their respective connected persons and not acting in concert with the Investor, its ultimate beneficial owners and their respective parties acting in concert. It is expected that no individual placee will become a substantial Shareholder immediately after completion of the Placing Down. As such, the relevant number of New Shares to be placed will form part of the public float of the Company.

The Investor is not restricted or precluded from exercising any conversion rights attaching to the Preference Shares under the terms of the Subscription Agreement. However, the Investor has undertaken to the Company not to exercise any conversion rights attaching to the Preference Shares if such conversion will result in the Company being in breach of the public float requirement as set out in the Listing Rules. The Investor also agreed and acknowledged that in the event the exercise of any conversion rights attaching to the Preference Shares may result in the Company being in breach of the public float requirement under the Listing Rules, the Company shall have the absolute right and discretion to allow or disallow such proposed conversion of Preference Shares in order to maintain the public float of the Company. Save for the Placing Down of New Shares which may or may not happen, the Investor and their ultimate beneficial shareholders do not have any plan, agreement, arrangement, intention or understanding to transfer, charge, pledge or otherwise dispose of any New Shares to any other person.

In addition, save for the Placing Down of New Shares which may or may not happen, the Investor and their ultimate beneficial shareholders do not have any plan, agreement, arrangement, intention or understanding to transfer, charge, pledge or otherwise dispose of any New Shares to any other person within 24 months following the Resumption.

#### **PROPOSED APPOINTMENT OF DIRECTORS**

As at the Latest Practicable Date, the Board comprises Mr. Chin Chang Keng Raymond as executive director and Mr. Chung Wai Man as independent non-executive director. It is expected that all Directors will resign immediately upon Resumption.

The Investor intends to appoint Ms. Yang Qin and Mr. Wang Jianqing as executive Directors, and Dr. Leung Hoi Ming, Mr. Mak Ka Wing, Patrick and Mr. Sung Wing Sum as independent nonexecutive Directors upon Completion. The proposed appointment of the Directors will be subject to the approval of the Shareholders by way of ordinary resolutions in the EGM in which the voting will be taken by way of poll. It is expected that the appointment of the proposed Directors will be effective on the date of Resumption and they will remain with the Board after Resumption.

The biographical details of the proposed Directors are set out as follows:

#### **Proposed executive Directors**

Ms. Yang Qin ("Ms. Yang"), aged 46, has extensive years of experience in the food and beverage industry, including over 10 years of management experience in large restaurants. Ms. Yang worked as vice general manager from 2000 for 7 years at Nantong Feitianyufang Restaurant\* (南通市飛天魚坊餐館). Ms. Yang then worked as the assistant to the general manager and vice general manager during her employment at Nantong Cuijin Hotel Co., Ltd\* (南通萃錦大酒店有限公司) from July 2007 to June 2009. Since 2009, Ms. Yang has been working as a consultant in relation to procurement of raw materials for a number of restaurants, which include Jiaxin Restaurant\* (僖湘蘇酒樓) in China.

Mr. Wang Jianqing ("Mr. Wang"), aged 44, is currently the executive director of Ngai Lik Industrial Holdings Limited (stock code: 0332) since December 2010 and the general manager of Guangzhou Circle Energy Company Limited (廣州元亨能源有限公司) since January 2009. He obtained his bachelor's degree in industrial management engineering from Zhenjiang Shipbuilding College (鎮江船舶學院) (now known as the Jiangsu University of Science and Technology (江蘇科技大學) in 1989).

#### **Proposed independent non-executive Directors**

**Dr. Leung Hoi Ming** ("Dr. Leung"), aged 44, is currently a director of Toi Shan Association of Hong Kong Limited. Dr. Leung is currently the independent non-executive director of Ngai Lik Industrial Holding Limited (stock code: 0332). He has extensive knowledge and experience in risk management of financial instruments, treasury business and financial derivative products. Dr. Leung started his career in the finance industry in 1996 with Citibank, N.A. Hong Kong as a quantitative analyst/trade in the equity derivatives asia department. Before joining DBS Bank Ltd., Hong Kong Branch, Dr. Leung worked for Tokai Asia Limited as a contractor in the risk management group in September 1999 and as assistant manager of risk management in March 2000. Dr. Leung was later promoted as the assistant vice president in January 2001 and worked till March 2001. He has served DBS Bank Ltd., Hong Kong Branch for eight years and was senior vice president in the Treasury and markets division upon his departure from the bank in May 2009.

Dr. Leung, obtained a bachelor degree of science with first class honours from the Chinese University of Hong Kong in 1990. Dr. Leung obtained a master degree of science in mathematics in 1993 and a doctor degree of philosophy in mathematics in 1996 from the California Institute of Technology. In 1999, Dr. Leung obtained a master degree of science in investment management from the Hong Kong University of Science and Technology.

**Mr. Mak Ka Wing, Patrick** ("Mr. Mak"), aged 48, is a registered solicitor of the High Court of Hong Kong and a managing partner of Patrick Mak & Tse Solicitors. Mr. Mak has over 10 years' legal experience as a practising solicitor. Mr. Mak was awarded the Common Professional Examination Certificate in Laws by the University of Hong Kong in 1995 and was awarded his Postgraduate Certificate in Laws (P.C.LL) by the University of Hong Kong in 1998. On 21st April 2001, Mr. Mak admitted as a solicitor of the high court of Hong Kong. Mr. Mak was appointed as a civil celebrant of Marriages by the Deputy Registrar of Marriages of Hong Kong in October 2008 and would last for 5 years till October 2013. In December 2012, Mr. Mak was appointed as the attesting officer of the Association of China-Appointed Attesting Officers Limited.

**Mr. Sung Wing Sum** ("Mr. Sung"), aged 54, has over 30 years of experience in accounting, auditing and financial management in Hong Kong and the PRC including over 20 years in several audit firms. Mr. Sung worked at the audit departments of Kwan Wong Tan & Fong for about 16 years since March 1981 and later worked for Deloitte Touche Tomatsu from August 1997 to December 1999. Mr. Sung worked as the qualified accountant and company secretary from August 2002 to October 2003 for Tungda Innovative Lighting Holdings Limited, a company whose shares are listed on the growth enterprise market of the Stock Exchange (stock code: 8229) since 1 August 2002.

Mr. Sung has become a member of the Hong Kong Institute of Certified Public Accountants since 1996 and was admitted as a fellow of the association in 2004. Mr. Sung was admitted as a fellow of the Association of Chartered Certified Accountants in 2000. In 2003, Mr. Sung obtained an executive master of business administration from the West Coast Institute of Management and Technology of Australia. In 2005, Mr. Sung became the associate of the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries. Mr. Sung was admitted as an associate of the Institute of Chartered and Wales in 2007. In January 2013, Mr. Sung obtained the practicing certificate as a certified public accountant from Hong Kong Institute of Certified Public Accountants.

Details of the proposed Directors as required under Rule 13.51(2) of the Listing Rules are set out in Appendix V to this circular.

#### **Company secretary**

**Mr. Hui Wing Lok** ("Mr. Hui"), aged 40, has been appointed as the company secretary of the Company with effect from 22 February 2013. Mr. Hui is a member of the Association of Chartered Certified Accountants and Hong Kong Institute of Certified Public Accountants and holds a master degree in business administration from the University of Southern Queensland of Australia. Mr. Hui has over 14 years and 5 years of experience in accounting field and company secretarial field respectively.

Further announcement will be made by the Company when the appointment of the proposed Directors become effective and the committees to the Board are formed.

## PROPOSED AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION OF THE COMPANY

Amendments to the memorandum and articles of association of the Company will be proposed at the EGM to reflect the changes in the Company's share capital as a result of the Capital Restructuring and to allow for the issue and allotment of the Preference Shares.

#### PROPOSED CHANGE IN BOARD LOT SIZE

Subject to the Capital Restructuring becoming effective and the approval by the Shareholders at the EGM, the Board also proposes to change the board lot size for trading in the Company's shares from 1,000 Shares to 10,000 New Shares.

Such change in the board lot size will increase the value of each board lot of the New Shares as well as reduce transaction and registration costs incurred by the Shareholders and investors of the Company. Accordingly, the Board is of the view that the change in board lot size is in the interest of the Company and the Shareholders as a whole.

#### Arrangement on odd lot trading

Subject to the listing approval for the New Shares being granted by the Stock Exchange, in order to facilitate the trading of odd lots (if any) of the New Shares, the Company will appoint a licensed securities firm to provide a matching service, on a best effort basis, to those Shareholders who wish to acquire odd lots of New Shares to make up a full board lot, or to dispose of their holding of odd lots of New Shares. Further announcement will be made when such arrangement is in place.

#### GENERAL

A notice convening the EGM at which resolutions will be proposed to consider, and if thought fit, to approve, among other things, the Capital Restructuring, the Open Offer, the Subscription, the issue of the Scheme Shares, the Whitewash Waiver, the proposed amendments to the memorandum and articles of association of the Company and proposed appointment of Directors, to be held at Room 101 Auditorium, 3 Lockhart Road, Wanchai, Hong Kong on Monday, 25 March 2013 at 2:00 p.m. is set out on pages 289 to 298 of this circular. Whether or not you are able to attend the meeting in person, please complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible and in any event not later than 48 hours before the time fixed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person in the EGM or any adjourned meeting should you so wish. In such event, the instrument appointing a proxy shall be deemed revoked.

None of the Shareholders has direct or indirect interest (other than solely as a Shareholder) nor any involvement in the discussion of the Debt Restructuring Agreement, the Open Offer, the Subscription, the issue of the Scheme Shares and the Whitewash Waiver. As such, no Shareholder will be required to abstain from voting in respect of the resolutions to approve the Subscription, the issue of the Scheme Shares and the Whitewash Waiver at the EGM.

Save that (i) the Open Offer and the underwriting under the Underwriting Agreement is conditional upon the effectiveness of the Scheme and the Capital Restructuring; and (ii) the Subscription is conditional upon the effectiveness of the Scheme and the Capital Restructuring and the completion of the Open Offer, the transactions under the Restructuring Documents are not interconditional.

There will be separate resolutions to be passed by the Shareholders for each of the Capital Restructuring, the Open Offer and the Subscription as set out in the notice of the EGM in this Circular.

Pursuant to the Rule 7.24(5) of the Listing Rules, since the Open Offer would increase the issued share capital of the Company by more than 50% within the 12 month period immediately preceding the Latest Practicable Date, the Open Offer is conditional on the approval by the Open Offer Independent Shareholders by way of poll at the EGM, where the controlling Shareholders and their respective associates are required to abstain from voting in favour of the Open Offer at the EGM. As such, Mr. Wei and Ms. Yao who are interested in 261,185,000 Shares (representing approximately 48.25% of the existing issued share capital of the Company) as at the date of this circular, and their respective associates will abstain from voting on the resolution to approve on the Open Offer at the EGM.

#### RECOMMENDATIONS

The Provisional Liquidators, the Investor and the proposed Directors believe that the Restructuring involving, *inter alia*, the Capital Restructuring, the Open Offer, the Subscription, the Debt Restructuring, the Group Reorganisation, together with the Whitewash Waiver and the proposed appointment of Directors are in the interests of the Company and the Shareholders as a whole and the terms thereof (including the terms of the Debt Restructuring Agreement, the Subscription Agreement and the Underwriting Agreement) are fair and reasonable. Accordingly, the Provisional Liquidators, with the same viewpoint of the Investor and the proposed Directors, recommend (i) the Independent Shareholders to vote in favour of the relevant resolutions in relation to the Capital Restructuring, the Subscription, the Debt Restructuring Agreement, the Whitewash Waiver and the proposed appointment of Directors to be proposed in the EGM; and (ii) the Open Offer Independent Shareholders to vote in favour of the relevant resolutions to the Open Offer to be proposed in the EGM.

The Independent Board Committee has been established to advise: (i) the Independent Shareholders in relation to the Debt Restructuring Agreement involving, *inter alia*, the Capital Restructuring, the Scheme, the Subscription, the issue of the Scheme Shares, the Group Reorganisation, the transactions contemplated thereunder and the Whitewash Waiver; and (ii) the Open Offer Independent Shareholders in relation to the Open Offer and the Underwriting Agreement.

The Independent Financial Adviser has been appointed by the Independent Board Committee to advise the Independent Board Committee, the Independent Shareholders and the Open Offer Independent Shareholders in this regard.

You are advised to read carefully the letter from the Independent Board Committee as set out on pages 104 to 105 of this circular and the letter from the Independent Financial Adviser as set out on pages 106 to 133 of this circular.

#### CONTINUED SUSPENSION OF TRADING IN THE SHARES OR NEW SHARES

Trading in the Shares on the Stock Exchange has been suspended since 29 July 2009. Until the satisfaction of all Resumption Conditions, trading in the shares will continue to be suspended. The release of this announcement does not indicate that the trading in the Shares will be resumed or that the listing approval for the New Shares, the Offer Shares, the Subscription Shares, the New Shares to be issued upon conversion of the Preference Shares and/or the Scheme Shares will be granted.

The transactions contemplated under the Restructuring Documentation are subject to the satisfaction, and/or waiver of the applicable conditions and may or may not proceed. The Resumption is subject to a number of Resumption Conditions set out by the Stock Exchange. The despatch of this circular is not an indication that the transactions contemplated under the Resumption Proposal will be successfully implemented and/or completed or that the Resumption Conditions have been or will be fulfilled. Trading in the Shares or New Shares will remain suspended until further notice.

Shareholders and potential investors of the Company should therefore exercise extreme caution when dealing in the Shares or New Shares, and if they are in any doubt about their positions, they should consult their professional advisors.

#### ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

For and on behalf of **FU JI Food and Catering Services Holdings Limited** (Provisional Liquidators Appointed) Lai Kar Yan (Derek) Yeung Lui Ming (Edmund) Darach E. Haughey Joint and Several Provisional Liquidators Acting as agents for an on behalf of the Company without personal liability

#### LETTER FROM THE INDEPENDENT BOARD COMMITTEE



福記食品服務控股有限公司

(已委任臨時清盤人)

FU JI Food and Catering Services Holdings Limited

(Provisional Liquidators Appointed) (Incorporated in the Cayman Islands with limited liability)

(Stock Code : 1175)

1 March 2013

To the Independent Shareholders and the Open Offer Independent Shareholders

Dear Sir or Madam,

#### PROPOSED RESTRUCTURING OF THE COMPANY INVOLVING, INTER ALIA (1) OPEN OFFER; (2) SUBSCRIPTION OF SUBSCRIPTION SHARES AND PREFERENCE SHARES; (3) DEBT RESTRUCTURING INVOLVING ISSUE OF SCHEME SHARES; AND (4) APPLICATION FOR WHITEWASH WAIVER

I refer to the circular of the Company dated 1 March 2013 (the "Circular") of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

As the Director who is independent of the parties to the Debt Restructuring Agreement, I have been appointed as a member of the Independent Board Committee to consider the terms of the Debt Restructuring Agreement, the Subscription Agreement, the Underwriting Agreement and the Whitewash Waiver and to advise you as to whether, in our opinion, the terms of the Debt Restructuring Agreement, the Subscription Agreement, the Underwriting Agreement and the Whitewash Waiver are fair and reasonable so far as the Open Offer Independent Shareholders and the Independent Shareholders are concerned. Quam Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee in relation to the Debt Restructuring Agreement involving, *inter alia*, the Capital Restructuring, the Scheme, the Subscription, the issue of the Scheme Shares, the Group Reorganisation, the transactions contemplated thereunder and the Whitewash Waiver; and in relation to the Open Offer and the Underwriting Agreement. Details of its advice and the principal factors taken into consideration in arriving at its recommendation are set out in the Letter from the Independent Financial Adviser on pages 106 to 133 of the circular.

#### LETTER FROM THE INDEPENDENT BOARD COMMITTEE

I also wish to draw your attention to (i) the letter from the Provisional Liquidators and (ii) the additional information set out in the appendices to the circular.

Having taken into account the principal reasons and factors considered by, and the advice of, the Independent Financial Adviser, I consider that the terms of the Debt Restructuring Agreement, the Subscription Agreement, and the Underwriting Agreement are fair and reasonable so far as the Independent Shareholders and Open Offer Independent Shareholders are concerned and the Restructuring involving, *inter alia*, the Capital Restructuring, the Open Offer, the Subscription, the Debt Restructuring, the Group Reorganisation, together with the Whitewash Waiver and the proposed appointment of Directors are in the interests of the Company and the Shareholders as a whole. Accordingly, I recommend (i) the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Subscription, the issue of Scheme Shares and the Whitewash Waiver; and (ii) the Open Offer Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Open Offer, the Underwriting Agreement and the transactions contemplated thereunder.

Yours faithfully, Member of the Independent Board Committee **Mr. Chung Wai Man** Independent non-executive Director

#### LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of a letter of advice from Quam Capital Limited, the Independent Financial Adviser to the Independent Board Committee, the Independent Shareholders and the Open Offer Independent Shareholders, in respect of the proposed Restructuring and the Whitewash Waiver, which has been prepared for the purpose of incorporation in this circular.



**Quam Capital Limited** 

A Member of The Quam Group

1 March 2013

To the Independent Board Committee, the Independent Shareholders and the Open Offer Independent Shareholders

Dear Sirs,

# PROPOSED RESTRUCTURING OF THE COMPANY INVOLVING, INTER ALIA, (1) CAPITAL RESTRUCTURING; (2) OPEN OFFER; (3) SUBSCRIPTION OF SUBSCRIPTION SHARES AND PREFERENCE SHARES; (4) DEBT RESTRUCTURING INVOLVING ISSUE OF SCHEME SHARES; (5) GROUP REORGANISATION; AND (6) APPLICATION FOR WHITEWASH WAIVER

#### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise (i) the Independent Shareholders in relation to the Debt Restructuring Agreement involving, *inter alia*, the Capital Restructuring, the Subscription, the issue of Scheme Shares, the Group Reorganisation and the transactions contemplated thereunder, and the Whitewash Waiver; and (ii) the Open Offer Independent Shareholders in respect of the Open Offer, the Underwriting Agreement and the transactions contemplated thereunder, details of which are set out the circular of the Company dated 1 March 2013 (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meaning as defined in the Circular unless the context otherwise requires.

On 21 January 2013, the Company announced the Restructuring which involves, *inter alia*, the proposed Capital Restructuring, the Open Offer, the Subscription, the Debt Restructuring involving the issue of the Scheme Shares and the Group Reorganisation, and the Whitewash Waiver. The transactions contemplated under the Restructuring Proposal are subject to a number of conditions as set out in the Circular including, but not limited to, the passing of the relevant resolutions at the EGM.

The Independent Board Committee, which comprises Mr. Chung Wai Man, the independent non-executive Director, has been established to advise (i) the Independent Shareholders in relation to the Debt Restructuring Agreement involving, *inter alia*, the Capital Restructuring, the Subscription, the issue of Scheme Shares, the Group Reorganisation and the transactions contemplated thereunder, and the Whitewash Waiver; and (ii) the Open Offer Independent Shareholders in respect of the Open Offer and the Underwriting Agreement. The Independent Board Committee has approved our appointment as the Independent Financial Adviser to advise the Independent Board Committee, the Independent Shareholders and the Open Offer Independent Shareholders in such regard.

As the Independent Financial Adviser to the Independent Board Committee, the Independent Shareholders and the Open Offer Independent Shareholders, our role is to give an independent opinion to (i) the Independent Shareholders as to whether the Restructuring involving, inter alia, the Capital Restructuring, the Subscription, the issue of the Scheme Shares, the Group Reorganisation and the transactions contemplated thereunder, and the Whitewash Waiver are in the interests of the Company and the Shareholders as a whole and the terms thereof are fair and reasonable so far as the Independent Shareholders are concerned; (ii) the Open Offer Independent Shareholders as to whether the Open Offer and the Underwriting Agreement are in the interests of the Company and the Shareholders as a whole and the terms thereof are fair and reasonable so far as the Open Offer Independent Shareholders are concerned; (iii) the Independent Shareholders whether they should vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Debt Restructuring Agreement and the transactions contemplated thereunder, the Capital Restructuring, the Subscription, the issue of the Scheme Shares and the Whitewash Waiver; and (iv) the Open Offer Independent Shareholders whether they should vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Open Offer, the Underwriting Agreement and the transactions contemplated thereunder.

Quam Capital Limited is not associated with the Company, the Investor or any of their respective substantial shareholders, or any party acting, or presumed to be acting, in concert with any of them and accordingly, we are considered eligible to give independent advice to the Independent Board Committee, the Independent Shareholders and the Open Offer Independent Shareholders. Apart from normal professional fees payable to us in connection with this arrangement, no arrangement exists whereby we will receive any fees or benefits from the Company, the Investor or any of their respective substantial shareholders, or any party acting, or presumed to be acting, in concert with any of them.

#### **BASIS OF OUR OPINION**

In formulating our recommendation, we have relied on the information and facts provided by the Company and/or the Provisional Liquidators and contained or referred to in the Circular, and the opinions expressed by and the representations of the directors and management of the Company and/or the Provisional Liquidators. The Directors and the directors of the Investor have each separately declared in a responsibility statement set out in Appendix VI to the Circular that they collectively and individually accept full responsibility for the accuracy of the information contained in the Circular (save for information relating to each of the other groups declarants). We have assumed that the information and representations provided to us by the Provisional Liquidators and the Directors or contained or referred to in the Circular were true, accurate and complete at the time they were made and up to the Latest Practicable Date. The Company is obliged to inform the Shareholders if there is any material change to the information disclosed in the Circular prior to the date of the EGM, in which case we will consider whether it is necessary to revise our opinion and inform the Independent Board Committee, the Independent Shareholders and the Open Offer Independent Shareholders accordingly. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Provisional Liquidators and/or the directors and management of the Company. We have also been advised by the Provisional Liquidators and the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular, which would make any statement therein misleading.

We consider that we have reviewed relevant information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Company or any of its subsidiaries and associates.

#### PRINCIPAL FACTORS AND REASONS CONSIDERED

#### 1. Background to and reasons for the Debt Restructuring Agreement

#### 1.1 Background to the proposed Restructuring

Trading in the Shares has been suspended since 29 July 2009. On 19 October 2009, the Company presented a petition to the Hong Kong Court for its winding-up on the ground that the Company was insolvent and unable to pay its debts taking into account its actual, contingent and prospective liabilities. By an order made by the Hong Kong Court on the same day, the Provisional Liquidators were appointed as joint and several provisional liquidators of the Company to preserve and safeguard the assets of the Company, to act in the interest of the general body of the Creditors and to explore the possibility of restructuring or other options that may be available to the Group.

Following their appointment, the Provisional Liquidators commenced the tender process for the proposed sale of the Group's assets and businesses as a going concern and received several proposals from potential investors. After carefully reviewing and considering the commercial and other aspects of such proposals, including but not limited to the estimated time for their implementation and the extent of recovery by Creditors, and having regard to the then financial position of the Company, the Provisional Liquidators were of the view that the proposal received from the Investor represented the best option available to the Company and the Shareholders at that time. Accordingly, the Provisional Liquidators entered into exclusive negotiations with the Investor in relation to the restructuring of the Group, including but not limited to the disposal of certain assets and businesses of the Group.

On 14 January 2011, 6 September 2011 and 6 July 2012, the Company submitted respectively the initial and updated Resumption Proposal to the Stock Exchange. On 18 October 2012, the Stock Exchange provided the Company with a written approval of the Resumption, subject to the Company's fulfillment of the following Resumption Conditions by 17 June 2013:

- (i) completion of the Open Offer, the Subscription and all other transactions, more particularly described and as contemplated under the Resumption Proposal;
- (ii) inclusion in a circular to the Shareholders the following:
  - (a) detailed disclosure of the Resumption Proposal and information about the Group comparable to prospectus standards;
  - (b) profit forecasts for the year ending 31 March 2013 and the six-month ending 30 September 2013 together with reports from the auditors and the financial adviser of the Company under paragraph 29(2) of Appendix 1b of the Listing Rules; and
  - (c) a pro forma balance sheet upon completion of the Resumption Proposal and a comfort letter from an independent accounting firm under Rule 4.29 of the Listing Rules;
- (iii) provide a comfort letter from auditors or the financial adviser of the Company relating to working capital sufficiency for the next 12 months from the latest practicable date before the expected date of resumption in trading of the shares of the Company;
- (iv) publish all outstanding financial results of the Company and address any concerns that may be raised by auditors of the Company through qualification of their audit reports;

- (v) provide confirmation from an independent professional party that the Group has an adequate and effective internal control system; and
- (vi) discharge of the winding-up petition against the Company and the Provisional Liquidators.

The Company should also comply with the Listing Rules. The Stock Exchange may modify the above Resumption Conditions if the Company's situation changes.

On 5 September 2011, the Parties entered into the Debt Restructuring Agreement to set out the definitive terms of the Restructuring, details of which are set out in the section headed "The Debt Restructuring Agreement" in the Circular. On 18 January 2013, the Supplemental Agreement was entered into among the Company, the Provisional Liquidators, the Investor and the Investor Holdco to amend certain terms of the Debt Restructuring Agreement with a view to reflect the latest Restructuring arrangements stipulated under the Resumption Proposal.

## 1.2 Business of and financial information on the Group

Prior to the suspension of trading in the Shares, the Group was principally engaged in the provision of catering services, operations of Chinese restaurants and theme restaurants, and production and sales of convenience food products and other related business.

After the appointment of the Provisional Liquidators on 19 October 2009, the management of the Company and the Provisional Liquidators used their best endeavours to maintain the businesses of the Group. Notwithstanding the turnaround measures taken by the Group, the Chinese restaurant business of the Group has been making huge losses, the Provisional Liquidators therefore sold the relevant assets and business to the Investor in January 2011 to minimise the loss (i.e. the Restaurant Business Disposal).

Currently, the Group is engaged in the provision of catering services to corporations and the convenience food business, which are the same as the core businesses carried out by the Group prior to the suspension of trading in the Shares but on a much smaller scale.

Set out below are the consolidated financial highlights of the Company as extracted from the Company's audited consolidated financial statements for each of the three years ended 31 March 2010, 2011 and 2012, and the unaudited consolidated financial statements for each of the six months ended 30 September 2011 and 2012 (collectively the "**Review Period**"):

## Extracts of consolidated income statements

	For six months ended 30 September		For the year ended 31 March		
	2012	2011	2012	2011	2010
	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	154,959	63,863	198,046	175,626	140,505
Gross profit	36,885	25,584	56,245	47,004	20,279
Gain on execution of					
the Scheme	_	1,732,215	1,733,556	_	_
Impairments on due					
from deconsolidated					
subsidiaries	(25,832)	(21,202)	(56,765)	(136,157)	(261,907)
Finance costs	-	(38,792)	(38,792)	(113,871)	(138,136)
Profit/(Loss) before tax	(18,309)	1,674,547	1,646,007	(373,907)	(471,872)
Profit/(Loss) for the year/period attributable					
to the Shareholders	(18,925)	1,674,547	1,645,941	(373,907)	(471,884)

Extracts of consolidated statements of financial position

	As at			
	30 September	As at 31 March		
	2012	2012	2011	2010
	(Unaudited)	(Audited)	(Audited)	(Audited)
	RMB'000	RMB'000	RMB'000	RMB'000
Assets				
Property, plant and equipment	9,547	13,552	14,999	27,268
Due from deconsolidated				
subsidiaries	-	_	_	105,316
Due from the Investor	54,148	54,305	55,505	_
Bank and cash balances	14,919	21,315	278,852	240,255
Liabilities				
Due to deconsolidated				
subsidiaries	867,161	809,118	785,360	711,905
Payable to the Scheme	192,236	192,507	_	_
Convertible bonds	_	-	2,139,310	2,047,788
Net liabilities	(963,747)	(945,244)	(2,628,298)	(2,330,858)

#### *Major components of consolidated income statements*

Turnover of the Group amounted to approximately RMB140.5 million, RMB175.6 million and RMB198.0 million for each of the three years ended 31 March 2012 respectively, and approximately RMB63.9 million and RMB155.0 million for the six months ended 30 September 2011 and 2012 respectively. Despite the cessation of the loss-making Chinese restaurant operation following the Restaurant Business Disposal in January 2011, the Group's turnover showed an increasing trend during the Review Period mainly as a result of its efforts in restructuring the convenience food and related business.

Since the cessation of Chinese restaurant operation in January 2011, the Group's principal business segments are catering services business and convenience food and related business. The Group's revenue generated from catering services business amounted to approximately RMB137.8 million, RMB170.5 million, RMB116.1 million and RMB50.5 million for each of the three years ended 31 March 2012 and the six months ended 30 September 2012 respectively, which contributed to approximately 98.0%, 97.1%, 58.6% and 32.6% of the Group's total revenue for the corresponding periods. As advised by the management of the Company, the reduction in the contribution to the Group's total revenue by the catering services business was mainly due to (i) the decrease in the revenue contributed by the Group's catering site at Shenzhen Foxconn, the largest catering site of the Group, resulted from the refurbishments of the site during November 2010 to May 2012; and (ii) the decrease in the Group's number of catering sites from 33 in October 2009 to 9 as at 30 September 2012 by closing down the loss-making ones. On the other hand, the decrease in revenue contribution by the catering services business was offset by the Group's significantly growing convenience food and related business as a result of the restructuring of the business scope of the convenience food and related business to cover convenience seafood business since October 2011 and semi-processed food business since December 2011. Such restructuring in business scope represented a successful move in capturing the demands for convenience seafood and semiprocessed food. Accordingly, the Group's revenue generated by the convenience food and related business amounted to approximately RMB2.8 million, RMB5.1 million, RMB81.9 million and RMB104.4 million for each of the three years ended 31 March 2012 and the six months ended 30 September 2012 respectively, representing approximately 2.0%, 2.9%, 41.4% and 67.4% of the Group's total revenue for the corresponding periods.

Gross profit margins of the Group were approximately 14.4%, 26.8%, 28.4% and 23.8% for each of the three years ended 31 March 2012 and for the six months ended 30 September 2012 respectively. As advised by the management of the Company, the improvement of the Group's gross profit margins subsequent to the year ended 31 March 2010 was mainly due to the re-commencement of the central factory model (which was ceased in early 2009) in August 2011 which enables economies of scale, standardisation of quality and more efficient resources sharing. Under the central factory model, the sourcing of raw food and production of semi-processed food are centralised by moving certain production lines to the Group's key suppliers' factories and outsourcing certain processing work to such suppliers.

Upon the effective date of the Scheme on 9 August 2011, the Indebtedness effected by the Scheme were fully released and discharged in exchange for the Scheme Consideration to be distributed to the Scheme Creditors in accordance with the terms of the Scheme. Accordingly, a gain of approximately RMB1,733.6 million, being the difference between the liabilities of the Scheme Creditors released and the Scheme Consideration, was recognised for the year ended 31 March 2012.

Finance costs for each of the three years ended 31 March 2012 represented the interests on convertible bonds and bank borrowings. Upon the effective date of the Scheme on 9 August 2011, the Group's convertible bonds and bank borrowings, being part of the Indebtedness under the Scheme, were fully released and discharged. Accordingly, no finance costs were recognised for the six months ended 30 September 2012.

According to the financial results of the Group for the year ended 31 March 2009, loss from deconsolidation of subsidiaries of approximately RMB241.5 million and impairments on due from deconsolidated subsidiaries of approximately RMB3,639.5 million were recognised as 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. The Directors also considered the amounts due from such deconsolidated subsidiaries were unlikely to be recoverable. Accordingly, impairments on such balances were recognised. Subsequent to the deconsolidation of such subsidiaries, the Group has been continuing to incur transactions with these deconsolidated subsidiaries in their ordinary businesses, from which amounts due from or due to the deconsolidated subsidiaries continue to be incurred. Although impairments were also recognised for the amounts due from deconsolidated subsidiaries as at each of the year/period end during the Review Period, it is disclosed in the Circular that the increase in amount due to deconsolidated subsidiaries incurred from transactions with deconsolidation subsidiaries in business operations since 1 April 2010 and up to 30 September 2012 was in excess of the increase in amount due from deconsolidated subsidiaries incurred from transactions with deconsolidation subsidiaries in business operations for the corresponding period. Nevertheless, despite the amount due from deconsolidated subsidiaries incurred since 1 April 2010 and up to 30 September 2012 had been impaired, the amount due to deconsolidated subsidiaries will also be waived by the relevant deconsolidated subsidiaries pursuant to the Waiver Agreement. Moreover, as stated in the Circular, it is expected that the transactions with the deconsolidated subsidiaries will cease to continue from April 2013.

Profit/(loss) attributable to the Shareholders amounted to approximately RMB(471.9) million, RMB(373.9) million, RMB1,645.9 million and RMB(18.9) million for each of the three years ended 31 March 2012 and the six months ended 30 September 2012 respectively. Excluding the gain on execution of the Scheme of approximately RMB1,733.6 million recognised for the year ended 31 March 2012, the Group recorded a loss attributable to the Shareholders of approximately RMB(87.7) million for the year ended 31 March 2012. The Group's loss attributable to the Shareholders during the Review Period trended downward mainly as a result of the improvement in revenue generated, the decrease in operating expenses, as well as the decrease in impairments on amounts due from deconsolidated subsidiaries.

#### Major components of consolidated statements of financial position

Non-current assets of the Group are property, plant and equipment. The movement of the balances during the Review Period mainly represented disposals and depreciation charges, which were partially offset by additions made during the year ended 31 March 2012.

The Group's bank and cash balances decreased significantly from approximately RMB278.9 million as at 31 March 2011 to approximately RMB14.9 million as at 30 September 2012 mainly as result of the payment of cash settlement to the Scheme of approximately RMB244.5 million made during the year ended 31 March 2012. In addition to the cash settlement of RMB244.5 million made, the remaining Scheme Consideration to be settled comprises the (i) the realisation cash proceeds from Phase I Disposal, Restaurant Business Disposal and Phase III Disposal; and (ii) upon successful Resumption, part of the proceeds from the Subscription or, in the event of failure in Resumption, the consideration to be paid by the Investor for the Phase II Disposal. Subsequent to the effective date of the Scheme on 9 August 2011 and the cash settlement of approximately RMB244.5 million made, the remaining Scheme Consideration payable was estimated to be approximately RMB192.5 million and RMB192.2 million as at 31 March 2012 and 30 September 2012 respectively. The slight difference was due to fluctuation in exchange rate between HK\$ and RMB.

Amounts due from the Investor represented the cash consideration receivable from the Investor for the Restaurant Business Disposal and disposals of nominated excluded assets of deconsolidated subsidiaries. According to the annual report of the Company for the year ended 31 March 2011, upon execution of the Heads of Terms in March 2010, the amounts due from the deconsolidated subsidiaries as at 31 March 2010 would be subsequently settled by the cash consideration provided by the Investor at the completion of Phase I Disposal, Restaurant Business Disposal and disposals of nominated excluded assets of deconsolidated subsidiaries in accordance with the Heads of Terms. As a result, the amounts due from the deconsolidated subsidiaries as at 31 March 2010 were subsequently transferred to amounts due from the Investor. As at 31 March 2011, the balance decreased to approximately RMB55.5 million due to

the settlement of the consideration for the Phase I Disposal by the Investor. The slight difference in the balance subsequent to 31 March 2011 was because of fluctuation in exchange rate between HK\$ and RMB. The completion of the Phase I Disposal, the Restaurant Business Disposal and the disposals of nominated excluded assets of deconsolidated subsidiaries had yet to take place as at the Latest Practicable Date.

Amounts due to deconsolidated subsidiaries were resulted from the deconsolidation of certain subsidiaries upon the Phase I Disposal and the Restaurant Business Disposal. Such amounts are expected to be fully waived upon the execution of the Waiver Agreement.

#### Audit qualifications

As set out in the independent auditor's report in Appendix I to the Circular, the auditors of the Company have given disclaimed opinions on the consolidated financial statements of the Company for each of the three years ended 31 March 2010, 2011 and 2012. The auditors did not express an opinion on the consolidated financial statements because of the significance of the matters described therein including the material uncertainty relating to the going concern basis. Independent Shareholders should take caution before placing any reliance on the financial statements of the Group. The audit qualifications were summarised as below:

(i) Basis for disclaimer of opinions

#### For the year ended 31 March 2010

The disclaimed opinions in relation to (i) opening balances and corresponding figures; (ii) deconsolidation of subsidiaries and impairments on due from deconsolidated subsidiaries; (iii) property, plant and equipment; (iv) opening inventories; (v) pledged bank deposits; (vi) accruals and other payables; (vii) due to deconsolidated subsidiaries; (viii) commitments and contingent liabilities; and (ix) related party transactions and balances.

## For the year ended 31 March 2011

The disclaimed opinions in relation to (i) opening balances and corresponding figures; (ii) deconsolidation of subsidiaries and impairments on due from deconsolidated subsidiaries; (iii) due to deconsolidated subsidiaries; (iv) commitments and contingent liabilities; and (v) related party transactions and balances.

#### For the year ended 31 March 2012

The disclaimed opinions in relation to (i) opening balances and corresponding figures; (ii) deconsolidation of subsidiaries and impairments on due from deconsolidated subsidiaries; (iii) due to deconsolidated subsidiaries; (iv) commitments and contingent liabilities; and (v) related party transactions and balances.

Any adjustments to the figures in relation to the above matters might have a significant consequential effect on the Group's results and cash flows for each of the three years ended 31 March 2012 and the financial positions of the Group and of the Company as at 31 March 2010, 2011 and 2012, and the related disclosures thereof in the consolidated financial statements.

## (ii) Material uncertainty relating to the going concern basis

It was noted that the consolidated financial statements of the Group and the Company for the years ended 31 March 2010, 2011 and 2012 have been prepared on a going concern basis on the assumption that the Restructuring 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 did not include any adjustments that would result from a failure to complete the Restructuring. As set out in the financial statements, 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.

Based on the above, without the implementation of the Resumption Proposal, the financial position of the Group might be further deteriorated with additional adjustments to be made as detailed above.

As stated in the "Letter from the Provisional Liquidators" in the Circular (the "Letter from the Provisional Liquidators"), for the year ending 31 March 2016, the Directors and the Provisional Liquidators expect that there should be no audit qualifications in relation to the matters discussed above. For the details of the audit qualifications for the years ending 31 March 2013, 2014 and 2015, please refer to the sub-section headed "The audit qualification" in the Letter from the Provisional Liquidators.

As further stated in the Letter from the Provisional Liquidators, in relation to the material uncertainty relating to the going concern basis as mentioned in the independent auditor's opinion on the consolidated financial statements of the Company for the year ended 31 March 2012, the Directors and the Provisional Liquidators consider that the Group will become liquid with positive current assets and net assets upon Completion. Therefore, such qualification will not recur in the consolidated financial statements for the year ending 31 March 2014. As such, we consider the implementation of the Restructuring is imperative for the Group to reduce its audit qualification in the forth coming financial years and to remove the audit qualification in respect of material uncertainty relating to the going concern basis in the year ending 31 March 2014 and the other audit qualifications in the year ending 31 March 2014.

#### 1.3 Reasons for the Debt Restructuring Agreement and the Restructuring

As set out above, the Group has been in financial difficulties and lacks working capital for its operations as shown by its substantial net liabilities position. The Company presented a petition to the Hong Kong Court for its winding-up on the ground that the Company was insolvent and unable to pay its debts taking into account is actual, contingent and prospective liabilities. The Provisional Liquidators were appointed to the Company on 19 October 2009 in order to preserve and safeguard the assets of the Company, to act in the interest of the general body of the Creditors and to explore the possibility of restructuring or other options that may be available to the Group.

Following their appointment, the Provisional Liquidators commenced the tender process for the proposed sale of the Group's assets and businesses as a going concern and received several proposals from potential investors. The Provisional Liquidators were of the view that the proposal received from the Investor represented the best option available to the Company and its shareholders at that time. Accordingly, the Investor, the Company and the Provisional Liquidators entered into the Debt Restructuring Agreement dated 5 September 2011 for the implementation of the Restructuring.

As stated in the Letter from the Provisional Liquidators, the aggregate gross proceeds from the Open Offer and the Subscription of approximately HK\$290 million will be applied (i) as cash consideration under the Scheme as part of the Scheme Consideration; (ii) to pay the Restructuring Costs in accordance with the Debt Restructuring Agreement; and (iii) as general working capital for the continuation and future expansion of the existing business of the Restructured Group.

We consider it is imperative for the Company to raise additional equity so as to reduce its indebtedness and improve its financial position. On Completion, all the Indebtedness shall be compromised and discharged by the arrangements contemplated under the Scheme. The Restructuring will enable the Group to reach a settlement with the Creditors on the Indebtedness and as a result, the financial position of the Group will be substantially improved, which is in the interests of the Company and the Shareholders as a whole. As demonstrated in the unaudited pro forma consolidated statement of financial position of the Group as set out in Appendix III to the Circular, upon Completion, the net asset value of the Restructured Group would be approximately RMB117.7 million, assuming Completion has taken place on 30 September 2012. The proceeds from the Subscription and the Open Offer, which are part of the Restructuring, will also provide working capital for the continuation and future expansion of the existing business of the Restructured Group.

Should the Restructuring is not implemented, it is likely that the Creditors will claim against the Company for any recovery of amounts due and the Company may be forced to be wound up and be delisted from the Stock Exchange. In such event, the Shareholders would only be entitled to the residual assets, if any, after the realisation of existing assets of the Group and distribution be made to all Creditors. Given the Group's net current liabilities and net liabilities of approximately RMB973.3 million and RMB963.7 million respectively as at 30 September 2012, it is likely that there would not be any residual value of assets left for the Shareholders in the event of forced sale of assets for realisation and distribution to the Creditors as a result of winding-up of the Company.

In light of the above, in particular that the Restructuring enables the Company to discharge all the Indebtedness and that the proceeds from the Subscription and the Open Offer will be applied as part of the Scheme Consideration and support the continuation and future expansion of the existing business of the Restructured Group as general working capital, we concur with the view of the Provisional Liquidators and the proposed Directors that the Restructuring and the entering into of the Debt Restructuring Agreement is in the interests of the Company and the Shareholders as a whole.

## 2. The Debt Restructuring Agreement

The principal terms of the Capital Restructuring, the Open Offer, the Subscription, the Debt Restructuring and the Group Reorganisation pursuant to the Debt Restructuring Agreement are detailed below:

## 2.1 The Capital Restructuring

As part of the Restructuring, the Company proposes to implement the Capital Restructuring which comprises the Capital Reduction, the Capital Cancellation, the Share Consolidation and the Capital Increase, details of which are set out in the Letter from the Provisional Liquidators.

The following table sets out the share capital of the Company before and after the completion of the Capital Restructuring (assuming there is no change in the number of Shares from the Latest Practicable Date to immediately before the Capital Restructuring):

	Before the Capital Restructuring	After the Capital Restructuring
Nominal value	HK\$0.01	HK\$0.01
Authorised share capital	HK\$20,000,000 divided into 2,000,000,000 Shares	HK\$200,000,000 divided into 19,800,000,000 New Shares and 200,000,000 Preference Shares
Issued and paid-up share capital	HK\$5,412,967.56 divided into 541,296,756 Shares	HK\$541,296.75 divided into 54,129,675 New Shares

The Capital Restructuring will be subject to, among other things, the approval by the Independent Shareholders in the EGM by way of poll. We noted that the completion of the Capital Restructuring is one of the conditions precedent to the Open Offer and the Subscription. Hence, the Capital Restructuring forms an integral part of the Restructuring. We have discussed with the management of the Company regarding the reasons for the Capital Restructuring and were advised that the Capital Restructuring is to reorganise the capital base of the Company so as to facilitate the Open Offer and the issue of the Subscription Shares and the Preference Shares. The Capital Restructuring will also provide the Company with the flexibility to accommodate issues of the New Shares in the future when necessary.

Pursuant to the Capital Reduction, a credit of HK\$4,871,670.80 will be generated. Such credit will be applied in a manner permitted by the Companies Law, including but not limited to setting off part of the accumulated losses of the Company of approximately RMB2,380.5 million as at 31 March 2012.

Given (i) that the Capital Restructuring is an integral part of the Restructuring; (ii) the greater flexibility for future fund raising exercise through the issuance of New Shares as a result of the Capital Restructuring; and (iii) that the credit balance of approximately HK\$4.9 million arising from the Capital Reduction will reduce the accumulated losses of the Company, we consider that the Capital Restructuring is in the interests of the Company and the Shareholders as a whole.

## 2.2 The Open Offer

## (i) Basis of the Open Offer

Pursuant to the Debt Restructuring Agreement, the Company will issue 54,129,675 Offer Shares at the subscription price of HK\$0.74 per Offer Share and grant each Qualifying Shareholder a right to subscribe for one Offer Share for every one New Share being held by the Qualifying Shareholders on the Record Date and payable in full on application. Offer Shares not taken up by the Qualifying Shareholders will be fully underwritten by the Underwriter. It is expected that the Company will raise approximately HK\$40 million as a result of the Open Offer. The conditions precedent to the Open Offer are set out in the sub-section headed "The Open Offer" in the Letter from the Provisional Liquidators.

As the Investor will not become a Qualifying Shareholder on the Record Date, the Investor will not participate in the Open Offer. The Open Offer provides all Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of the Company and at the same time allows them to maintain their proportionate interests in the Company. As stated in the Letter from the Provisional Liquidators, the aggregate proceeds from the Open Offer and the Subscription will be applied as part of the Scheme Consideration and support the continuation and future expansion of the existing business of the Restructured Group as general working capital, which is imperative to the Group's survival.

It is noted that completion of the Open Offer is one of the conditions precedent to the Subscription, which is part of the Restructuring, and one of the Resumption Conditions. Accordingly, the Open Offer must be implemented if the Restructuring and the Resumption are to proceed and take place.

Given that (i) the completion of the Open Offer is one of the Resumption Conditions and the Open Offer is an integral part of the Restructuring; (ii) the aggregate proceeds from the Open Offer and the Subscription will provide funding as part of the Scheme Consideration and working capital for the Restructured Group; (iii) the Open Offer will strengthen the Company's capital base and enhance its financial position; and (iv) all Qualifying Shareholders are offered an equal opportunity to participate in the Open Offer to maintain their respective shareholding in the Company and participate in the future growth and development of the Group, we consider that the Open Offer is in the interests of the Company and the Shareholders as a whole.

## *(ii)* The subscription price

The subscription price for the Offer Shares of HK\$0.74 each represents:

- a discount of approximately 99.03% to the theoretical closing price of HK\$76.00 per New Share as adjusted for the effect of the Capital Restructuring based on the closing price of HK\$7.6 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 98.93% to the average theoretical closing price of HK\$69.26 per New Share as adjusted for the effect of the Capital Restructuring based on the average closing price of HK\$6.926 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 98.87% to the average theoretical closing price of HK\$65.34 per New Share as adjusted for the effect of the Capital Restructuring based on the average closing price of HK\$6.534 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day; and
- (iv) a premium of approximately HK\$22.04 over the audited consolidated net liabilities per New Share of approximately RMB17.46 (equivalent to approximately HK\$21.30) as at 31 March 2012 (based on the Company's audited consolidated net liabilities of approximately RMB945.2 million as at 31 March 2012 and 54,129,675 New Shares in issue upon the Capital Restructuring becoming effective).

As stated in the Letter from the Provisional Liquidators, the subscription price for the Open Offer was arrived at after arm's length negotiation between the Company and the Underwriter after taking into account, among other things, the suspension of the trading of the Shares and the audited consolidated net liabilities per New Share of approximately RMB17.46 as at 31 March 2012 based on the Company's audited consolidated net liabilities of approximately RMB945.2 million and 54,129,675 New Shares in issue upon the Capital Restructuring becoming effective.

Trading in the Shares has been suspended since 29 July 2009. Therefore, we consider that comparison of the subscription price of the Offer Shares with the quoted price of the Shares prior to suspension of trading is not appropriate in view of the prolonged suspension in the trading of the Shares. We also consider that it is inappropriate to compare the subscription price for the Offer Shares with those for other restructured companies as different restructuring proposals have different terms and conditions such as the amount of investment to be injected by the relevant investors and the percentage of shareholdings to be held by such investors after the respective restructuring has been completed, which may be factors for determining the subscription prices.

In view of the fact that the subscription price of HK\$0.74 per Offer Share is the same as the subscription price to be paid by the Investor for the Subscription Shares, and that the existing Shareholders can participate in the growth of the Restructured Group, should they wish to do so, by taking up the Offer Shares to be offered to them at the same price to be paid by the Investor, which is no less favourable than that to be paid by the Investor for the Subscription Shares, we consider that the subscription price for the Offer Shares is fair and reasonable so far as the Open Offer Independent Shareholders are concerned.

## (iii) Application for excess Offer Shares

As set out in the Letter from the Provisional Liquidators, any Qualifying Shareholder may apply for entitlements of the Excluded Shareholders and any Offer Shares provisionally allotted but not accepted by the Qualifying Shareholders.

The Directors will allocate the excess Offer Shares at their discretion on a fair and equitable basis on the following principles:

- (1) preference will be given to topping up odd lots to whole board lots where they appear to the Directors that such applications are made to round up odd-lot holdings to whole-lot holdings and that such applications are not made with intention to abuse this mechanism; and
- (2) subject to availability of excess Offer Shares after allocation under principle (1) above, the excess Offer Shares will be allocated to Qualifying Shareholders, who have applied for excess Offer Shares, on a pro-rata basis based on the number of the excess Offer Shares applied by them, with allocations to be made in full board lots where practicable.

We are not aware of the allocation arrangement for the excess application of the Offer Shares being unusual and consider such allocation arrangement to be in line with normal market practice.

## (iv) Underwriting arrangement

On 18 January 2013, the Company and the Underwriter entered into the Underwriting Agreement relating to the Open Offer, pursuant to which the Underwriter has agreed to underwrite 54,129,675 Underwritten Shares. The obligations of the Underwriter under the Underwriting Agreement are conditional upon, among others, the approval by the Open Offer Independent Shareholders at the EGM and the Whitewash Waiver having been granted by the SFC. Details of the Underwriting Agreement are set out in the sub-section headed "The Open Offer" in the Letter from the Provisional Liquidators. Pursuant to the Underwriting Agreement, no underwriting commission will be payable to the Underwriter. The Underwriter shall bear all costs, fees and out-of-pocket expenses which may be incurred by it for the performance of the Underwriter, we consider that no underwriting commission will be payable to the Underwriter soft the Underwriter Agreement are fair and reasonable.

## 2.3 The Subscription

Pursuant to the Subscription Agreement, the Investor will subscribe for and the Company will allot and issue to the Investor (or its nominee) upon Completion (i) 202,702,703 Subscription Shares at the subscription price of HK\$0.74 each and (ii) 135,135,135 Preference Shares at the subscription price of HK\$0.74 each.

The Subscription is conditional upon, among other things, the completion of the Capital Restructuring and the Open Offer, the approval by the Independent Shareholders at the EGM by way of poll, and the granting of the Whitewash Waiver by the SFC.

The Subscription Shares to be issued will rank *pari passu* in all respects with the New Shares and will have the same voting, dividend and other rights attached or accruing thereto as from the date of allotment and issue of the Subscription Shares.

The Preference Shares to be issued in accordance with the Debt Restructuring Agreement and the Subscription Agreement will upon their issue carry the following rights:

Fixed cumulative dividend: 0% per annum on the paid-up value

Ability to redeem:

Non-redeemable

Convertibility:	Convertible into one New Share for each Preference Share at any time after 6 months of the date of issue		
Voting right:	Non-voting at general meeting of the Company unless resolution to be proposed at a general meeting for winding-up of the Company, or a resolution is to be proposed, which if passed, would vary or abrogate the rights or privileges of holders of Preference Shares		
Claim on liquidation claims:	Upon liquidation, the claim on liquidation proceeds of the Company is senior to other ordinary shares based on its par value per Preference Share		

The subscription price for the Subscription Shares and the Preference Shares of HK\$0.74 each are same as the subscription price of the Offer Shares.

Since the trading in the Shares has been suspended since 29 July 2009, we consider the comparison of the subscription price of the Subscription Shares with the quoted price of the Shares prior to suspension of trading is not appropriate. In view of the fact that (i) the subscription price of the Subscription Share and the Preference Share is the same as the subscription price for the Offer Shares, i.e. no more favourable than that to be paid by the existing Shareholders should they wish to participate in the growth of the Restructured Group by taking up the Offer Shares to be offered to them; and (ii) the subscription price for the Subscription Shares and the Preference Shares is at a premium over the net liabilities per Share as set out in the section 2.2(ii) above, we consider that the terms of the Subscription Agreement, including the subscription price for the Subscription Shares and the Preference Shares, are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned.

Given that (i) following the Completion, including the Subscription, the financial position of the Restructured Group would be improved from net liabilities to net assets, as illustrated by the unaudited pro forma consolidated statement of financial position of the Group set forth in Appendix III to the Circular; (ii) the aggregate proceeds from the Open Offer and the Subscription will be applied as part of the Scheme Consideration and will provide working capital for the Restructured Group; (iii) the capital base of the Company will be considerably enlarged upon completion of the Subscription; and (iv) the completion of the Subscription is one of the Resumption Conditions and the Subscription is part of the Restructuring, we consider that the Subscription is in the interests of the Company and the Shareholders as a whole.

## 2.4 Proceeds from the Open Offer and the Subscription

The aggregate gross proceeds from the Open Offer and the Subscription of approximately HK\$290 million will be applied as follows:

- (i) HK\$170 million as cash consideration under the Scheme as part of the Scheme Consideration;
- (ii) HK\$20 million will be applied to pay the Restructuring Costs in accordance with the Debt Restructuring Agreement; and
- (iii) the balance of approximately HK\$100 million as general working capital for the continuation and future expansion of the existing business of the Restructured Group.

## 2.5 The Debt Restructuring

Based on the notices of claim received, it was estimated that the admitted claims owed by the Company to the Creditors amounts to approximately HK\$2,651.9 million. The indebtedness figure stated above is indicative only and the payment to the claims of the Creditors will be subject to arrangement of the Scheme.

Upon the Scheme becoming effective on 9 August 2011, all the Indebtedness owed by the Company was fully compromised and discharged by the arrangements contemplated under the Scheme, in exchange for the Scheme Consideration described below:

(a) cash consideration comprising of (i) cash maintained in the Company's bank accounts after deducting all necessary cost and expense for the administration of the Provisional Liquidators; (ii) realisation cash proceeds from Phase I Disposal, Restaurant Business Disposal and Phase III Disposal; and (iii) upon successful Resumption, part of the proceeds from the Open Offer and the Subscription or, in the event of failure in Resumption, the consideration to be paid by the Investor for the Phase II Disposal.

The estimated cash consideration is approximately (i) HK\$539.3 million if the Resumption is successful; or (ii) approximately HK\$409.3 million if the Resumption failed. Approximately HK\$291.4 million has been distributed to the Scheme Creditors in accordance with the Scheme and the remaining cash consideration is expected to be distributed to the Scheme Creditors upon completion of the Capital Restructuring, the Open Offer and the Subscription; and

(b) pursuant to the terms of Scheme, in the event that the Resumption is successful, the Company will allot and issue 23,380,000 Scheme Shares to the Scheme Creditors. The Scheme Shares will rank *pari passu* in all respects with the New Shares in issue as at the date of allotment and issue of the Scheme Shares.

The 23,380,000 Scheme Shares represent:

- (a) approximately 6.99% of the enlarged issued share capital of the Company upon completion of the Capital Restructuring and as enlarged by the issue of the Offer Shares, the Subscription Shares and the Scheme Shares (assuming no conversion of the Preference Shares); and
- (b) approximately 4.98% of the enlarged issued share capital of the Company upon completion of the Capital Restructuring and as enlarged by the issue of the Offer Shares, the Subscription Shares, the Scheme Shares and following full conversion of the Preference Shares.

The Company has recognised a gain of approximately RMB1,733.6 million for the year ended 31 March 2012 following the Scheme became effective in August 2011.

The Scheme is an integral part of the Restructuring. If the Scheme fails to proceed, the Restructuring would not be completed and the Resumption would not take place. Considering that (i) it is necessary for the Company to implement measures to repay or restructure its outstanding indebtedness given its financial difficulties; (ii) all the Indebtedness has be compromised and discharged through the Scheme; and (iii) the Company has recognised a gain of approximately RMB1,733.6 million for the year ended 31 March 2012 following the Scheme became effective, we are of the view that the Scheme is in the interests of the Company and the Shareholders as a whole.

## 2.6 The Group Reorganisation

Pursuant to the Heads of Terms and subsequently the Debt Restructuring Agreement, the Group has undergone a downsizing and business re-engineering on its structure and operation in an orderly manner. The Group Reorganisation involves, *inter alia*, the transfer of assets of the Group to Fortune Guard pursuant to the Phase I Disposal, the Restaurant Business Disposal, the Phase III Disposal and the transfer of the entire shareholding of the Scheme Group Companies to Quick Glory for the benefit of the Scheme. Upon completion of the Group Reorganisation, the Excluded Companies will cease to be subsidiaries or associates of the Company. It is expected that upon completion of the Restructuring, the Group will consist of the Restructured Group only. The Restructured Group upon Completion will principally engage in the (i) provision of catering services to corporations; and (ii) production and sale of convenience food products.

The assets held by the Phase I Disposal Companies were principally land and buildings which were frozen due to legal proceedings in local courts or under the risk of repossession by the local government in Guangxi and Ningbo, the PRC, a partially built food processing centre in Shouguang, Shandong and a food processing centre in Wuxi. The consideration of the Phase I Disposal comprises cash of HK\$77.27 million and liabilities of HK\$324.0 million assumed by the Investor.

The Restaurant Business Disposal Companies were principally engaged in the operations and management of Chinese restaurants. The Restaurant Business was incurring operating losses and the idle processing centres were not in operation and were no longer needed, while certain of the Restaurant Business Disposal Companies were nevertheless liable for the outstanding and future rental liabilities under the long term lease arrangements. Accordingly, the Provisional Liquidators and the Company decided to dispose of the Restaurant Business and certain idle processing centres from the Group and dispose of to the Investor pursuant to the Restaurant Business Disposal. The consideration of the Restaurant Business Disposal comprises cash of HK\$10 million and liabilities of HK\$143.97 million assumed by the Investor.

The Phase III Disposal Companies mainly possessed other non-core assets of the Group, representing certain land and building in the PRC. The consideration of the Phase III Disposal comprises cash of RMB2.5 million and liabilities of approximately RMB480.6 million by Fortune Guard.

The Provisional Liquidators have engaged independent appraisers to estimate the liquidation values of the underlying assets of the Phase I Disposal, the Restaurant Business Disposal and the Phase III Disposal using market approach and cost approach methodologies. Based on the valuation reports issued by the independent appraisers, the respective consideration of the Phase I Disposal, the Restaurant Business Disposal and the Phase III Disposal is in excess of the liquidation values of the respective underlying assets of the Phase I Disposal Companies, the Restaurant Business Disposal Companies and the Phase II Disposal Companies. The cash proceeds from the Phase I Disposal, the Restaurant Business Disposal and the Phase III Disposal will be applied as cash consideration under the Scheme as part of the Scheme Consideration. Given that the respective consideration of the Phase I Disposal, the Restaurant Business Disposal and the Phase III Disposal is in excess of the liquidation values of the respective underlying assets of the Phase I Disposal Companies, the Restaurant Business Disposal Companies and the Phase II Disposal Companies based on the independent valuation reports and that the Investor and Fortune Guard will assume the liabilities of the Phase I Disposal Companies, the Restaurant Business Disposal Companies and the Phase II Disposal Companies, we consider the respective consideration of the Phase I Disposal, the Restaurant Business Disposal and the Phase III Disposal is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

The Scheme Group Companies mainly represent investment holding companies which would be transferred to Quick Glory for the benefit of the Scheme upon Completion. Pursuant to the Scheme, the issued shares of the Scheme Group Companies will be transferred to Quick Glory held in trust for the Scheme Creditors. Any realisation to be made from the Scheme Group Companies (including their assets) by the Scheme Administrators will be distributed to the Scheme Creditors in accordance with the terms of the Scheme.

Considering that (i) the Group Reorganisation will allow the Restructured Group to concentrate on its core business by effectively carving out the loss-making or underperforming business and realising the non-core assets; (ii) the cash proceeds from the Phase I Disposal, the Restaurant Business Disposal and the Phase III Disposal will be applied as cash consideration under the Scheme as part of the Scheme Consideration; and (iii) the Group Reorganisation forms part of the Restructuring, we are of the view that the Group Reorganisation is in the interests of the Company and the Shareholders as a whole.

#### 3. Potential dilution effect to the Shareholders

The changes in the shareholding structure of the Company immediately before and after Completion was set out in the section headed "The Group and its shareholding structure" in the Letter from the Provisional Liquidators. Upon completion of the Capital Restructuring, the issue of the Offer Shares (assuming all Qualifying Shareholders have taken up their respective entitlements under the Open Offer), the Subscription Shares, the Scheme Shares and full conversion of the Preference Shares, the shareholding of the existing Shareholders will be diluted from 100% to approximately 28.04%. The shareholding of the existing Shareholders will be diluted to approximately 16.51% upon completion of the Capital Restructuring, the issue of the Offer Shares (assuming none of the Qualifying Shareholders take up their respective entitlements under the Open Offer), the Subscription Shares, the Scheme Shares and full conversion of the Preference Shares. If the shareholding of the public Shareholders falls below 25%, the Investor has undertaken to arrange Placing Down of New Shares to maintain minimum public float as required under the Listing Rules.

Notwithstanding the dilution, after taking into consideration factors including, *inter alia*, (i) the net liabilities position of the Company; (ii) the current financial difficulties faced by the Company; (iii) that it is in the interest of the Shareholders that the Restructuring, including, *inter alia*, the Capital Restructuring, the Open Offer, the Subscription, the Debt Restructuring (including the issue of the Scheme Shares), the Group Reorganisation, is to be implemented in its entirety so as to avoid the Company being wound-up and delisted, in which case the Creditors would have precedence over the Shareholders in claims over the Group's assets; (iv) that the aggregate proceeds from the Open Offer and the Subscription will provide financial resources for the settlement of the Company's indebtedness and working capital; and (v) the Group would turnaround from net liabilities to net asset upon Completion with contribution by, among others, the fund raised from the Open Offer and the Subscription, we consider that the dilution effect on the shareholding of the existing Shareholders as a result of the Restructuring is acceptable so far as the Independent Shareholders are concerned.

## 4. Financial effects of the Restructuring

#### 4.1 Net assets

According to the unaudited pro forma consolidated statement of financial position of the Group set out in Appendix III to the Circular, assuming Completion has taken place on 30 September 2012, the Group's financial position would improve from net liabilities of approximately RMB963.7 million to net assets of approximately RMB117.7 million which will mainly comprise cash and bank balances of approximately RMB99.2 million.

## 4.2 Indebtedness

Based on the notices of claim received, it was estimated that the total indebtedness owed by the Company to the Creditors amounted to approximately HK\$2,651.9 million.

As noted in the Letter from the Provisional Liquidators, upon Completion, all the Indebtedness will be discharged in full through the Scheme. Accordingly, we consider that the Restructuring will be able to lessen the significant indebtedness of the Group. As at 30 September 2012, the Group had total assets of approximately RMB165.9 million and total borrowings, being the amounts payable to the Scheme and due to deconsolidated subsidiaries, of approximately RMB1,059.4 million in aggregate. The debt to asset ratio of the Group was approximately 638.6%, being the total borrowings divided by total assets. According to the unaudited pro forma consolidated statement of financial position of the Group set out in Appendix III to the Circular, assuming Completion has taken place on 30 September 2012, the Group would have total assets of approximately RMB188.0 million and no borrowings.

## 4.3 Working Capital

As set out in the "Financial information of the Group" in Appendix I to the Circular, the Group had bank and cash balances of approximately RMB14.9 million and net current liabilities of approximately RMB973.3 million as at 30 September 2012.

Under the Restructuring, the Company will receive gross proceeds from the Open Offer and the Subscription in the aggregate amount of HK\$290 million. According to the unaudited pro forma consolidated statement of financial position of the Group as set out in Appendix III to the Circular, assuming that Completion has take place on 30 September 2012, the Restructured Group would have bank and cash balances of approximately RMB99.2 million and net current assets of approximately RMB108.2 million. Therefore, the working capital position of the Group will be substantially improved after the Restructuring.

#### 5. Investor's intension regarding the Group

Within 24 months after the Resumption, the Investor and its ultimate beneficial owners do not have any intention to (i) change the existing business operations and structure of the Restructured Group; (ii) inject any new assets or businesses into the Restructured Group; (iii) dispose of any of the material assets of the Restructured Group; (iv) undergo massive lay-offs of the current employees of the Group; or (v) introduce any redeployment of fixed assets of the Group other than in the ordinary course of business.

After 24 months from the Resumption, the Investor and its ultimate beneficial owners will conduct a detailed review on the business operations and financial position of the Restructured Group for the purpose of formulating appropriate business plans and strategies which may include asset acquisitions, business diversification, business rationalisation, business divestment and/ or asset disposals in order to enhance the long-term growth potential of the Restructured Group. Subject to completion of a detailed review of the existing business operations of the Restructured Group and formulation of an appropriate business plan for the Restructured Group, it is the intention of the Investor to further improve the existing business operation of the Restructured Group by taking advantage of the business experience and network of Investor. The Investor and its ultimate beneficial owners will assist the Group to continue to seek new business opportunities to improve the Group's profitability and as well as to further consolidate the Group's business, including but not limited to, various pursuits of organic and inorganic growth of the business should suitable opportunities arise.

## 6. The Whitewash Waiver

Pursuant to the terms of the Debt Restructuring Agreement, the Concert Party Group will subscribe for 202,702,703 Subscription Shares. If all the Offer Shares are taken up by the Qualifying Shareholders, the Concert Party Group will be interested in (i) approximately 60.63% of the enlarged issued share capital of the Company upon completion of the Open Offer, the Subscription and the allotment of the Scheme Shares to the Scheme Creditors but before conversion of the Preference Shares; and (ii) approximately 71.96% of the enlarged issued share capital of the Company upon completion of the Open Offer, the Subscription, the allotment of the Scheme Shares to the Scheme Creditors and full conversion of the Preference Shares.

If none of the Offer Shares is taken up by the Qualifying Shareholders and the Underwriter will be required to take up all the Offer Shares that are not subscribed for under the Open Offer, the Concert Party Group will be interested in (i) approximately 76.82% of the enlarged issued share capital upon completion of the Open Offer, the Subscription and the allotment of the Scheme Shares to the Scheme Creditors but before conversion of the Preference Shares; and (ii) approximately 83.49% of the enlarged issued share capital of the Company upon completion of the Open Offer, the Subscription, the allotment of the Scheme Shares to the Scheme Creditors and full conversion of the Preference Shares. The shareholding structure of the Company immediately before and after Completion was set out in the section headed "The Group and its shareholding structure" in the Letter from the Provisional Liquidators.

Therefore, the underwriting of the Underwritten Shares and the subscription of the Subscription Shares by the Investor will trigger an obligation on the part of the Concert Party Group to make a mandatory general offer for all the New Shares not already owned or agreed to be acquired by them under Rule 26.1 of the Takeovers Code. Accordingly, the Investor has made an application to the Executive for a Whitewash Waiver waiving its obligation to make a mandatory general offer pursuant to Note 1 on dispensation from Rule 26 of the Takeovers Code. The Executive has indicated that the Whitewash Waiver, if granted, will be subject to, among other things, the approval by the Independent Shareholders in the EGM by way of poll.

The Subscription is conditional upon, among other thing, the granting of the Whitewash Waiver by the Executive and the approval of the Whitewash Waiver by the Independent Shareholders at the EGM. The aforesaid condition is not capable of being waived. If the Whitewash Waiver is not granted by the Executive or not approved by the Independent Shareholders at the EGM, the Subscription, and hence the Restructuring, will not proceed.

As the Investor will be injecting substantial amount of cash resources into the Company to facilitate the Company's business development, we consider it is a reasonable consequence for the Investor to have obtained a controlling stake in the Company upon Completion. Given that the Whitewash Waiver is a condition precedent to the Restructuring and taking into account the benefits of the Restructuring (including the Subscription) to the Company as explained above, we consider that the granting of the Whitewash Waiver is fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Shareholders should note that upon Completion, the Concert Party Group will hold more than 50% of the voting rights of the Company upon Completion. In the event that the aggregate shareholding of the Concert Party Group in the Company exceed 50% upon Completion, and the Whitewash Waiver condition is fulfilled, the Concert Party Group may increase its shareholding in the Company in the future without incurring any further obligation to make a general offer under Rule 26 of the Takeovers Code.

## RECOMMENDATION

Having considered the above-mentioned principal factors and reasons, in particular,

- the Group Reorganisation and the Scheme will enable the Group to discharge its indebtedness, which we consider to be imperative to the Group's survival given its financial position;
- the Open Offer provides the existing Shareholders an equal opportunity to participate in the Company's future development;
- (iii) the aggregate proceeds from the Open Offer and the Subscription will provide the capital needed as part of the Scheme Consideration and for the Group's general working capital;
- (iv) the likelihood of winding-up of the Company if it fails to implement the proposed Restructuring;
- (v) the existing Shareholders will be unlikely to receive any return in the event of a winding-up of the Company;
- (vi) the material uncertainty relating to the going concern basis of the Company if the Restructuring is not successfully implemented; and
- (vii) the substantial improvement in the Group's financial position after Completion,

we consider that the Restructuring involving, *inter alia*, the Capital Restructuring, the Open Offer, the Subscription, the issue of Scheme Shares, the Group Reorganisation and the transactions contemplated thereunder, and the Whitewash Waiver are in the interests of the Company and the Shareholders as a whole and the terms thereof (including the terms of the Debt Restructuring Agreement, the Subscription Agreement and the Underwriting Agreement) are fair and reasonable so far as the Independent Shareholders and the Open Offer Independent Shareholders (as the case may be) are concerned. Accordingly, we recommend (i) the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Debt Restructuring, the Subscription, the issue of Scheme Shares and the Whitewash Waiver; and (ii) the Open Offer Independent Shareholders to vote in favour of the ordinary resolutions contemplated thereunder, the Capital Restructuring, the Subscription, the issue of Scheme Shares and the Whitewash Waiver; and (ii) the Open Offer Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Debt Restructuring.

Yours faithfully For and on behalf of Quam Capital Limited Gary Mui Managing Director

#### 1. SUMMARY OF PUBLISHED FINANCIAL INFORMATION

The following is a summary of the consolidated financial information of the Group for the three years ended 31 March 2012 and the six months ended 30 September 2012, details of which were extracted from the annual reports of the Company for each of the years ended 31 March 2010, 2011 and 2012 and the interim report of the Company for the six months ended 30 September 2012.

The condensed consolidated interim financial statements for the six months ended 30 September 2012 were not audited. The consolidated financial statements for the years ended 31 March 2010, 2011 and 2012 were audited by ANDA CPA Limited. Disclaimer of opinion was issued by the auditor of the Company in relation to each of the financial years.

For each of the three years ended 31 March 2012 and the six months ended 30 September 2012, there were no exceptional items because of size, nature or incidence and no dividend was declared or paid.

	For the six months ended			
	30 September	For the	year ended 31 Ma	rch
	2012	2012	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Audited)	(Audited)	(Audited)
Turnover	154,959	198,046	175,626	140,505
Cost of materials consumed	(118,074)	(141,801)	(128,622)	(120,226)
Gross profit	36,885	56,245	47,004	20,279
Other income	20	440	2,099	68,326
Gain on execution of the Scheme	_	1,733,556	_	_
Staff costs	(12,577)	(23,447)	(28,369)	(39,379)
Operating lease rentals	(1,805)	(2,986)	(6,220)	(8,677)
Depreciation	(4,035)	(8,254)	(9,292)	(9,702)
Fuel and utility costs	(1,839)	(4,734)	(13,745)	(9,171)
Consumable stores	(381)	(795)	(3,597)	(2,592)
Other operating expenses	(8,745)	(8,461)	(111,759)	(23,039)
Impairments on due from				
deconsolidated subsidiaries	(25,832)	(56,765)	(136,157)	(261,907)
Loss reclassified to profit or loss				
relating to available-for-sale asset				
disposed during the year				(67,874)
Profit/(loss) from operations	(18,309)	1,684,799	(260,036)	(333,736)
Finance costs		(38,792)	(113,871)	(138,136)

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 September	For the	year ended 31 Ma	rch
	2012	2012	2011	2010
	2012 RMB'000	2012 RMB'000	2011 RMB'000	2010 RMB '000
	(Unaudited)	(Audited)	(Audited)	(Audited)
Profit/(loss) before tax	(18,309)	1,646,007	(373,907)	(471,872)
Income tax	(616)	(66)	_	(12)
<b>Profit/(loss) for the period/year</b>	(18,925)	1,645,941	(373,907)	(471,884)
Other comprehensive income: Exchange differences on translating foreign operations Available-for-sale financial asset:	422	37,113	75,911	3,621
<ul> <li>Fair value changes of available-for-sale financial asset</li> </ul>				(67,874)
<ul> <li>– Reclassification adjustment relating to available-for-sale asset disposed</li> </ul>	-	_	_	(07,874)
during the year				67,874
Total comprehensive income/(loss) for the period/year	(18,503)	1,683,054	(297,996)	(468,263)
Profit/(loss) for the period/year attributable to: Equity holders of the Company Non-controlling interests	(18,925)	1,645,962 (21)	(373,907)	(471,884)
	(18,925)	1,645,941	(373,907)	(471,884)
	(10,925)	1,043,941	(373,907)	(471,004)
Total comprehensive income/(loss) for the period/year attributable to:	(10,500)	1 (00 )75	(005 00 0)	
Equity holders of the Company	(18,503)	1,683,075	(297,996)	(468,263)
Non-controlling interests		(21)		
	(18,503)	1,683,054	(297,996)	(468,263)
Earnings/(loss) per share Basic ( <i>RMB cents per share</i> )	(3)	304	(69)	(87)
Diluted (RMB cents per share)	(3)	(4)	(69)	(87)

# **APPENDIX I**

## FINANCIAL INFORMATION OF THE GROUP

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	For the six months ended			
	30 September	For the	e year ended 31 Ma	urch
	2012	2012	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Audited)	(Audited)	(Audited)
Non-current assets				
Property, plant and equipment	9,547	13,552	14,999	27,268
Current assets				
Inventories	2,651	2,644	2,819	5,167
Trade receivables	73,204	17,607	15,483	12,472
Due from deconsolidated subsidiaries	-	-	-	105,316
Due from the Investor	54,148	54,305	55,505	-
Prepayments, deposits and				
other receivables	11,475	10,497	14,617	41,467
Pledged bank deposits	-	-	-	67,719
Bank and cash balances	14,919	21,315	278,852	240,255
	156,397	106,368	367,276	472,396
Current liabilities				
Trade payables	50,206	40,744	37,015	20,647
Accruals and other payables	19,473	22,795	24,289	24,467
Payable to the Scheme	192,236	192,507	-	-
Due to deconsolidated subsidiaries	867,161	809,118	785,360	711,905
Bank borrowings	-	_	24,599	25,715
Convertible bonds	-	-	2,139,310	2,047,788
Tax payable	615			
	1,129,691	1,065,164	3,010,573	2,830,522
Net current liabilities	(973,294)	(958,796)	(2,643,297)	(2,358,126)
NET LIABILITIES	(963,747)	(945,244)	(2,628,298)	(2,330,858)

	For the			
	six months			
	ended			
	30 September	For the	year ended 31 Ma	arch
	2012	2012	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Audited)	(Audited)	(Audited)
Capital and reserves				
Share capital	5,665	5,665	5,665	5,665
Reserves	(969,911)	(951,408)	(2,634,483)	(2,336,523)
Equity attributable to equity holders				
of the Company	(964,246)	(945,743)	(2,628,818)	(2,330,858)
Non-controlling interests	499	499	520	
TOTAL EQUITY	(963,747)	(945,244)	(2,628,298)	(2,330,858)

#### 2. AUDITOR'S REPORT FOR THE YEAR ENDED 31 MARCH 2010

Set out below is the auditor's report extracted from the annual report of the Company for the year ended 31 March 2010 in which the auditor expressed a disclaimer of opinion. In this section, reference to the page numbers are those appeared in the annual report of the Company for the year ended 31 March 2010.

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:

 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

#### 3. AUDITOR'S REPORT FOR THE YEAR ENDED 31 MARCH 2011

Set out below is the auditor's report extracted from the annual report of the Company for the year ended 31 March 2011 in which the auditor expressed a disclaimer of opinion. In this section, reference to the page numbers are those appeared in the annual report of the Company for the year ended 31 March 2011.

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 21 to 70, which comprise the consolidated and Company statements of financial position as at 31 March 2011, 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 of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### 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 2010 (the "2010 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 2010 Financial Statements gave 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 that year then ended.

# 2. Deconsolidation of the 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, 2010 and 2011. Furthermore, no sufficient evidence had been provided to satisfy ourselves as to the impairments on due from deconsolidated subsidiaries of approximately RMB136,157,000 for the year ended 31 March 2011.

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 2011 and the Group's financial position as at that date.

#### 3. 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 RMB785,360,000 and RMB8,576,000 shown in the consolidated and Company statements of financial position respectively as at 31 March 2011.

#### 4. 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 2011.

#### 5. 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 2011 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 5 above might have a significant consequential effect on the Group's results and cash flows for the two years ended 31 March 2011 and 2010 and the financial positions of the Group and of the Company as at 31 March 2011 and 2010, 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 2011 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, 31 October 2012

#### 4. AUDITOR'S REPORT FOR THE YEAR ENDED 31 MARCH 2012

Set out below is the auditor's report extracted from the annual report of the Company for the year ended 31 March 2012 in which the auditor expressed a disclaimer of opinion. In this section, reference to the page numbers are those appeared in the annual report of the Company for the year ended 31 March 2012.

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 21 to 70, which comprise the consolidated and Company statements of financial position as at 31 March 2012, 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 of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### 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 2011 (the "2011 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 31 October 2012. Accordingly, we were then unable to form an opinion as to whether the 2011 Financial Statements gave a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2011 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, 2010, 2011 and 2012. Furthermore, no sufficient evidence had been provided to satisfy ourselves as to the impairments on due from deconsolidated subsidiaries of approximately RMB56,765,000 for the year ended 31 March 2012.

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 2012 and the Group's financial position as at that date.

#### 3. 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 RMB809,118,000 and RMB6,760,000 shown in the consolidated and Company statements of financial position respectively as at 31 March 2012.

#### 4. 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 2012.

#### 5. 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 2012 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 5 above might have a significant consequential effect on the Group's results and cash flows for the two years ended 31 March 2012 and 2011 and the financial positions of the Group and of the Company as at 31 March 2012 and 2011, 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 2012 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, 5 December 2012

#### 5. AUDITED FINANCIAL INFORMATION FOR THE YEAR ENDED 31 MARCH 2012

Set out below is the financial information extracted from the annual report of the Company for the year ended 31 March 2012 and reference to the page numbers (where applicable) are those appeared in the annual report of the Company for the year ended 31 March 2012.

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2012

		2012	2011
	Notes	RMB'000	RMB'000
Turnover	7	198,046	175,626
Cost of materials consumed	_	(141,801)	(128,622)
Gross profit		56,245	47,004
Other income	8	440	2,099
Gain on execution of the Scheme	10	1,733,556	_
Staff costs		(23,447)	(28,369)
Operating lease rentals		(2,986)	(6,220)
Depreciation		(8,254)	(9,292)
Fuel and utility costs		(4,734)	(13,745)
Consumable stores		(795)	(3,597)
Other operating expenses		(8,461)	(111,759)
Impairments on due from			
deconsolidated subsidiaries	_	(56,765)	(136,157)
Profit/(loss) from operations		1,684,799	(260,036)
Finance costs	11	(38,792)	(113,871)
Profit/(loss) before tax		1,646,007	(373,907)
Income tax	12	(66)	
Profit/(loss) for the year	13	1,645,941	(373,907)
Other comprehensive income:			
Exchange differences on translating			
foreign operations	_	37,113	75,911
Total comprehensive income/(loss)			
for the year	=	1,683,054	(297,996)

### FINANCIAL INFORMATION OF THE GROUP

	Notes	<b>2012</b> <i>RMB</i> '000	<b>2011</b> <i>RMB</i> '000
Profit/(loss) for the year attributable to:			
Equity holders of the Company		1,645,962	(373,907)
Non-controlling interests		(21)	
		1,645,941	(373,907)
Total comprehensive income/(loss)			
for the year attributable to:		1,683,075	(207,006)
Equity holders of the Company Non-controlling interests		(21)	(297,996)
		1,683,054	(297,996)
Earnings/(loss) per share	17		
Basic (RMB cents per share)		304	(69)
Diluted (RMB cents per share)		(4)	(69)

#### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2012

	Notes	<b>2012</b> <i>RMB</i> '000	<b>2011</b> <i>RMB</i> '000
Non-current assets			
Property, plant and equipment	18	13,552	14,999
Current assets			
Inventories	20	2,644	2,819
Trade receivables	21	17,607	15,483
Due from the Investor	22	54,305	55,505
Prepayments, deposits and		,	,
other receivables	24	10,497	14,617
Bank and cash balances	25	21,315	278,852
	_	106,368	367,276
Current liabilities			
Trade payables	26	40,744	37,015
Accruals and other payables		22,795	24,289
Payable to the Scheme	10	192,507	_
Due to deconsolidated subsidiaries	23	809,118	785,360
Bank borrowings	27	, _	24,599
Convertible bonds	28		2,139,310
	_	1,065,164	3,010,573
Net current liabilities	_	(958,796)	(2,643,297)
NET LIABILITIES	=	(945,244)	(2,628,298)
Capital and reserves			
Share capital	29	5,665	5,665
Reserves	31	(951,408)	(2,634,483)
Equity attributable to equity holders			
of the Company		(945,743)	(2,628,818)
Non-controlling interests	_	499	520
TOTAL EQUITY	=	(945,244)	(2,628,298)

#### STATEMENT OF FINANCIAL POSITION

At 31 March 2012

	Notes	<b>2012</b> <i>RMB</i> '000	<b>2011</b> <i>RMB</i> '000
Non-current assets			
Investments in subsidiaries	19		3
Current assets			
Prepayments, deposits and			
other receivables		8,471	8,739
Due from the Investor	22	54,305	55,505
Bank and cash balances	_	1,141	254,724
	_	63,917	318,968
Current liabilities			
Accruals and other payables		1,486	13,939
Payable to the Scheme	10	192,507	_
Due to deconsolidated subsidiaries	23	6,760	8,576
Bank borrowings	27	_	24,599
Convertible bonds	28		2,139,310
	_	200,753	2,186,424
Net current liabilities	_	(136,836)	(1,867,456)
NET LIABILITIES	=	(136,836)	(1,867,453)
Capital and reserves			
Share capital	29	5,665	5,665
Reserves	31(b)	(142,501)	(1,873,118)
TOTAL EQUITY	=	(136,836)	(1,867,453)

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2012

Attributable to equity holders of the Company									
			<b>0</b>		Foreign currency			Non-	
	Share	Share	Statutory	Capital	translation	Accumulated		controlling	
	capital	premium	reserve	reserve	reserve	losses	Total	interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 April 2010	5,665	1,491,807	7,500	137,468	(183,198)	(3,790,100)	(2,330,858)	-	(2,330,858)
Total comprehensive loss									
for the year	-	-	-	-	75,911	(373,907)	(297,996)	-	(297,996)
Contribution from minority									
shareholders	-	-	-	-	-	-	-	520	520
Equity settled share-based									
payment transactions	-	-	-	36	-	-	36	-	36
Forfeiture of share options				(6,094)		6,094			
At 31 March 2011	5,665	1,491,807	7,500	131,410	(107,287)	(4,157,913)	(2,628,818)	520	(2,628,298)
At 1 April 2011	5,665	1,491,807	7,500	131,410	(107,287)	(4,157,913)	(2,628,818)	520	(2,628,298)
Total comprehensive						., , ,	., , ,		., , ,
income for the year	-	-	-	-	37,113	1,645,962	1,683,075	(21)	1,683,054
Forfeiture of share options	-	-	-	(659)	-	659	-	-	-
Release upon execution of									
the Scheme				(130,751)		130,751			
At 31 March 2012	5,665	1,491,807	7,500	_	(70,174)	(2,380,541)	(945,743)	499	(945,244)

### FINANCIAL INFORMATION OF THE GROUP

### CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2012

	Notes	<b>2012</b> <i>RMB</i> '000	<b>2011</b> <i>RMB</i> '000
Cash flows from operating activities			
Profit/(loss) before tax		1,646,007	(373,907)
Adjustments for:			
Depreciation		8,254	9,292
Interest income		(191)	(249)
Gain on execution of the Scheme	10	(1,733,556)	_
Finance costs		38,792	113,871
Equity settled share-based			
payment expenses		_	36
Foreign exchange loss		1,844	71,942
Impairments on due from			
deconsolidated subsidiaries		56,765	136,157
Impairment of assets	_	764	527
Operating cash flows before working			
capital changes		18,679	(42,331)
Change in inventories		175	2,223
Change in prepayments, deposits and			
other receivables		4,120	26,691
Change in trade receivables		(2,124)	(3,253)
Change in trade payables		3,729	16,368
Change in accruals and other payables	_	(1,494)	(569)
Cash generated from/(used in) operations		23,085	(871)
Tax paid	_	(66)	
Net cash generated from/(used in)			
operating activities	_	23,019	(871)

## FINANCIAL INFORMATION OF THE GROUP

	Notes	<b>2012</b> <i>RMB</i> '000	<b>2011</b> <i>RMB</i> '000
Cash flows from investing activities			
Interest received		191	249
Purchase of property, plant and equipment		(71)	(94)
Proceeds from disposal of property, plant and equipment		_	3,069
Decrease in pledged bank deposit			67,719
Net cash generated from			
investing activities		120	70,943
Cash flows from financing activities			
Net cash outflow on execution of			
the Scheme	10	(244,522)	_
Net cash received from the Investor			40.011
inflow on Phase I disposal Change in balances with deconsolidated		-	49,811
subsidiaries		(21,185)	(56,908)
Net cash used in financing activities		(265,707)	(7,097)
Net (decrease)/increase in cash and			
cash equivalents		(242,568)	62,975
Effect of foreign exchange rate changes Cash and cash equivalents at		(14,969)	(24,378)
beginning of year		278,852	240,255
Cash and cash equivalents			
at end of year		21,315	278,852
Analysis of cash and cash equivalents			
Bank and cash balances		21,315	278,852

#### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

#### 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 sale of Convenience Food products and related business. 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 operations 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 23 January 2013. 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.

#### 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 followings:

- 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 dismiss 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.

Following their submission, the Provisional Liquidators and the Company received various queries and verbal comments from the Stock Exchange in relation to the Resumption Proposal and the Company's financial forecasts. The Provisional Liquidators and the Company responded to the queries and verbal comments from the Stock Exchange and included various information in support of the Company's application for the resumption of trading in the shares of the Company (the "Resumption").

On 18 October 2012, the Provisional Liquidators, on behalf of the Company, received a letter from the Stock Exchange informing the Company that the Stock Exchange allows the Resumption subject to fulfillment of the following conditions by 17 June 2013:–

- (i) completion of the open offer, subscriptions of shares and preference shares and all other transactions, more particularly described and as contemplated under the Resumption Proposal;
- (ii) inclusion in a circular to Shareholders the following:
  - (a) detailed disclosure of the Resumption Proposal and information about the Group comparable to prospectus standards;
  - (b) profit forecasts for the year ending 31 March 2013 and the sixmonth ending 30 September 2013 together with reports from the auditors and the financial adviser of the Company under paragraph 29(2) of Appendix 1b of the Listing Rules; and
  - (c) a pro forma balance sheet upon completion of the Resumption Proposal and a comfort letter from an independent accounting firm under Rule 4.29 of the Listing Rules;

- (iii) provide a comfort letter from auditors or the financial adviser of the Company relating to working capital sufficiency for the next 12 months from the latest practicable date before the expected date of resumption in trading of the shares of the Company;
- (iv) publish all outstanding financial results of the Company and address any concerns that may be raised by auditors of the Company through qualification of their audit reports;
- (v) provide confirmation from an independent professional party that the Group has an adequate and effective internal control system; and
- (vi) discharge of the winding-up petition against the Company and the Provisional Liquidators.

The Company should also comply with the Listing Rules. The Stock Exchange may modify the above resumption conditions if the Company's situation changes.

#### 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 "Head 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:

- the intra-group transfer of the Catering and Restaurant Businesses 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 Businesses 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 Businesses 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 shares 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 (the "Effective Date").

On 5 September 2011, the Company, the Purchaser, the Investor, the Provisional Liquidators and certain members of the Group have entered into the Debt Restructuring Agreement (the "DRA") for the purpose of formalizing terms and conditions of the Company's restructuring under the Heads of Terms.

The DRA confirms all of the restructuring processes undergone by the Company with the cooperation of the Investor and outlines the remaining components of the restructuring to be conducted in the future, in particular, after the Stock Exchange notifies the Company of the result of its application for the Resumption. Following the signing of the DRA, the Provisional Liquidators addressed several key terms under the agreement including, distribution of the first and second interim dividend to the Scheme Creditors with Accepted Claims and signing of the sale and purchase agreement under the disposal of nominated excluded assets. The remaining terms, including but not limited to, the capital reorganization, the open offer and the share subscription, which will be carried out upon the Resumption.

#### Going concern

As at 31 March 2012, the Group had net current liabilities of approximately RMB958,796,000 (2011:RMB2,643,297,000) and net liabilities of approximately RMB945,244,000 (2011: RMB2,628,298,000) 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 2011. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; 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.

The Group has not applied the 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 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. 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.

#### **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 that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balances and unrealised profits 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.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

In the Company's statement of financial position, the investments in subsidiaries are stated at cost less allowance for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

#### 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.

#### (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

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.

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 life is as follows:

Furniture and equipment 3 to 10 years

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

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 all the risks and rewards of ownership of assets to the Group 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.

#### 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.

#### 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.

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.

#### **Borrowings**

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.

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 customers have accepted the goods and the related risks and rewards of ownership.
- (c) Interest income is recognised on a time-proportion basis using the effective interest method.

#### **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 completed.

#### **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.

#### **Related parties**

A related party is a person or entity that is related to the Group.

- (a) A person or a close member of that person's family is related to the Group if that person:
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Company or of a parent of the Company.
- (b) An entity is related to the Group (reporting entity) if any of the following conditions applies:
  - (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
  - One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
  - (iii) Both entities are joint ventures of the same third party;

- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group;
- (vi) The entity is controlled or jointly controlled by a person identified in (a); or
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

#### 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.

#### 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 and receivables 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.

#### (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 lifes and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lifes 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) 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.

### (d) 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% (2011: 5%) against RMB, with all other variables held constant, the Group's loss before tax for the year would have been RMB nil (2011: RMB82,313,000) 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 29% (2011: 47%) and 93% (2011: 86%) of the Group's trade receivables were due from the Group's largest customers and the five largest customers, respectively.

### (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 contr undiscounted	
	<b>Carrying amounts</b>		within 1 year or	on demand
	2012	2011	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	40,744	37,015	40,744	37,015
Accruals and				
other payables	22,795	24,289	22,795	24,289
Due to deconsolidated				
subsidiaries	809,118	785,360	809,118	785,360
Payable to the Scheme	192,507	_	192,507	-
Bank borrowings	-	24,599	-	24,599
Convertible bonds		2,139,310		2,139,310
	1,065,164	3,010,573	1,065,164	3,010,573

### (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% (2011: 1%) and all other variables were held constant, the consolidated loss before tax of the Group would decrease or increase by approximately RMB20,000 (2011: RMB239,000) 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

8.

The Group's turnover is analysed as follows:

	<b>2012</b> <i>RMB</i> '000	<b>2011</b> <i>RMB</i> '000
Catering Services business	116,119	170,509
Convenience Food product and related business	81,927	5,117
	198,046	175,626
Other income		
	2012	2011
	RMB '000	RMB'000
Interest income	191	249
Others	249	1,850
	440	2,099

### 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 2012, the Group's revenue are derived from the provision of Catering Services business and sale of Convenience Food and related business.

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 gains or losses from investments, interest income, finance costs, income tax, gain on execution of the Scheme, impairments on due from deconsolidated subsidiaries and other unallocated corporate income and expenses. Segment assets do not include amounts due from the Investor, bank and cash balances and other unallocated corporate assets. Segment liabilities do not include bank borrowings, convertible bonds, payable to the Scheme 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.

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

		Convenience Food and	
	Catering	related	
	Services	business	Total
	RMB'000	RMB'000	RMB'000
Year ended 31 March 2012			
Revenue from external customers	116,119	81,927	198,046
Segment profit	7,397	7,266	14,663
Depreciation	7,745	509	8,254
Income tax	66	_	66
Other material non-cash items:			
Impairment of assets	764	_	764
Additions to segment			
non-current assets	7,571	_	7,571
At 31 March 2012			
Segment assets	24,855	10,964	35,819
Segment liabilities	830,849	13,753	844,602
Year ended 31 March 2011			
Revenue from external customers	170,509	5,117	175,626
Segment loss	17,819	4,444	22,263
Interest income	35	_	35
Depreciation	8,782	510	9,292
Other material non-cash items:			
Impairment of assets	527	_	527
Additions to segment			
non-current assets	94	-	94
At 31 March 2011			
Segment assets	34,375	4,496	38,871
Segment liabilities	800,262	8,519	808,781

198,046 14,663 1,733,556 (56,765) (6,655)	175,626 (22,263) - (136,157) (101,616) (260,036)
14,663 1,733,556 (56,765) (6,655)	(22,263) – (136,157) (101,616)
14,663 1,733,556 (56,765) (6,655)	(22,263) – (136,157) (101,616)
(56,765) (6,655)	(136,157) (101,616)
(56,765) (6,655)	(136,157) (101,616)
(56,765) (6,655)	(101,616)
(6,655)	(101,616)
(6,655)	(101,616)
,684,799	(260,036)
,684,799	(260,036)
35,819	38,871
55,017	50,071
54,305	55,505
21,315	278,552
8,481	9,347
119,920	382,275
844 602	808,781
044,002	000,701
_	24,599
_	2,139,310
192,507	_
28,055	37,883
	3,010,573
	844,602  192,507

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

Geographical information:

	2012	2011
	RMB'000	RMB'000
Revenue:		
Greater China	156,700	175,626
		175,020
Philippines	41,346	
	198,046	175,626

Information about revenue from four (2011: two) customers of the Group contributing over 10% of total revenue of the Group as follows:

	2012	2011
	RMB'000	RMB'000
Customer A	65,205	129,861
Customer B	33,374	-
Customer C	25,991	-
Customer D	22,614	13,541
	147,184	143,402

In presenting the geographical information, revenue is based on the locations of the customers. At the end of the reporting period, all non-current assets of the Group were located in the Greater China.

### 10. Gain on execution of the Scheme/Payable to the Scheme

With effect from the Effective Date of the Scheme, the indebtedness effected by the Scheme shall be fully released and discharged in exchange for Scheme consideration to be distributed to the Scheme Creditors in accordance with the terms of the Scheme as further explained below:

	Year ended 31 March 2012 <i>RMB'000</i>
Liabilities of Scheme Creditors released and discharged on	
the Effective Date were as follows:	
Accruals and other payables	12,437
Bank borrowings	24,096
Convertible bonds	2,134,052
	2,170,585
Less:	
Cash settlement to Scheme Creditors	244,522
Consideration payable to Scheme Creditors (Note)	192,507
Gain on execution of the Scheme	1,733,556

11.

*Note:* Scheme consideration include the payment of cash and, where applicable, proceeds from issue and allotment of new shares in the agreed percentage will be distributed to the Scheme Creditors in accordance with the terms of the Scheme. The payable to Scheme Creditors will be settled by the Scheme consideration as further described below:

00 8,129
00 8,129 00 46,176
00 54,305
00 105,684
00 32,518
00 192,507
12 2011
00 RMB'000
48 392
44 113,479

38,792

113,871

### 12. Income tax

	2012	2011
	RMB'000	RMB'000
Current tax – Provision for the PRC		
enterprise income tax	66	

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 2012 and 2011.

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 profit/(loss) before tax are as follows:

	2012	2011
	RMB'000	RMB'000
Profit/(loss) before tax	1,646,007	(373,907)
Notional tax on profit/(loss) before tax		
calculated at the PRC statutory rate	411,502	(93,477)
Effect of different tax rates in		
other tax jurisdictions	(148,229)	18,204
Tax effect of non-deductible expenses	22,860	75,298
Tax effect of non-taxable income	(286,067)	(25)
	66	_

The Group had no significant deferred tax for each of the years ended 31 March 2012 and 2011.

## **13. Profit/(loss) for the year**

The Group's profit/(loss) for the year is stated after charging the following:

	2012	2011
	RMB'000	RMB'000
Auditor's remuneration	824	950
Cost of material consumed	141,801	128,622
Depreciation	8,254	9,292
Minimum lease payments under operating		
leases in respect of land and buildings	2,986	6,220
Net foreign exchange losses	1,844	71,942
Staff costs (including directors' remuneration		
<i>– note 14</i> ):		
Salaries, bonus and allowances	23,443	28,309
Retirement benefits scheme contributions	4	24
Equity settled share-based payment		
expenses	_	36
	23,447	28,369
Impairment of assets:		
Impairment of property, plant and		
equipment	764	_
Impairment of trade receivables	_	242
Impairment of inventories	_	125
Impairment of prepayments, deposits and		
other receivables	_	160
	764	527

## 14. Directors' and five highest paid individual emoluments

The emoluments of each Director were as follows:

		Retirement benefit		
		Fee	scheme contributions	Total
	Notes	RMB'000	RMB'000	RMB'000
<b>Executive Directors</b>				
Mr. Chin Chang Keng				
Raymond	<i>(i)</i>	50	2	52
Independent				
Non-executive				
Director				
Mr. Wong Chi Keung	(ii)	29	_	29
Mr. Chung Wai Man	<i>(i)</i>	40	2	42
Total for 2012		119	4	123

## **APPENDIX I**

		Fee	Retirement benefit scheme contributions	Total
	Notes	RMB'000	RMB'000	RMB'000
<b>Executive Directors</b> Mr. Chin Chang Keng				
Raymond	<i>(i)</i>	-	-	-
Independent Non-executive Director				
Mr. Wong Chi Keung	(ii)	54	3	57
Mr. Chung Wai Man	<i>(i)</i>			
Total for 2011		54	3	57
Notes:				
(i) Appointed on 1 June 2011				

(ii) Resigned on 24 June 2011

The five highest paid individuals comprised 5 (2011: 5) individuals whose emoluments represented basic salaries and allowances of approximately RMB840,000 (2011: RMB1,110,000). The emoluments of all 5 (2011: 5) individuals fell within the band ranging from Nil to HK\$1,000,000 (2011: 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. Profit for the year attributable to equity holders of the Company

The profit for the year attributable to equity holders of the Company included a profit of approximately RMB1,688,890,000 (2011: a loss of approximately RMB216,399,000) 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 2012 and 2011.

### 17. Earnings/(loss) per share

### (a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share attributable to equity holders of the Company is based on the profit for the year attributable to equity holders of the Company of approximately RMB1,645,962,000 (2011: a loss of approximately RMB373,907,000) and the weighted average number of 541,296,756 (2011: 541,296,756) ordinary shares in issue during the year.

### (b) Diluted loss per share

	Year ended 31 March 2012 <i>RMB</i> '000
Profit attributable to equity holders of the Company used in the calculation of basic earnings per share	1,645,962
After tax effect of effective interest on the liability component of convertible bonds After tax effect on reversal of gain arising from	38,444
the release of the liability component of convertible bonds	(1,704,379)
Loss attributable to equity holders of the Company used in the calculation of diluted loss per share	(19,973)

(i) Profit attributable to equity holders of the Company:

(ii) Weighted average number of ordinary shares:

	Year ended 31 March 2012
Weighted average number of ordinary shares used in	
the calculation of basic earnings per share	541,296,756
Effect of conversion of convertible bonds	26,123,298
Weighted average number of ordinary shares used in	
the calculation of diluted loss per share	567,420,054

*Note:* There was no dilutive potential ordinary shares of the Company's outstanding option, as the exercise price of the options exceeds the closing price of the shares of the Company as quoted on the Stock Exchange on the last trading day prior to suspension. For the year ended 31 March 2011, the diluted loss per share equated the basic loss per share, as the exercise of the Company's outstanding convertible bonds would be anti-dilutive and there was no dilutive potential ordinary shares of the Company's outstanding options.

# APPENDIX I FINANCIAL INF

# FINANCIAL INFORMATION OF THE GROUP

## 18. Property, plant and equipment

	Furniture and equipment RMB'000
Cost	
At 1 April 2010	59,380
Additions	94
Disposals	(17,015)
At 31 March 2011 and 1 April 2011	42,459
Additions	7,571
At 31 March 2012	50,030
Accumulated depreciation and impairment	
At 1 April 2010	32,112
Charge for the year	9,292
Disposals	(13,944)
At 31 March 2011 and 1 April 2011	27,460
Charge for the year	8,254
Impairments	764
At 31 March 2012	36,478
Carrying amounts	
At 31 March 2012	13,552
At 31 March 2011	14,999

### **19.** Interest in subsidiaries

	Company		
	2012	2011	
	RMB'000	RMB'000	
Unlisted investments:			
At beginning of year	3	3	
Less: transferred to a direct wholly-owned			
subsidiary	(3)		
At 31 March		3	
Due from subsidiaries	2,782,136	2,878,177	
Less: impairments	(2,782,136)	(2,878,177)	
		_	

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

The table below lists the subsidiaries of the Company which, in the opinion of the Provisional Liquidators and the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Provisional Liquidators and the Directors, result in particulars of excessive length.

Particulars of the Company's principal subsidiaries at 31 March 2012 and 2011 are as follows:

	Place of incorporation/	Issued/paid-up	Percent	0	
Name	registration	capital	Direct	Indirect	Principal activities
Create Talent Limited	British Virgin Islands	1 ordinary share of US\$1 each	100%	-	Investment holding
Hong Kong Fulltime Limited	Hong Kong	1 ordinary share of HK\$1 each	-	100%	Convenience seafood business
Sky Achieve Limited	British Virgin Islands	200 ordinary shares of US\$1 each	-	10%	Investment holding

# **APPENDIX I**

# FINANCIAL INFORMATION OF THE GROUP

Name	Place of incorporation/ registration	Issued/paid-up capital	Percenta ownership Direct	-	Principal activities
Fu Ji Management Limited	Hong Kong	100 ordinary shares of HK\$1	-	100%	Provision of administrative each 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
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
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
上海多鮮樂投資管理有限公司 Shanghai Duo Xian Le Investment and Management Company Limited*	The PRC	RMB4,000,000	-	92%	Dormant
上海星躍投資有限公司 Shanghai Xing Yue Investment Company Limited*	The PRC	RMB4,000,000	-	95%	Dormant

\* The English name is for identification purpose only

*#* Wholly foreign-owned enterprises

### 20. Inventories

	Group		
	2012	2011	
	RMB'000	RMB'000	
Raw materials and consumable stores	664	2,819	
Finished goods	1,980		
	2,644	2,819	

### 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		
	2012	2011	
	RMB'000	RMB'000	
30 days or less	12,989	9,089	
31 to 90 days	4,119	3,359	
91 to 180 days	490	2,478	
Over 180 days	251	799	
Less: impairments	(242)	(242)	
	17,607	15,483	

### 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		
	2012	2011	
	RMB'000	RMB'000	
At beginning of year	242	112	
Impairment loss recognised	_	242	
Written off against trade receivables		(112)	
At 31 March	242	242	

### Trade receivables that are not impaired

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

	Group	
	2012	2011
	RMB'000	RMB'000
Neither past due nor impaired	17,108	12,448
Less than 90 days past due	490	2,478
Over 90 days past due	9	557
	17,607	15,483

### 22. Due from the investor

	Group and Company		
	2012	2011	
	RMB'000	RMB'000	
Cash consideration receivable (Note):			
- Disposal of restaurant business	8,129	7,737	
- Disposal of nominated			
excluded assets	46,176	47,768	
	54,305	55,505	

*Note:* Upon execution of the Heads of Terms, the amounts due from the Investor will be subsequently settled by the cash consideration provided by the Investor at the completion of certain disposals of business and nominated excluded assets of deconsolidated subsidiaries in accordance with the Heads of Terms.

### 23. Due to deconsolidated subsidiaries

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

### 24. Prepayments, deposits and other receivables

	Group		
	2012	2011	
	RMB'000	RMB'000	
_			
Prepayments	1,071	2,017	
Deposits	930	1,368	
Other receivables	8,496	11,232	
	10,497	14,617	
	10,497	14,017	

### 25. Bank and cash balances

At the end of the reporting period, the bank and cash balances of the Group denominated in Renminbi ("RMB") amounted to approximately RMB1,052,000 (2011: RMB299,000). 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		
	2012	2011	
	RMB'000	RMB'000	
30 days or less	3,864	6,701	
31 to 90 days	6,520	5,306	
91 to 180 days	_	14,810	
Over 180 days	30,360	10,198	
	40,744	37,015	

Included in the Group's trade payables are amounts payable to the Group's deconsolidated subsidiary of approximately RMB10,384,000 (2011: Nil) which has no fixed term of repayment.

### 27. Bank borrowings

	Group and Company	
	2012 20	2011
	RMB'000	RMB'000
Unsecured bank loans denominated in US\$		24,599

These unsecure bank loans carried effective interest at 2.12% (2011: 2.12%) per annum.

### 28. 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 (equivalent to approximately 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.

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 HK32.825 per ordinary share at a fixed exchange rate HK1.00 = RMB0.96893 (subject to adjustment).

The Citi Bonds 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.

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

	Group and Company		
	2012	2011	
	RMB'000	RMB'000	
At beginning of year	2,139,310	2,047,788	
Interest charged at effective			
interest rates	38,444	113,479	
Exchange difference	(43,702)	(21,957)	
Released upon execution of			
the Scheme	(2,134,052)		
At 31 March		2,139,310	

### 29. Share capital

	Company Number of		
	ordinary shares		
	<b>HK\$0.01 each</b>	RMB'000	
Authorised:			
At 31 March 2012 and 2011	2,000,000,000	21,200	
Issued and fully paid:			
At 31 March 2012 and 2011	541,296,756	5,665	

### Capital management

The Group's primary objective when managing capital is 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.

The Group actively and regularly revise 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 2012, the Group's strategy, which was unchanged from 2011, 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 2012 and 2011 was as follows:

	Group		
	2012	2011	
	RMB'000	RMB'000	
Total liabilities			
Trade and other payables	872,657	846,664	
Payable to the Scheme	192,507	_	
Bank borrowings	-	24,599	
Convertible bonds		2,139,310	
	1,065,164	3,010,573	
Less: Cash and cash equivalents	(21,315)	(278,852)	
Net debt	1,043,849	2,731,721	
Total equity	(945,244)	(2,628,298)	
Net debt-to-capital ratio	N/A#	N/A#	

\* As the Group had a net deficiency in capital at 31 March 2012 and 2011, 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.

### **30.** 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.

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

			Weighted
	Numb	er of	average
	share o	ptions	exercise price
	2012	2011	HK\$
At beginning of year	120,000	1,120,000	15.61
Lapsed during the year	(120,000)	(1,000,000)	15.61
At 31 March		120,000	15.61
Exercisable at 31 March		96,000	15.61

### 31. Reserves

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

### (b) Reserves of the Company

	Share premium <i>RMB</i> '000	Capital reserve RMB'000	Exchange reserve RMB '000	Accumulated losses RMB'000	Total RMB '000
At 1 April 2010 Exchange difference on translation into	1,491,807	137,468	(186,484)	(3,180,983)	(1,738,192)
presentation currency Equity settled share-based	-	-	81,437	-	81,437
transactions	-	36	-	-	36
Forfeiture of share options	-	(6,094)	-	6,094	-
Loss for the year				(216,399)	(216,399)
At 31 March 2011	1,491,807	131,410	(105,047)	(3,391,288)	(1,873,118)
At 1 April 2011	1,491,807	131,410	(105,047)	(3,391,288)	(1,873,118)
Exchange difference on translation into					
presentation currency	-	-	41,727	-	41,727
Forfeiture of share options	-	(659)	-	659	-
Released upon execution					
of the Scheme	-	(130,751)	-	130,751	-
Profit for the year				1,688,890	1,688,890
At 31 March 2012	1,491,807		(63,320)	(1,570,988)	(142,501)

### (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.

### (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 actual or estimated 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) 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.

### *(iv) 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.

### 32. Contingent liabilities and capital commitments

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

### 33. 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.

	Group		
	2012	2012 2011	
	RMB'000	RMB'000	
Purchases from the Group's			
deconsolidated subsidiary	59,900	_	

### Key management personnel remuneration

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

	Group		
	2012	2011	
	RMB'000	RMB'000	
Short-term employee benefits	1,303	266	
Post-employment benefits	1,505	200	
Equity settled share-based payments	_	24	
Equity settled shale based payments			
	1,303	313	

### 34. 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		
	2012	2011	
	RMB'000	RMB'000	
Within one year	2,266	1,293	
In the second to fifth year inclusive	5,394	5,171	
Over five years	323	1,724	
	7,983	8,188	

### **35.** Events after the reporting period

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

### **36.** Approval of financial statements

The financial statements were approved and authorised for issue by the Board of Directors on 5 December 2012.

## 6. UNAUDITED FINANCIAL INFORMATION FOR THE SIX MONTHS PERIOD ENDED 30 SEPTEMBER 2012

Set out below is the financial information extracted from the interim report of the Company for the six months ended 30 September 2012 and reference to the page numbers (where applicable) are those appeared in the interim report of the Company for the six months ended 30 September 2012.

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 September		
		2012	2011
	Notes	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Turnover	4	154,959	63,863
Cost of materials consumed	_	(118,074)	(38,279)
Gross profit		36,885	25,584
Other income		20	207
Gain on execution of the Scheme	5		1,732,215
Staff costs		(12,577)	(10,516)
Operating lease rentals		(1,805)	(1,848)
Depreciation		(4,035)	(3,903)
Fuel and utility costs		(1,839)	(3,007)
Consumable stores		(381)	(562)
Other operating expenses		(8,745)	(3,629)
Impairments on due from deconsolidated			
subsidiaries	_	(25,832)	(21,202)
(Loss)/profit from operations		(18,309)	1,713,339
Finance costs	6	_	(38,792)
	_		(
(Loss)/profit before tax	6	(18,309)	1,674,547
Income tax	7 _	(616)	
(Loss)/profit for the period		(18,925)	1,674,547
Other comprehensive income:			
Exchange differences on translating			
foreign operations	_	422	14,755
Total comprehensive (loss)/income			
for the period	=	(18,503)	1,689,302

# **APPENDIX I**

# FINANCIAL INFORMATION OF THE GROUP

20122011NotesRMB'000(Unaudited)(Loss)/profit for the period attributable to: Equity holders of the Company(18,925)Non-controlling interests-(18,925)1,674,568Non-controlling interests-(18,925)1,674,547Total comprehensive (loss)/income for the period attributable to: Equity holders of the Company(18,503)Non-controlling interests-(18,503)1,689,323Non-controlling interests-(18,503)1,689,302(Loss)/earnings per share8Basic (RMB cents per share)(3)(3)2			Six months ended 30 September		
(Unaudited)(Unaudited)(Loss)/profit for the period attributable to: Equity holders of the Company(18,925)1,674,568Non-controlling interests			_		
(Loss)/profit for the period attributable to: Equity holders of the Company Non-controlling interests(18,925)1,674,568 (21)Total comprehensive (loss)/income for the period attributable to: Equity holders of the Company Non-controlling interests(18,503)1,689,323 (18,503)Non-controlling interests(18,503)1,689,323 (21)(Iterests)/earnings per share Basic (RMB cents per share)8(3)309		Notes	RMB'000	RMB'000	
attributable to:Equity holders of the Company(18,925)1,674,568Non-controlling interests-(21)(18,925)1,674,547Total comprehensive (loss)/income for the period attributable to:(18,503)1,689,323Equity holders of the Company(18,503)1,689,323Non-controlling interests-(21)(18,503)1,689,302(Loss)/earnings per share Basic ( <i>RMB cents per share</i> )8(3)309			(Unaudited)	(Unaudited)	
Non-controlling interests					
(18,925)       1,674,547         Total comprehensive (loss)/income for the period attributable to:         Equity holders of the Company       (18,503)       1,689,323         Non-controlling interests       –       (21)         (18,503)       1,689,302         (Iass)/earnings per share       8         Basic (RMB cents per share)       (3)       309	Equity holders of the Company		(18,925)	1,674,568	
Total comprehensive (loss)/income for the period attributable to: Equity holders of the Company Non-controlling interests(18,503)1,689,323Non-controlling interests-(21)(18,503)1,689,302(Loss)/earnings per share Basic (RMB cents per share)8(3)309	Non-controlling interests	-		(21)	
for the period attributable to:Equity holders of the Company(18,503)1,689,323Non-controlling interests-(21)(18,503)1,689,302(Loss)/earnings per share8Basic (RMB cents per share)(3)309		=	(18,925)	1,674,547	
Equity holders of the Company Non-controlling interests(18,503)1,689,323	Total comprehensive (loss)/income				
Non-controlling interests       -       (21)         (18,503)       1,689,302         (Loss)/earnings per share       8         Basic (RMB cents per share)       (3)       309	for the period attributable to:				
(Loss)/earnings per share 8 Basic ( <i>RMB cents per share</i> ) (3) 309	Equity holders of the Company		(18,503)	1,689,323	
(Loss)/earnings per share8Basic (RMB cents per share)(3)(3)309	Non-controlling interests	-		(21)	
Basic ( <i>RMB cents per share</i> ) (3) 309		-	(18,503)	1,689,302	
Basic ( <i>RMB cents per share</i> ) (3) 309	(Loss)/earnings per share	8			
Diluted <i>(RMB cents per share)</i> (3) 2		=	(3)	309	
	Diluted (RMB cents per share)	-	(3)	2	

# **APPENDIX I**

### CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 30 September 2012 <i>RMB'000</i> (Unaudited)	At 31 March 2012 <i>RMB'000</i> (Audited)
Non-current assets			
Property, plant and equipment	10	9,547	13,552
Current assets			
Inventories		2,651	2,644
Trade receivables	11	73,204	17,607
Due from the Investor	12	54,148	54,305
Prepayments, deposits and			
other receivables		11,475	10,497
Bank and cash balances		14,919	21,315
		156,397	106,368
Current liabilities	13	50 206	40 744
Trade payables	15	50,206	40,744
Accruals and other payables Payable to the Scheme		19,473 192,236	22,795 192,507
Due to deconsolidated subsidiaries	14	867,161	809,118
Tax payable	14	615	
Tux puyuble			
		1,129,691	1,065,164
Net current liabilities		(973,294)	(958,796)
NET LIABILITIES		(963,747)	(945,244)
Capital and reserves			
Share capital		5,665	5,665
Reserves		(969,911)	(951,408)
Equity attributable to equity holders of			
the Company		(964,246)	(945,743)
Non-controlling interests		499	499
TOTAL EQUITY		(963,747)	(945,244)
		()03,147)	() 13,244)

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company								
					Foreign currency			Non-	
	Share	Share	Statutory	Capital	translation	Accumulated		controlling	
	capital	premium	reserve	reserve	reserve	losses	Total	interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
At 1 April 2011 Total comprehensive	5,665	1,491,807	7,500	131,410	(107,287)	(4,157,913)	(2,628,818)	520	(2,628,298)
income for the period	-	-	-	-	14,755	1,674,568	1,689,323	(21)	1,689,302
Release upon execution of									
the Scheme	-	-	-	(130,751)	-	130,751	-	-	-
Forfeiture of share options				(659)		659			
At 30 September 2011	5,665	1,491,807	7,500		(92,532)	(2,351,935)	(939,495)	499	(938,996)
At 1 April 2012 Total comprehensive income/(loss) for	5,665	1,491,807	7,500	-	(70,174)	(2,380,541)	(945,743)	499	(945,244)
the period					422	(18,925)	(18,503)		(18,503)
At 30 September 2012	5,665	1,491,807	7,500	_	(69,752)	(2,399,466)	(964,246)	499	(963,747)

# **APPENDIX I**

# FINANCIAL INFORMATION OF THE GROUP

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended		
	<b>30</b> September		
	2012	2011	
	RMB'000	RMB'000	
	(Unaudited)	(Unaudited)	
Net cash generated from operating activities	1,798	3,122	
Net cash generated from investing activities	30	131	
Net cash used in financing activities	(8,194)	(11,242)	
Net decrease in cash and cash equivalents	(6,366)	(7,989)	
Effect of foreign exchange rate changes	(30)	(19,667)	
Cash and cash equivalents at beginning of period	21,315	278,852	
Cash and cash equivalents at end of period	14,919	251,196	

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 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 is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and principal place of business is Room 2703-08, 27th Floor, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong. 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 period, 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.

### 2. Basis of preparation and accounting policies

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

These condensed consolidated interim financial statements ("Interim Financial Statements") do not include all the information and disclosures required in the full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards, and should be read in conjunction with the annual financial statements for the year ended 31 March 2012.

The preparation of an Interim Financial Statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates.

The accounting policies adopted in the preparation of the Interim Financial Statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2012.

#### 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 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 the Group's affairs, the IFA identified circumstances that indicated the Group had experienced significant financial challenges, particularly in connection with the Group's catering business operations, 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 23 January 2013. 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.

#### 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, 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:

- 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) withdrawal or dismissal of the winding-up petition presented against the Company, and discharge of 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.

Following their submission, the Provisional Liquidators and the Company received various queries and verbal comments from the Stock Exchange in relation to the Resumption Proposal and the Company's financial forecasts. The Provisional Liquidators and the Company responded to the queries and verbal comments from the Stock Exchange and included various information in support of the Company's application for the resumption of trading in the shares of the Company (the "Resumption").

On 18 October 2012, the Provisional Liquidators, on behalf of the Company, received a letter from the Stock Exchange informing the Company that the Stock Exchange allows the Resumption subject to fulfillment of the following conditions by 17 June 2013:–

- (i) completion of the open offer, subscriptions of shares and preference shares and all other transactions, more particularly described and as contemplated under the Resumption Proposal;
- (ii) inclusion in a circular to Shareholders the following:
  - (a) detailed disclosure of the Resumption Proposal and information about the Group comparable to prospectus standards;
  - (b) profit forecasts for the year ending 31 March 2013 and the sixmonth ending 30 September 2013 together with reports from the auditors and the financial adviser of the Company under paragraph 29(2) of Appendix 1b of the Listing Rules; and
  - (c) a pro forma balance sheet upon completion of the Resumption Proposal and a comfort letter from an independent accounting firm under Rule 4.29 of the Listing Rules;
- (iii) provide a comfort letter from auditors or the financial adviser of the Company relating to working capital sufficiency for the next 12 months from the latest practicable date before the expected date of resumption in trading of the shares of the Company;
- (iv) publish all outstanding financial results of the Company and address any concerns that may be raised by auditors of the Company through qualification of their audit reports;
- (v) provide confirmation from an independent professional party that the Group has an adequate and effective internal control system; and
- (vi) discharge of the winding-up petition against the Company and the Provisional Liquidators.

The Company should also comply with the Listing Rules. The Stock Exchange may modify the above resumption conditions if the Company's situation changes.

#### 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 (the "Effective date").

On 5 September 2011, the Company, the Purchaser, the Investor, the Provisional Liquidators and certain members of the Group have entered into the Debt Restructuring Agreement (the "DRA") for the purpose of formalising and amending the terms and conditions of the Company's restructuring under the Heads of Terms.

The DRA confirms all of the restructuring processes undergone by the Company with the cooperation of the Investor and outlines the remaining components of the restructuring to be conducted in the future, in particular, after the Stock Exchange notifies the Company of the result of its application for the Resumption.

Following the signing of the DRA, the Provisional Liquidators addressed several key terms under the agreement including, distribution of the first and second interim dividend to the Scheme Creditors with Accepted Claims and signing of the sale and purchase agreement under the disposal of nominated excluded assets. The remaining terms, including but not limited to, the capital reorganisation, the open offer and the share subscription, which will be carried out upon the Resumption.

#### Going concern

The Group incurred a loss attributable to equity holders of the Company of approximately RMB18,925,000 for the six months ended 30 September 2012 and as at 30 September 2012, the Group had net current liabilities of approximately RMB973,294,000 (31 March 2012: RMB958,796,000) and net liabilities of approximately RMB963,747,000 (31 March 2012: RMB945,244,000) 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 Interim Financial Statements have been prepared on a going concern basis on the assumptions 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 Interim 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. Adoption of new and revised Hong Kong Financial Reporting Standards ("HKFRSs")

In the current period, 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 period beginning on 1 April 2012. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; 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 period and prior periods.

The Group has not applied 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. Turnover and segment information

Turnover represents the sale value of goods supplied and services provided to customers, net of business tax and other government surcharges, less sales returns and discounts during the period. 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.

Segment profits or losses do not include gains or losses from investments, interest income, finance costs, income tax, gain on execution of the Scheme, impairments on due from deconsolidated subsidiaries and other unallocated corporate income and expenses. Segment assets do not include amounts due from the Investor, bank and cash balances and other unallocated corporate assets. Segment liabilities do not include payable to the Scheme 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.

An analysis of the Group's turnover and results by operating segments is as follows:

		Convenience	
		Food and	
	Catering	related	
	Services	business	Total
	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)
For the six months ended 30 September2012:			
Revenue from external customers	50,522	104,437	154,959
Segment profit	5,050	10,636	15,686
Interest income	3	_	3
Depreciation	3,780	255	4,035
At 30 September 2012:			
Segment assets - unaudited	20,619	65,511	86,130

	<b>Catering</b> <b>Services</b> <i>RMB'000</i> (Unaudited)	Convenience Food and related business <i>RMB</i> '000 (Unaudited)	<b>Total</b> <i>RMB</i> '000 (Unaudited)
For the six months ended			
30 September 2011:			
Revenue from external customers	62,430	1,433	63,863
Segment profit/(loss)	4,502	(387)	4,115
Interest income	2	_	2
Depreciation	3,648	255	3,903
At 31 March 2012			
Segment assets – audited	24,855	10,964	35,819

Reconciliations of reportable segment profit and loss:

	Six months ended 30 September	
	2012	2011
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Total profit from reportable segments	15,686	4,115
Gain on execution of the Scheme	_	1,732,215
Impairments on due from		
deconsolidated subsidiaries	(25,832)	(21,202)
Corporate and unallocated profit or loss	(8,163)	(1,789)
Consolidated (loss)/profit from operations	(18,309)	1,713,339

#### 5. Gain on execution of the Scheme

With effect from the Effective Date of the Scheme, the indebtedness effected by the Scheme were fully released and discharged in exchange for Scheme consideration to be distributed to the Scheme Creditors in accordance with the terms of the Scheme as further explained below:

	Six months ended 30 September 2011 <i>RMB</i> '000 (Unaudited)
Liabilities of Scheme Creditors released and discharged on the Effective Date were as follows:	
Accruals and other payables	12,437
Bank borrowings	24,096
Convertible bonds	2,134,052
	2,170,585
Less: Payable to the Scheme (Note)	438,370
Gain on execution of the Scheme	1,732,215

*Note:* Scheme consideration include the payment of cash and, where applicable, proceeds from issue and allotment of new shares in the agreed percentage will be distributed to the Scheme Creditors in accordance with the terms of the Scheme. The payable to Scheme Creditors will be settled by the Scheme consideration as further described below:

	At	At
	30 September	30 September
	2011	2011
	HK\$'000	RMB'000
		equivalent
	(Unaudited)	(Unaudited)
Scheme consideration payable to		
Scheme Creditors to be settled by:		
Cash settlement payable to the Scheme	296,821	243,839
Realisation from the Investor, presented as		
due from the Investor:		
- Disposal of restaurant business	10,000	8,215
- Disposal of nominated excluded assets	56,800	46,661
	66,800	54,876
Proceeds from issue of shares to		
the Investor upon Resumption:		
- Ordinary shares	130,000	106,795
- Preference shares	40,000	32,860
	170,000	139,655
	533,621	438,370

## 6. (Loss)/profit before tax

## (Loss)/profit before tax is arrived at after charging/(crediting)

		Six months ended 30 September	
		2012	2011
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
(a)	Finance costs:		
	Interest on borrowings wholly		
	repayble within five years	_	348
	Interest on convertible bonds		38,444
			38,792
(b)	Other items:		
	Interest income	(6)	(131)
	Cost of materials consumed Impairments on due from	118,074	38,279
	deconsolidated subsidiaries	25,832	21,202
	Impairment of property, plant and		
	equipment	-	764
	Depreciation	4,035	3,903
	Minimum lease payments under		
	operating leases in respect of		
	land and buildings	1,805	1,848
	Directors' remuneration	54	62

## **APPENDIX I**

#### 7. Income tax

	Six months ended 30 September	
	2012	2011
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax – Provision for the period		
Hong Kong Profit Tax	205	-
PRC enterprise income tax	411	
	616	_

Hong Kong Profits Tax has been provided at a rate of 16.5% on the estimated assessable profit for the six months ended 30 September 2012. No provision for Hong Kong Profits Tax has been made for six months ended 30 September 2011 as the Group did not generate any assessable profits arising in Hong Kong during that period.

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)/profit before tax are as follows:

	Six months ended 30 September	
	2012	2011
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
(Loss)/profit before tax	(18,309)	1,674,547
Notional tax on (loss)/profit before tax		
calculated at the PRC statutory rate	(4,577)	418,636
Effect of different tax rates in		
other tax jurisdictions	735	(150,087)
Tax effect of non-deductible expenses	9,207	21,268
Tax effect of non-taxable income	(1,251)	(289,817)
Tax losses utilised from previous periods	(3,498)	
	616	_

The Group had no significant deferred tax for each of the six months ended 30 September 2012 and 2011.

#### 8. (Loss)/earnings per share

#### (a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share attributable to equity holders of the Company is based on the loss for the six months period attributable to equity holders of the Company of approximately RMB18,925,000 (six months ended 30 September 2011: a profit of approximately RMB1,674,568,000) and the weighted average number of 541,296,756 (six months ended 30 September 2011: 541,296,756) ordinary shares in issue during the period.

## (b) Diluted earnings per share

(i) Profit attributable to equity holders of the Company:

	Six months ended 30 September 2011 <i>RMB</i> '000 (Unaudited)
Profit attributable to equity holders of the Company used in the calculation of basic earnings per share	1,674,568
After tax effect of effective interest on the liability component of convertible bonds	38,444
After tax effect on reversal of gain arising from the release of the liability component of convertible bonds	(1,703,060)
Profit attributable to equity holders of the Company used in the calculation of diluted earnings per share	9,952

	Six months ended
	30 September
	2011
	RMB'000
	(Unaudited)
Weighted average number of ordinary shares used in	
the calculation of basic earnings per share	541,296,756
Effect of conversion of convertible bonds	52,246,595
Weighted average number of ordinary shares used in	
the calculation of diluted earnings per share	593,543,351

(ii) Weighted average number of ordinary shares:

*Note:* No diluted loss per share is presented as the Company did not have any dilutive potential ordinary shares for the six months ended 30 September 2012. For the six months ended 30 September 2011, there was no dilutive potential ordinary shares of the Company's outstanding option, as the exercise price of the options exceeds the closing price of the shares of the Company as quoted on the Stock Exchange on the last trading day prior to suspension.

#### 9. Interim dividend

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2012 (six months ended 30 September 2011: nil).

#### 10. Property, plant and equipment

During the six months ended 30 September 2012, the Group acquired property, plant and equipment of approximately RMB30,000.

#### 11. 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.

	At	At
	30 September	31 March
	2012	2012
	RMB'000	RMB'000
	(Unaudited)	(Audited)
30 days or less	30,507	12,989
31 to 90 days	20,415	4,119
91 to 180 days	17,323	490
Over 180 days	5,201	251
Less: impairments	(242)	(242)
	73,204	17,607

#### **12.** Due from the investor

	At	At
	30 September	31 March
	2012	2012
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Cash consideration receivable (note):		
- Disposal of restaurant business	8,106	8,129
- Disposal of nominated excluded assets	46,042	46,176
	54,148	54,305

*Note:* Upon execution of the Heads of Terms, the amounts due from the Investor will be subsequently settled by the cash consideration provided by the Investor at the completion of certain disposals of business and nominated excluded assets of deconsolidated subsidiaries in accordance with the Heads of Terms.

#### 13. Trade payables

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

	At	At
	30 September	31 March
	2012	2012
	RMB'000	RMB'000
	(Unaudited)	(Audited)
30 days or less	19,493	3,864
31 to 90 days	2,000	6,520
Over 180 days	28,713	30,360
	50,206	40,744

Included in the Group's trade payables are amounts payable to the Group's deconsolidated subsidiary of approximately RMB11,780,000 (31 March 2012: RMB10,384,000) which has no fixed term of repayment.

#### 14. Due to deconsolidated subsidiaries

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

#### **15.** Contingent liabilities

The Directors were not aware of any significant contingent liabilities of the Group as at 30 September 2012.

#### 16. Events after reporting period

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

#### 17. Approval of the Interim Financial Statements

These Interim Financial Statements were approved and authorised for issue by the Board of Directors on 31 December 2012.

#### Indebtedness

As at the close of business on 31 January 2013, being the Latest Practicable Date for the purpose of ascertaining the indebtedness of the Group prior to the printing of the Circular, the Group had total outstanding unsecured borrowings and payables of approximately RMB1,188 million, and details of which are set out below:

	RMB million
Due to deconsolidated subsidiaries	884
Payable to the Scheme	192
Trade and other payables	112
Total borrowings and payables	1,188

As at the close of business on 31 January 2013, the Group did not have any significant contingent liability.

Save as disclosed above in the paragraph headed "Indebtedness" in this appendix and apart from intra-group liabilities, as at the close of business on 31 January 2013, based on the books and records currently available to the Provisional Liquidators and the Directors of the Company, the Provisional Liquidators and the Directors confirmed that there is no material change in its indebtedness position since 31 January 2013 and not aware of the Group having other outstanding mortgages, charges, debentures or other loan capital, bank overdrafts or loans, other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, guarantees or other material contingent liabilities.

#### Working capital

The Investor, the existing Directors and the proposed Directors are of the opinion that, upon completion of the Group Reorganisation and the Restructuring, after Resumptions, the Group would have sufficient working capital to finance its own day-to-day operations for the twelve months from the Latest Practicable Date.

#### Material change

As at the Latest Practicable Date, save for (a) as disclosed in the interim results of the Company for the six months ended 30 September 2012, (i) the increase in turnover to approximately RMB155.0 million for the six months ended 30 September 2012 compared to approximately RMB198.0 million for the year ended 31 March 2012 as a result of the Group's effort in restructuring the convenience food and related business; (ii) the increase in trade receivables to approximately RMB73.2 million as at 30 September 2012 compared to approximately RMB17.6 million as at 31 March 2012 mainly due to receivables from one of the major customers of the Group due to delay in repayment as at 30 September 2012. The Directors consider the outstanding trade receivables of the Company are recoverable due to established and continuous business relationship with the major customer. Nevertheless, in the event that the Company fails to recover the outstanding receivables and provisions need to be provided, the financial results of the Group will be adversely affected; and (iii) the increase in the amount due to deconsolidated subsidiaries to approximately RMB867.2 million as at 30 September 2012 compared to approximately RMB809.1 million as at 31 March 2012 as a result of payments made by the deconsolidated subsidiaries of the Group on behalf of the Group; (b) the entering into of additional distribution contracts for the semi-processed food business since January 2013; (c) that the Group is expected to incur professional fees in relations to the Provisional Liquidators of approximately RMB20.8 million in aggregate during the year ending 31 March 2013 and the gain on execution of the Scheme of approximately RMB1,733.6 million recognised for the year ended 31 March 2012 will not be recurring; and (d) the transactions contemplated under the Restructuring, the Directors confirm that there is no material change in the financial or trading position or outlook of the Group since 31 March 2012, being the date to which the latest published audited financial statements of the Group were made up.

#### Financial and trading prospects

It is anticipated that the financial position of the Group will be substantially improved upon (i) the successful implementation of the Debt Restructuring Agreement; and (ii) the resumption of trading in the Shares of the Company on the Stock Exchange. Upon the Scheme becoming effective on 9 August 2011, all the Indebtedness owed by the Company was fully compromised and discharged by the arrangements contemplated under the Scheme, in exchange for the Scheme Consideration.

Since 31 March 2012, being the date of the latest published audited financial statements of the Company, the Group continued to engaged in (i) provision of catering services to institutional customers; and (ii) production and sale of convenience semi-processed food products. The Group continued to explore new customers in the PRC with a view to increasing its sales and seek improvement in its operational procedures. The Group achieved unaudited revenue of approximately RMB155.0 million and gross profit of approximately RMB36.9 million for the six months ended 30 September 2012. After resumption of trading in the Shares, the Group will be in a better position to capture more market opportunities in the future.

#### 1. FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

#### **Financial Review**

For the six months ended 30 September 2012, the turnover of the Group was approximately RMB155.0 million (six months ended 30 September 2011: approximately RMB63.9 million), representing a increase of approximately 142.6% from the six months ended 30 September 2011.

The consolidated loss attributable to equity holders of the Company amounted to approximately RMB18.9 million for the six month ended 30 September 2012 (six months ended 30 September 2011: Profit of approximately RMB1,674.6 million). Basic loss per share was approximately RMB0.03 for the six months ended 30 September 2012 (six months ended 30 September 2011: earnings per share of approximately RMB3.09).

#### Impairments on due from deconsolidated subsidiaries

The control over certain subsidiaries has been lost since the fiscal year ended 31 March 2009. Impairments of approximately RMB21.2 million and RMB25.8 million on due from these deconsolidated subsidiaries have been made for the six months ended 30 September 2011 and 2012 respectively on the ground that these amounts were irrecoverable.

It is noted that the increase in amount due to deconsolidated subsidiaries incurred from transactions with deconsolidation subsidiaries in business operations since 1 April 2010 and up to 30 September 2012 was in excess of the increase in amount due from deconsolidated subsidiaries incurred from transactions with deconsolidation subsidiaries in business operations for the corresponding period. Nevertheless, despite the amount due from deconsolidated subsidiaries incurred since 1 April 2010 and up to 30 September 2012 had been impaired, the amount due to deconsolidated subsidiaries will also be waived pursuant to the Waiver Agreement. It is expected that the transactions with the deconsolidated subsidiaries will cease to continue from April 2013.

#### Liquidity, Financial Resources and Funding

Bank and cash balances as at 30 September 2012 was approximately RMB14.92 million (31 March 2012: approximately RMB21.32 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 30 September 2012 and 31 March 2012.

#### **Capital Structure**

For the six months ended 30 September 2012, there was no change in the capital structure and issue share capital of the Company.

#### Employment

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 30 September 2012, there were no charges on the Group's assets.

### 2. FOR THE YEAR ENDED 31 MARCH 2012

#### **Business Review**

For the year ended 31 March 2012, the Group continued to engage in the provision of catering services and sale of convenience food products and related business in the PRC.

During the year, the Group has commenced a new service line in exporting convenience seafood product since October 2011 by offering tailored made frozen seafood products to seafood using enterprises. Besides, the Group has restructured the convenience food business (which was previously put into temporary suspension in June 2011) to the semi-processed food business since December 2011. The semi-processed food business-offers semi-processed food products to small to medium sized catering and manufacturing enterprises.

In addition, the Group has re-commenced the operation of its central factory model since August 2011 (which was suspended in early 2009). Management expected that the central factory model could decrease the material purchase cost, production overhead and wastage cost.

#### **Results and Appropriations**

#### Revenue

When compared with the prior year, the turnover of the Group was approximately RMB198.05 million (2011: approximately RMB175.63 million), representing an increase of approximately 12.77% from the last financial year due to the commencement of convenience seafood business and the restructured Convenience Food Business during the year. The Convenience Food Business contributed approximately RMB81.93 million (2011: approximately RMB5.12 million) turnover to the Group. On the other hand, the turnover of the Catering Services Business was approximately RMB116.12 million (2011: approximately RMB170.51 million), representing a decrease of approximately 31.90%. The decrement was mainly due to the renovation in one of the major catering business customers' catering site which started since October 2011 and the net effect of the termination of several non-profitable catering sites and the commencement of a new catering site during the year. The results of the Group for the year ended 31 March 2012 are set out in the consolidated statement of comprehensive income.

#### Gross Profit

With the increase in turnover of the Group, the gross profit of the Group increased from approximately RMB47.00 million to approximately RMB56.25 million in 2012. With the re-commencement of the central factory model and the restructured convenience food business, the cost of materials consumed has significantly reduced.

#### Gain on execution of the Scheme

The Group recorded a gain on execution of the Scheme of approximately RMB1,733.56 million, which representing the indebtedness of the Company shall be fully released and discharged in exchange for Scheme consideration to be distributed to the Scheme Creditors in accordance with the terms of the Scheme on the effective date of the Scheme on 9 August 2011.

#### Other operating expenses and Finance costs

The other operating expenses and financial cost were approximately RMB8.46 million (2011: approximately RMB111.76 million) and approximately RMB38.79 million (2011: approximately RMB113.87 million) respectively, representing a decrease in other operating expenses of approximately 92.43% and a decrease in financial cost of approximately 65.93%, respectively. The decreases were mainly due to the execution of the Scheme as no interest expenses incurred on the bank borrowings and the convertible bonds after the Effective Date of the Scheme.

#### *Profit/loss for the year attributable to equity holders*

The profit for the year attributable to equity holders of the Company amounted to approximately RMB1,645.96 million for the year ended 31 March 2012 (2011: loss of approximately RMB373.91 million). Basic earnings per share was approximately RMB3.04 as compared with loss per share of approximately RMB0.69 for the preceding year. The profit for the year attributable to equity holders of the Company is mainly due to the gain on execution of the Scheme during the year. Following the Effective Date of the Scheme, the Company recorded a gain from discharging its liabilities of approximately RMB1,733.56 million during the year. Details are explained in note 10 to the financial statements.

The Directors do not recommend the payment of any dividend for the year ended 31 March 2012 (2011: nil).

#### Liquidity, Financial Resources and Funding

Bank and cash balances as at 31 March 2012 was approximately RMB21.32 million (2011: approximately RMB278.85 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 2011 and 2012.

#### **Capital Structure**

Details of the capital structure of the Company are set out in notes 29 and 30 to the financial statements of the Company for the year ended 31 March 2012.

#### Employment

As at 31 March 2012, the Group had 1,205 (2011: 1,235) 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 RMB23,447,000 (2011: RMB28,369,000). 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 2012, there were no charges on the Group's assets.

#### 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 29 and 30 to the financial statements of the Company for the year ended 31 March 2012.

#### **Material Related Party Transactions**

Details of the related party transactions are set out in note 33 to the financial statements of the Company for the year ended 31 March 2012.

#### **Contingent Liabilities**

The Directors were not aware of any significant contingent liabilities of the Group at 31 March 2012.

#### Commitments

Details of the commitments of the Group are set out in the note 32 and 34 to the financial statements of the Company for the year ended 31 March 2012.

#### **Major Customers and Suppliers**

Sales to the five largest customers of the Group accounted for approximately 82% of the Group's total turnover for the year. In particular, sales to the largest customer of the group accounted for approximately 33% of the Group's total turnover for the year.

Purchases from the five largest suppliers of the Group accounted for approximately 77% of the Group's total purchases for the year. In particular, purchases from the Group's largest supplier accounted for approximately 42% 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.

#### 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 31(b) to the financial statements of the Company for the year ended 31 March 2012.

#### 3. FOR THE YEAR ENDED 31 MARCH 2011

#### **Business Review**

For the year ended 31 March 2011, the Group continued to engage in the provision of catering services and sale of convenience food products and related business in the PRC.

During the year, the Provisional Liquidators and the Group continued to implement several downsizing and cost-cutting procedures including reduction of employees, termination of several loss-making catering sites and implementation of cost control procedures. In addition, the Group has introduced new sets of meals served in each catering site to enhance the quality and variety of food served.

By closely monitoring the performance of each catering site by the Provisional Liquidators, the operation of the Group has been stabilised and turnover of the Group has restored to normal level.

#### **Results and Appropriations**

#### Revenue

When compared with the prior year, the turnover of the Group was approximately RMB175.63 million (2010: approximately RMB140.51 million), representing an increase of approximately 24.99% from the last financial year due to business stabilisation and the introduction of new sets of meals served in each catering site. Due to the introduction of new sets of meals served in each catering site. Due to the introduction of new sets of meals served in each catering site. Due to the introduction of new sets of meals served in each catering site. Due to the introduction of new sets of meals served during the year, the quality and variety of food served were enhanced. The Group was able to attract more customers and thus the turnover of the Group increased accordingly. The results of the Group for the year ended 31 March 2011 are set out in the consolidated statement of comprehensive income.

#### Gross Profit

With the increase in turnover of the Group, the gross profit of the Group increased from approximately RMB20.28 million to approximately RMB47.00 million in 2011. By implementing downsizing and cost-cutting procedures, the Group was able to reduce the cost of materials consumed. Together with the increment in turnover, the gross profit increased accordingly.

#### Staff Costs

Staff costs decreased from approximately RMB39.38 million to approximately RMB28.37 million, representing a decrease of approximately 27.96% from the last financial year due to the Group's continuous operational and financial restructuring. Excessive labor resources have been reduced.

#### Other operating expenses

Other operating expenses increased from approximately RMB23.04 million to RMB111.76 million during the year. The increment was mainly due to the exchange differences incurred from the RMB denominated convertible bond of RMB71.94 million.

#### Impairments on due from deconsolidated subsidiaries

The control over certain subsidiaries has been lost since the fiscal year ended 31 March 2009. Impairments of approximately RMB261.91 million and RMB136.16 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 RMB373.91 million for the year ended 31 March 2011 (2010: approximately RMB471.88 million). Loss per share was approximately RMB0.69 as compared with loss per share of approximately RMB0.87 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 2011 (2010: nil).

#### Liquidity, Financial Resources and Funding

Bank and cash balances as at 31 March 2011 was approximately RMB278.85 million (2010: approximately RMB240.26 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 2010 and 2011.

#### **Capital Structure**

Details of the capital structure of the Company are set out in notes 28 and 29 to the financial statements of the Company for the year ended 31 March 2011.

#### Employment

As at 31 March 2011, the Group had 1,235 (2010: 1,335) 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 RMB28,369,000 (2010: RMB39,379,000). 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 2011, there were no other charges on the Group's assets.

#### 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 28 and 29 to the financial statements of the Company for the year ended 31 March 2011.

#### **Material Related Party Transactions**

Details of the related party transactions are set out in note 32 to the financial statements of the Company for the year ended 31 March 2011.

#### **Contingent Liabilities**

The Directors were not aware of any significant contingent liabilities of the Group at 31 March 2011.

#### Commitments

Details of the commitments of the Group are set out in note 31 and 33 to the financial statements of the Company for the year ended 31 March 2011.

#### **Major Customers and Suppliers**

Sales to the five largest customers of the Group accounted for approximately 92% of the Group's total turnover for the year. In particular, sales to the largest customer of the group accounted for approximately 74% of the Group's total turnover for the year.

Purchases from the five largest suppliers of the Group accounted for approximately 49% of the Group's total purchases for the year. In particular, purchases from the Group's largest supplier accounted for approximately 16% 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.

#### 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 30(b) to the financial statements of the Company for the year ended 31 March 2011.

#### 4. FOR THE YEAR ENDED 31 MARCH 2010

#### **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.

#### 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 of the Company for the year ended 31 March 2010.

#### 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.

#### 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 of the Company for the year ended 31 March 2010.

#### **Material Related Party Transaction**

Details of the related party transaction are set out in note 34 to the financial statements of the Company for the year ended 31 March 2010.

#### **Contingent Liabilities**

The Directors were not aware of any significant contingent liabilities of the Group at 31 March 2010.

#### Commitments

Details of the commitments of the Group are set out in notes 33 and 35 to the financial statements of the Company for the year ended 31 March 2010.

#### **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.

#### 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 of the Company for the year ended 31 March 2010.

#### 5. **RESTRUCTURING**

#### 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 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 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 Directors of the Company presented to the Hong Kong 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 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 23 January 2013. 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 nondisclosure 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 the 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 reorganisation 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, the Investor, the Provisional Liquidators and certain members of the Group entered into the Phase I SPA 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 noncore 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 the Restaurant Business SPA 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 disposal 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.

After the Scheme became effective, the Scheme Administrators examined all the claims received from the Scheme Creditors. A first interim dividend of ten per cent and a second interim dividend of one per cent were distributed to the Scheme Creditors with Accepted Claims in November 2011 and June 2012 respectively.

On 5 September 2011, the Company, the Purchaser, the Investor, the Provisional Liquidators and certain members of the Group entered into the Phase III SPA for the sales of the Nominated Excluded Assets under the Heads of Terms.

In accordance with the sale and purchase agreement, the consideration for the Nominated Excluded Assets comprises the cash consideration of RMB2.5 million and the assumption by the Purchaser of liabilities of approximately RMB480.6 million.

The Shortfall Guarantee, a deed of guarantee granted by the Investor in relation to the net realisation proceeds from the sale and purchase agreement for the Nominated Excluded Assets, was duly executed by the Investor on the same day.

On 5 September 2011, the Company, the Purchaser, the Investor, the Provisional Liquidators and certain members of the Group entered into the Debt Restructuring Agreement (the "DRA") for the purpose of formalising the terms and conditions of the Company's restructuring under the Heads of Terms.

The Debt Restructuring Agreement confirms all of the restructuring process undergone by the Company with the cooperation of the Investor and outlines the remaining components of the restructuring to be conducted in the future, in particular, after the Stock Exchange notifies the Company of the result of its application for Resumption.

#### Prospects

On 30 July 2010, the Company was placed in the second stage of the delisting procedures pursuant to Practice Note 17 of 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 Stock Exchange to demonstrate to the Stock Exchange 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.

Following their submission, the Provisional Liquidators and the Company received various queries and verbal comments from the Stock Exchange in relation to the Resumption Proposal and the Company's financial forecasts. The Provisional Liquidators and the Company responded to the queries and verbal comments from the Stock Exchange and included various information in support of the Company's application for the Resumption.

On 18 October 2012, the Provisional Liquidators, on behalf of the Company, received a letter from the Stock Exchange informing the Company that the Stock Exchange allows resumption of trading in the shares of the Company subject to fulfillment of the following conditions by 17 June 2013:–

- (i) completion of the open offer, subscriptions of shares and preference shares and all other transactions, more particularly described and as contemplated under the Resumption Proposal;
- (ii) inclusion in a circular to Shareholders the following:
  - (a) detailed disclosure of the Resumption Proposal and information about the Group comparable to prospectus standards;
  - (b) profit forecasts for the year ending 31 March 2013 and the six-month ending 30 September 2013 together with reports from the auditors and the financial adviser of the Company under paragraph 29(2) of Appendix 1b of the Listing Rules; and

# APPENDIX II MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

- (c) a pro forma balance sheet upon completion of the Resumption Proposal and a comfort letter from an independent accounting firm under Rule 4.29 of the Listing Rules;
- (iii) provide a comfort letter from auditors or the financial adviser of the Company relating to working capital sufficiency for the next 12 months from the latest practicable date before the expected date of resumption in trading of the shares of the Company;
- (iv) publish all outstanding financial results of the Company and address any concerns that may be raised by auditors of the Company through qualification of their audit reports;
- (v) provide confirmation from an independent professional party that the Group has an adequate and effective internal control system; and
- (vi) discharge of the winding-up petition against the Company and the Provisional Liquidators.

The Company should also comply with the Listing Rules. The Stock Exchange may modify the above resumption conditions if the Company's situation changes.

## A. INTRODUCTION TO THE UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE GROUP

The accompanying unaudited pro forma consolidated statement of financial position of the Group has been prepared to illustrate the effect of the Restructuring on the financial position of the Group.

The unaudited pro forma consolidated statement of financial position of the Group as at 30 September 2012 is prepared based on the unaudited condensed consolidated statement of financial position of the Group as at 30 September 2012 as extracted from the interim report of the Company for the six months ended 30 September 2012, as if the Group Reorganisation and the Restructuring had been completed on 30 September 2012.

The unaudited pro forma consolidated statement of financial position of the Group is prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes only. Accordingly, as a result of the nature of the unaudited pro forma consolidated statement of financial position of the Group, it may not give a true picture of the actual financial position of the Group that would have been attained had the Restructuring actually occurred on the date indicated herein. Furthermore, the unaudited pro forma consolidated statement of financial position of the Group does not purport to predict the Group's future financial position.

The unaudited pro forma consolidated statement of financial position of the Group should be read in conjunction with the financial information of the Group as set out in Appendix I and other financial information included elsewhere in this circular.

# B. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE GROUP

As at 30 September 2012

	Unaudited condensed consolidated statement of financial position of the Group as at 30 September 2012 (note 1) RMB'000	Outstanding gross proceeds to be received by the Group (note 2) RMB'000	Transfer of the balances payable to the deconsolidated subsidiaries of the Company to the Investor (note 3) RMB'000	Capital Restructuring (note 4) RMB'000	Open Offer (note 5) RMB'000	The Subscription (note 6) RMB'000	Settlement of liabilities under the Scheme (note 7) RMB'000	Settlement of the part of the restructuring costs from the Investor (note 8) RMB'000	Unaudited pro forma consolidated statement of financial position of the Group as at 30 September 2012 <i>RMB</i> '000
Non-current assets									
Property, plant and equipment	9,547								9,547
Commenterente									
Current assets Inventories	2,651								2,651
Trade and other receivables	73,204								73,204
Other receivables	75,201								75,201
(restructuring cost)	8,106							(8,106)	-
Due from the Investor	54,148	(54,148)							-
Prepayments, deposits and									
other receivables	3,369								3,369
Cash and bank balance (for Scheme)	285	54 149				137,803	(102.226)		
(for Scheme) Cash and bank balance	285 14,634	54,148			32,470	64,849	(192,236) (20,833)	8,106	99,226
Cush and bank balance					52,470	04,049	(20,055)	0,100	
	156,397								178,450
	150,577								170,450
Current liabilities									
Due to deconsolidated									
subsidiaries	867,161		(867,161)						-
Payable to scheme	192,236						(192,236)		-
Trade and other payables	70,294								70,294
	1,129,691								70,294
Net current (liabilities)/assets	(973,294)								108,156
NET (LIABILITIES)/ASSETS	(963,747)								117,703
Capital and reserves									
Share capital	5,665			(5,099)	439	1,643	190		2,838
Preference shares	-			()		81,061			81,061
Reserves	(969,412)		867,161	5,099	32,031	119,948	(21,023)		33,804
TOTAL EQUITY	(963,747)								117,703

## C. NOTES TO THE UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE GROUP

Unless otherwise stated, terms used herein shall have the same meanings as defined in this circular.

Notes:

- 1. The unadjusted condensed consolidated statement of financial position of the Group as at 30 September 2012 is extracted from the unaudited condensed consolidated interim financial statements of the Company for the six months ended 30 September 2012.
- 2. This adjustment represents the outstanding gross proceeds to be received by the Company upon the completion of the Restaurant Business Disposal and Phase III Disposal.
- 3. This adjustment represents the transfer of the balances payable to the deconsolidated subsidiaries of the Company to the Investor pursuant to the terms of the Debt Restructuring Agreement.
- 4. This adjustment is related to the Capital Restructuring which includes the Capital Reduction involving reduction of the par value from HK\$0.01 to HK\$0.001 on each of the Company's shares in issue, and as a result, the issued share capital of the Company will be reduced from HK\$5,412,967.56 divided into 541,296,756 shares of HK\$0.10 each to HK\$541,296.756 divided into 541,296,756 shares of HK\$0.001 each. The credit arising from the reduction in the issued share capital of the Company of approximately HK\$4.9 million (equivalent to approximately RMB5.1 million at historical translation rate) will be credited to the accumulated losses of the Company. Immediately following the Capital Reduction, the then (unreduced) authorised but unissued share capital of the Company, being HK\$19,458,703.24, be cancelled and extinguished, such that the authorised share capital of the Company shall be HK\$541,296.756 divided into 541,296,756 Shares with a par value of HK\$0.001 each (the "Capital Cancellation").

Upon the Capital Cancellation becoming effective, every 10 Shares of HK\$0.001 each in the Company shall be consolidated into one New Share with a par value of HK\$0.01, such that the authorised share capital of the Company will be HK\$541,296.75 divided into 54,129,675 New Shares with a par value of HK\$0.01 each.

5. This adjustment represents the issue of 54,129,675 New Shares under the Open Offer on the basis of one Offer Share for every one New Share held by the Qualifying Shareholders at a subscription price of HK\$0.74 per Offer Share. As a result of the Open Offer, the Group will raise gross proceeds of approximately HK\$40 million (equivalent to approximately RMB32.5 million), the Company's share capital will be increased by approximately HK\$0.5 million (equivalent to approximately RMB0.4 million) and its share premium account will be increased by approximately HK\$39.5 million (equivalent to approximately RMB32.5 million).

- 6. This adjustment represents:
  - (i) the issue of 202,702,703 Subscription Shares to the Investor at the subscription price of HK\$0.74 per Subscription Share with the par value of HK\$0.01 each, pursuant to which the Company's share capital will be increased by approximately HK\$2 million (equivalent to approximately RMB1.6 million) and its share premium account will be increased by approximately HK\$148 million (equivalent to approximately RMB120 million); and
  - (ii) the issue of 135,135,135 Preference Shares to the Investor at the subscription price of HK\$0.74 per Preference Share with the par value of HK\$0.01 each. The equity of the Company from the issue of the Preference Shares will be increased by approximately HK\$100 million (equivalent to approximately RMB81 million).
- 7. This adjustment represents settlement of the Scheme and Restructuring Cost:
  - (i) a cash payment of approximately HK\$236.8 million (equivalent to approximately RMB192.2 million) will be paid to the Scheme Creditors;
  - (ii) 23,380,000 New Shares at the issue price of HK\$0.74 each will be issued and allotted to the Scheme Creditors in form of the equity-settled share-based payments, pursuant to which the Company's share capital will be increased by HK\$0.2 million (equivalent to approximately RMB0.2 million) and its share premium account will be increased by HK\$17.1 million (equivalent to approximately RMB13.8 million); and
  - (iii) approximately HK\$25.7 million (equivalent to approximately RMB20.8 million) will be used as the estimated professional fees payable to the Provisional Liquidators.
- 8. This adjustment represents the subsequent reimbursement of part of the restructuring costs receivable from the Investor.

## D. ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE GROUP



1 March 2013

## The Provisional Liquidators and the Directors FU JI Food and Catering Services Holdings Limited (Provisional Liquidators Appointed)

Dear Sirs,

We report on the unaudited pro forma consolidated statement of financial position of FU JI Food and Catering Services Holdings Limited (Provisional Liquidators Appointed) (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company (the "Directors") and the joint and several provisional liquidators of the Company (the "Provisional Liquidators"), for illustrative purposes only, to provide information about how the Group Reorganisation and the Restructuring might have affected the financial position of the Group presented, for inclusion in Appendix III to the circular of the Company dated 1 March 2013 (the "Circular"). The basis of preparation of the unaudited pro forma consolidated statement of financial position is set out on pages 253 to 256 to the Circular.

# Respective responsibilities of the Provisional Liquidators and the Directors of the Company and reporting accountant

It is the responsibilities solely of the Provisional Liquidators and the Directors of the Company to prepare the unaudited pro forma consolidated statement of financial position in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by Rule 4.29(7) of the Listing Rules, on the unaudited pro forma consolidated statement of financial position and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma consolidated statement of financial position beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

#### **Basis of opinion**

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma consolidated statement of financial position with the Provisional Liquidators and the Directors of the Company. The engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma consolidated statement of financial position has been properly compiled by the Provisional Liquidators and the Directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the unaudited pro forma consolidated statement of financial position as disclosed pursuant to Rule 4.29(1) of the Listing Rules.

The unaudited pro forma consolidated statement of financial position is for illustrative purposes only, based on the judgements and assumptions of the Provisional Liquidators and the Directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 30 September 2012 or any future date.

#### Opinion

In our opinion:

- (a) the unaudited pro forma consolidated statement of financial position has been properly compiled by the Provisional Liquidators and the Directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma consolidated statement of financial position as disclosed pursuant to Rule 4.29(1) of the Listing Rules.

Yours faithfully,

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

#### A. PROFIT FORECASTS

## For the year ending 31 March 2013

Unaudited estimated consolidated operating profit attributable to equity holders of the Company for the year ending 31 March 2013 (Note 1)	Not less than RMB10.6 million
Unaudited estimated consolidated operating profit attributable to equity holders of the Company per New Share for the year ending 31 March 2013 (Note 2)	Not less than RMB3.2 cents
Unaudited estimated consolidated loss attributable to equity holders of the Company for the year ending 31 March 2013	Not more than RMB30.2 million
Unaudited estimated consolidated loss attributable to equity holders of the Company per New Share for the year ending 31 March 2013 ( <i>Note 2</i> )	Not more than RMB9.0 cents
For the six months ending 30 September 2013	
Unaudited estimated consolidated operating profit attributable to equity holders of the Company for the six months ending 30 September 2013 ( <i>Note 3</i> )	Not less than RMB9.7 million
Unaudited estimated consolidated operating profit attributable to equity holders of the Company per New Share for the six months ending 30 September 2013 (Note 4)	Not less than RMB2.9 cents
Unaudited estimated consolidated profit attributable to equity holders of the Company for the six months ending 30 September 2013	Not less than RMB857.0 million
Unaudited estimated consolidated loss attributable to equity holders of the Company per New Share for the six months ending 30 September 2013 (Note 4)	Not more than RMB25.6 cents

Notes:

- 1. The forecast for consolidated operating profit attributable to equity holders of the Company for the year ending 31 March 2013 is prepared based on the assumptions summarised in the section below and excludes the estimated effect of (i) Restructuring-related items such as the restructuring costs, as set out in the assumption note 17 in the paragraphs headed "Major Bases and Assumptions" below, and (ii) Debt Restructuring cost involving issue of Scheme Shares for the year ending 31 March 2013.
- 2. The calculation of unaudited estimated consolidated operating profit/unaudited estimated consolidated loss attributable to equity holders of the Company per New Share for the year ending 31 March 2013 is calculated on a pro forma basis and based on the unaudited estimated consolidated operating profit/unaudited estimated consolidated loss attributable to equity holders of the Company divided by 334,342,053, being the number of New Shares in issue upon the completion of the Capital Restructuring, the issue of the Offer Shares, Subscription Shares and Scheme Shares, but before conversion of Preference Share.
- 3. The forecast for operational profit attributable to equity holders of the Company for the six months period ending 30 September 2013 is prepared based on the assumptions summarised in the section below and excludes the estimated effect of (i) Restructuring related items such as restructuring costs, and (ii) gain from Debt Restructuring for the six months period ending 30 September 2013, as set out in the assumption note 11 in paragraphs headed "Major Bases and Assumptions" below.
- 4. The calculation of unaudited estimated consolidated operating profit/unaudited estimated consolidated profit attributable to equity holders of the Company per New Share for the six months period ending 30 September 2013 is calculated on a pro forma basis and based on the unaudited estimated consolidated operating profit/unaudited estimated consolidated profit attributable to equity holders of the Company divided by 334,342,053, being the number of New Shares in issue upon the completion of the Capital Restructuring, the issue of the Offer Shares, Subscription Shares and Scheme Shares, but before conversion of Preference Share.

#### **B. MAJOR BASES AND ASSUMPTIONS**

The Directors, by having reviewed the previous trading and financial information and opining on certain assumptions adopted, which are summarised below, have prepared the forecast figures above for the year ending 31 March 2013 and six months period ending 30 September 2013 based on the unaudited interim results of the Group for the six months period ended 30 September 2012. The profit forecasts have been prepared based on the accounting policies consistent in all material respects with those adopted by the Group as set out in the audited consolidated financial statements of the Company for the year ended 31 March 2012. The Directors have reviewed and considered the existing businesses of the Group and do not identify any indications or signs of changes in the businesses of the Group.

Independent Financial Adviser and ANDA CPA Limited, have discussed the assumptions with the Directors and the Directors, together with the Independent Financial Adviser and ANDA CPA Limited are not aware that any of the assumptions to the profit forecasts of the Company for the year ending 31 March 2013 and the six months ending 30 September 2013 set out in this section which appears to be unrealistic, nor be omitted which appears to be important.

The estimated revenue of the Group in the profit forecasts is based on the historical sales figures of the Group and with reference to the signed distribution agreements with the relevant distributors. The profit forecasts of the Company has also been prepared based on the following assumptions:

- 1. Upon Completion, the winding up petition against the Company will be withdrawn and the Provisional Liquidators will be released. The Provisional Liquidators will hand over the management and control of the Restructured Group to the proposed Directors.
- 2. The Restructured Group will be able to continue its business as a going concern.
- 3. There will be no material changes in industry practice and market conditions and the Restructured Group's operations including primarily its supplies and procurement, food processing, sales and marketing, human resources and cost control and management activities.
- 4. There will be no material changes in the existing political, legal, regulatory, fiscal, market or economic conditions in Hong Kong and the PRC in which the Restructured Group operates or which are otherwise material to the Restructured Group's business.
- 5. There will be no material changes in legislation, regulations or rules in Hong Kong and the PRC or Philipness in which the Restructured Group operates or with which the Restructured Group has arrangements or agreements, which may materially adversely affect the Restructured Group's business or operations.

- 6. There will be no material changes in inflation rates, interest rates or foreign exchange rates from those currently prevailing in the context of the Restructured Group's operations.
- 7. There will be no material changes in the bases or applicable rates of taxation, surcharges or other government levies in Hong Kong and the PRC in which the Restructured Group operates.
- 8. There will be no unforeseen circumstances or any force majeure events, including but not limited to the occurrence of natural disasters or catastrophes (such as earthquakes, floods and typhoons), epidemics or serious accidents, beyond the control of the Restructured Group which will have a material adverse effect on the results of operations of the Restructured Group.
- 9. The Restructured Group's operations will not be adversely affected by interruptions as a result of labour shortages or disputes, or for any other reasons that are beyond the Restructured Group's control. Nevertheless, the Directors have considered the above and do not identify any indications or signs of such interruptions occuring.
- 10. All license, existing or otherwise, required for the operation of the Restructured Group's businesses in its normal and ordinary course of business will remain effective or be obtained and that the Restructured Group is able to successfully renew or obtain all licenses when they become expired or required. Nevertheless, the Directors have considered the above and do not identify any indications or signs of not able to renew or obtain such licenses.
- 11. Upon Completion, the Restructured Group is expected to record a gain of approximately RMB867.2 million for the year ending 31 March 2014 from the Group Reorganisation and the Restructuring. The gain mainly represents the amount due to deconsolidated subsidiaries to be discharged pursuant to the terms of the Debt Restructuring Agreement.
- 12. It is assumed that the Resumption will take place in June 2013.

- 13. It is estimated that approximately 55% of costs of the food products from the provision of catering services will be served by the central factory model (Wuxi Factory, regional processing centres and the key suppliers' factories) for the year ending 31 March 2013 with reference to the historical proportion of costs of the food products from catering services served by the central factory model in April 2012. The remaining proportion of costs of food products not served by the central factory model mainly represents perishable food ingredient, such as vegetables, fruits and seasoning as well as certain semi-processed food products directly sourced by and cooked at the kitchens at the catering sites before serving. The reliance of which is estimated to further increase to approximately 60% for the costs of the food products the six months ending 30 September 2013 resulting in increase in gross profit margin due to reduction in wastage. The proportion of food products from the provision of catering services served by the central factory model was approximately 60% for the six months ended 30 September 2012.
- 14. The average number of meals served per day and weighted average price per meal for the provision of catering services for the six months ending 31 March 2013 of approximately 57,000 per day and RMB5.5 per meal respectively and the six months ending 30 September 2013 of approximately 61,000 per day and RMB5.7 per meal respectively are estimated with reference to the historical number of meals served and weighted average price per meal of its catering sites in 2011. The average number of meals served per day and weighted average price per meal has increased to approximately 62,000 per day and RMB5.9 per meal for the six months ended 30 September 2012.

- 15. It is estimated that the Group will be able to increase price per meal by approximately 5% and increase number of customers by approximately 10% starting from January 2013 based on the historical annual inflation, average GDP growth rate, growth rate of the per capita disposable income, per capital net income and consumption expenditure in the PRC, growth rate of the number of persons enrolled in higher education in the PRC and the historical increase in the number of meals served at the catering sites of the Group.
- 16. No new catering sites will be opened during the year ending 31 March 2013 and six months ending 30 September 2013. No existing catering sites will be closed during the year ending 31 March 2013 and six months ending 30 September 2013. The Group has no catering sites opened nor closed during the six months ended 30 September 2012 and up to the Latest Practicable Date. As at the Latest Practicable Date, the Group provided catering services at 9 catering sites.
- The Group is expected to incur professional fees in relations to the Provisional Liquidators of approximately RMB20.8 million during the year ending 31 March 2013.

#### C. LETTER FROM THE REPORTING ACCOUNTANT ON THE PROFIT FORECASTS



## To the Provisional Liquidators and the Directors of Fu Ji Food and Catering Services Holdings Limited (Provisional Liquidators Appointed)

We have performed the procedures agreed with you which are set out below on the profit forecasts for the year ending 31 March 2013 and six months ending 30 September 2013 of FU JI Food and Catering Services Holdings Limited (Provisional Liquidators Appointed) (the "Company") and its subsidiaries (collectively the "Group") (the "Forecasts"). The Forecasts have been prepared by the directors of the Company (the "Directors") and the joint and several provisional liquidators of the Company (the "Provisional Liquidators") in connection with Appendix IV "Profit Forecasts for the year ending 31 March 2013 and the six months ending 30 September 2013" to the circular (the "Circular") of the Company dated 1 March 2013.

Our engagement was conducted in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The procedures were performed solely to assist you in connection with the Circular.

For the purpose of this report, the procedures performed are summarised as follows:

- 1. Check whether the Forecasts, so far as the accounting policies and calculations are concerned, are properly compiled in accordance with the assumptions and bases set out the Circular;
- 2. Check whether the Forecasts are made by the Directors and the Provisional Liquidators, after due and careful enquiry;
- 3. Check whether the Forecasts are made in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA; and
- 4. Check the arithmetical calculations of the Forecasts.

Based on the information and documents made available to us, we report our findings below:

- a. The Forecasts, so far as the accounting policies and calculations are concerned, are properly compiled in accordance with the assumptions and bases set out the Circular. We are not aware that any of the assumptions to the Forecasts appears to be unrealistic, nor be omitted which appears to be important;
- b. The Forecasts are made by the Directors and the Provisional Liquidators, after due and careful enquiry;
- c. The Forecasts are made in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA; and
- d. The arithmetical calculations of the Forecasts are correct.

Because the above procedures did not constitute an assurance engagement performed in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA (collectively referred to as Hong Kong Assurance Standards), we do not express any assurance on the Forecasts.

Had we performed additional procedures or had we performed an assurance engagement in respect of the Forecasts in accordance with Hong Kong Assurance Standards, other matters might have come to our attention that would have been reported to you.

Our report is solely for the purpose set forth in the second paragraph of this report and is for your information only, and is not to be used for any other purpose or to be distributed to any other parties and we expressly disclaim any liability or duty to any other party in this respect. This report relates only to the items specified above and does not extend to the financial statements of the Group taken as a whole.

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

Hong Kong, 1 March 2013

## D. LETTER FROM THE INDEPENDENT FINANCIAL ADVISER ON THE PROFIT FORECASTS

The following is the text of a letter, prepared for inclusion in this circular, from Quam Capital in connection with the profit forecast of the Company for the year ending 31 March 2013 and the six months ending 30 September 2013.

 Ouam
 華富嘉洛
 Ouam Capital Limited

 A Member of The Quam Group
 A Member of The Quam Group

1 March 2013

The Board of Directors **FU JI Food and Catering Services Holdings Limited** (Provisional Liquidators Appointed) Room 2703-08, 27th Floor Shui On Centre 6-8 Harbour Road, Wanchai Hong Kong

Dear Sirs,

We refer to the profit forecast of FU JI Food and Catering Services Holdings Limited (the "**Company**" and together with its subsidiaries, the "**Group**") for the year ending 31 March 2013 and the six months ending 30 September 2013 (the "**Profit Forecast**") as set out in Appendix IV to the circular of the Company dated 1 March 2013 (the "**Circular**"). Terms used herein shall have the same meanings as those defined in the Circular unless otherwise stated.

The Profit Forecast was prepared by the Directors and the Provisional Liquidators, for which they are jointly responsible.

We have reviewed the Profit Forecast and other relevant information and documents which the Directors and the Provisional Liquidators are jointly responsible for and discussed with the Directors and the Provisional Liquidators information and documents provided by them which formed part of the bases and assumptions upon which the Profit Forecast has been made, including those principal assumptions set out in Appendix IV to the Circular. In addition, we have considered the letter to the Company from ANDA CPA Limited, the auditors of the Company, dated 1 March 2013 regarding the work performed by them in respect of the accounting policies and the arithmetical accuracy of the calculations upon which the of the Profit Forecast has been made.

On the basis of the foregoing and in the absence of unforeseeable circumstances, the bases and assumptions made by the Directors and the Provisional Liquidators and the accounting policies and the arithmetical accuracy of the calculations reviewed by ANDA CPA Limited, we are not aware that any of the assumptions to the Profit Forecast appears to be unrealistic, nor be omitted which appears to be important, and we are of the opinion that the Profit Forecast, for which the Directors and the Provisional Liquidators are jointly responsible, has been prepared after due care and consideration.

> Yours faithfully, For and on behalf of Quam Capital Limited Gary Mui Managing Director

# DETAILS OF DIRECTORS PROPOSED TO BE ELECTED AT THE EGM

#### DETAILS OF DIRECTORS PROPOSED TO BE ELECTED AT THE EGM

The details of the Directors to be elected in the EGM are set out below:

#### **Proposed executive Directors**

#### Ms. Yang Qin

Ms. Yang Qin ("Ms. Yang"), aged 46, has extensive years of experience in the food and beverage industry, including 10 years of management experience in large restaurants. Ms. Yang worked as vice general manager from 2000 for 7 years at Nantong Feitianyufang Restaurant\* (南通市飛天魚坊餐館). Ms. Yang then worked as the assistant to the general manager and vice general manager during her employment at Nantong Cuijin Hotel Co., Ltd\* (南通萃錦大酒店有限公司) from July 2007 to June 2009. Since 2009, Ms. Yang has been working as a consultant in relation to procurement of raw materials for a number of restaurants, which include Jiaxin Restaurant\* (佳鑫酒樓) and Gexiangsu Restaurant\* (閣湘 蘇酒樓) in China.

#### Mr. Wang Jian Qing

Mr. Wang Jianqing ("Mr. Wang"), aged 44, is currently the executive director of Ngai Lik Industrial Holdings Limited (stock code: 0332) since December 2010 and the general manager of Guangzhou Circle Energy Company Limited (廣州元亨能源有限公司) since January 2009. He obtained his bachelor's degree in industrial management engineering from Zhenjiang Shipbuilding College (鎮江船舶學院) (now known as the Jiangsu University of Science and Technology (江蘇科技大學) in 1989).

#### Proposed independent non-executive Directors

#### Dr. Leung Hoi Ming

**Dr. Leung Hoi Ming** ("Dr. Leung"), aged 44, is currently a director of Toi Shan Association of Hong Kong Limited. Dr. Leung is currently the independent non-executive director of Ngai Lik Industrial Holding Limited (stock code: 0332). He has extensive knowledge and experience in risk management of financial instruments, treasury business and financial derivative products. Dr. Leung started his career in the finance industry in 1996 with Citibank, N.A. Hong Kong as a quantitative analyst/trade in the equity derivatives asia department. Before joining DBS Bank Ltd., Hong Kong Branch, Dr. Leung worked for Tokai Asia Limited as a contractor in the risk management group in September 1999 and offered to work as assistant manager of risk management in March 2000. Dr. Leung was later promoted as the assistant vice president in January 2001. He has served DBS Bank Ltd., Hong Kong Branch for eight years and was senior vice president in the Treasury and markets division upon his departure from the bank in May 2009.

# DETAILS OF DIRECTORS PROPOSED TO BE ELECTED AT THE EGM

Dr. Leung, obtained a bachelor degree of science with first class honours from the Chinese University of Hong Kong in 1990. Dr. Leung obtained a master degree of science in mathematics in 1993 and a doctor degree of philosophy in mathematics in 1996 from the California Institute of Technology. In 1999, Dr. Leung obtained a master degree of science in investment management from the Hong Kong University of Science and Technology.

#### Mr. Mak Ka Wing, Patrick

**Mr. Mak Ka Wing, Patrick** ("Mr. Mak"), aged 48, is a registered solicitor of the High Court of Hong Kong and a managing partner of Patrick Mak & Tse Solicitors. Mr. Mak has over 10 years' legal experience as a practising solicitor. Mr. Mak was awarded the Common Professional Examination Certificate in Laws by the University of Hong Kong in 1995 and was awarded his Postgraduate Certificate in Laws (P.C.LL) by the University of Hong Kong in 1998. On 21st April 2001, Mr. Mak admitted as a solicitor of the high court of Hong Kong. Mr. Mak was appointed as a civil celebrant of Marriages by the Deputy Registrar of Marriages of Hong Kong in October 2008 and would last for 5 years till October 2013. In December 2012, Mr. Mak was appointed as the attesting officer of the Association of China-Appointed Attesting Officers Limited.

#### Mr. Sung Wing Sum

**Mr. Sung Wing Sum** ("Mr. Sung"), aged 54, has over 30 years of experience in accounting, auditing and financial management in Hong Kong and the PRC including over 20 years in several audit firms. Mr. Sung worked at the audit departments of Kwan Wong Tan & Fong for about 16 years since March 1981 and later worked for Deloitte Touche Tomatsu from August 1997 to December 1999. Mr. Sung worked as the qualified accountant and company secretary from August 2002 to October 2003 for Tungda Innovative Lighting Holdings Limited, a company whose shares are listed on the growth enterprise market of the Stock Exchange (stock code: 8229) since 1 August 2002.

Mr. Sung has become a member of the Hong Kong Institute of Certified Public Accountants since 1996 and was admitted as a fellow of the association in 2004. Mr. Sung was admitted as a fellow of the Association of Chartered Certified Accountants in 2000. In 2003, Mr. Sung obtained an executive master of business administration from the West Coast Institute of Management and Technology of Australia. In 2005, Mr. Sung became the associate of the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries. Mr. Sung was admitted as an associate of the Institute of Chartered and Wales in 2007. In January 2013, Mr. Sung obtained the practicing certificate as a certified public accountant from Hong Kong Institute of Certified Public Accountants.

# DETAILS OF DIRECTORS PROPOSED TO BE ELECTED AT THE EGM

Save as disclosed in this appendix, each of our Directors confirm that he/she (i) did not hold any directorships in the last three years prior to the Latest Practicable Date in public companies the securities of which are listed on any securities market in Hong Kong or overseas; (ii) does not hold any other positions with our Company or other members of our Group; and (iii) does not have any relationships with any Directors, senior management or substantial or Controlling Shareholders of our Company nor any interests in the Shares within the meaning of Part XV of the SFO.

Save as disclosed in this appendix, each of our Directors is not aware of any other matters that need to be brought to the attention of the holders of securities of our Company nor is there any information to be disclosed by our Company pursuant to any of the requirements under Rule 13.51(2) of the Listing Rules.

#### 1. **RESPONSIBILITY STATEMENT**

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than that relating to the Investor, Investor Holdco and their respective connected parties and/or associates), and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in the circular misleading.

The directors of the Investor, namely Mr. Bi Hao and Mr. Bao Jun, jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than that relating to the Company) and confirm, having made all reasonable enquiries, that to the best of their knowledge, the opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in the circular misleading.

#### 2. SHARE CAPITAL

The authorised share capital of the Company as at the Latest Practicable Date and following completion of the Capital Increase were and are expected to be as follows:

Authorised:		HK\$
2,000,000,000	Shares	20,000,000
20,000,000,000	New Shares upon completion of Capital Increase	200,000,000

The issued share capital of the Company as at the Latest Practicable Date and following completion of Capital Restructuring, the Open Offer, the Subscription, the issue of Scheme Shares and the conversion of the Preference Shares in full were and are expected to be as follows:

Issued and fully paid shares:

HK\$

541,296,756 (487,167,081)	Shares in issue as at the Latest Practicable Date Capital Restructuring	5,412,967.56 (4,871,670.81)
54,129,675	New Shares in issue immediately upon completion	
	of the Capital Restructuring	541,296.75
54,129,675	New Shares to be issued under the Open Offer	541,296.75
202,702,703	New Shares to be issued and allotted under	
	the Subscription	2,027,027.03
23,380,000	New Shares to be issued and allotted pursuant to	
	the issue of the Scheme Shares	233,800.00
135,135,135	New Shares to be issued upon full conversion of	
	the Preference Shares	1,351,351.35
469,477,188	New Shares	4,694,771.88

All of the Shares, the New Shares, the Offer Shares, the Subscription Shares the New Shares to be issued upon conversion of the Preference Shares and the Scheme Shares will rank *pari passu* in all aspects, including all rights as to dividend, voting and interest in capital, among themselves and with all other shares of the Company in issue on the date of issue.

Subject to as provided in the articles of association of the Company and the applicable laws, the Company shall not alter the rights attached to the Shares, the New Shares, the Offer Shares, the Subscription Shares, the Preference Shares and the Scheme Shares without passing a special resolution by the Shareholders.

As at the Latest Practicable Date, no share, option, warrant, conversion right or any equity or debt securities of the Company is outstanding or is proposed to be issued for cash or otherwise and no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any such capital, except for the proposed Subscription, Open Offer and the issue of Scheme Shares. The Company has not issued any new Shares since 31 March 2012, the end of last financial year and also the interim period ended 30 September 2012.

The Shares are listed on the main board of the Stock Exchange. None of the equity or debt securities of the Company is listed or dealt in any other stock exchange and listing or permission to deal in the Shares or loan capital of the Company is not being, or proposed to be, sought on any other stock exchange.

As at the Latest Practicable Date, none of the capital of any member of the Group (i) has been altered since 31 March 2012, being the date to which the latest published audited accounts of the Company were made up, or (ii) is under option, or agreed conditionally or unconditionally to be put under option.

#### 3. DISCLOSURE OF INTERESTS

#### (a) Interests of Directors

As at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests and short positions in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), the Model Code for Securities Transactions by Directors of Listed Companies and which were required to be entered into the register required to be kept under Section 352 of the SFO.

#### (b) Interests of Shareholders

As at the Latest Practicable Date, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the Shares and underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at a general meeting of any members of the Group.

#### Interest in the Shares and underlying Shares:

Long Position in the Shares

Name of substantial shareholder	Nature of	interest	Total num ordinary sha		Percentage of the issued share capital of the Company
	Registered	Corporate	Long	Short	
	shareholder	interest	Position	Position	
Million Decade Limited	185,000,000	_	185,000,000	-	34.18%
Mr. Wei	1,185,000	185,000,000	186,185,000	-	34.40%
		(Note 1)			
Top Ample Limited	75,000,000	-	75,000,000	-	13.85%
Ms. Yao	-	75,000,000	75,000,000	-	13.85%
		(Note 2)			

Notes:

- These 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, therefore, he is deemed to be interested in all of the shares held by Million Decade Limited and Top Ample Limited under the SFO.
- 2. These 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, therefore, she is deemed to be interested in all of the shares held by Top Ample Limited and Million Decade Limited under the SFO.

#### 4. MARKET PRICES

The table below shows the closing prices of the Shares as recorded on the Stock Exchange on (i) the last trading day on which dealings took place in each of the calendar months during the period commencing six months immediately preceding the date of the Announcement and ending on the Latest Practicable Date; (ii) the Last Trading Date; and (iii) the Latest Practicable Date.

Date	Closing price of the Shares <i>HK\$</i>
28 July 2009	7.60
31 January 2012	Suspended
29 February 2012	Suspended
30 March 2012	Suspended
30 April 2012	Suspended
31 May 2012	Suspended
29 June 2012	Suspended
31 July 2012	Suspended
31 August 2012	Suspended
28 September 2012	Suspended
31 October 2012	Suspended
30 November 2012	Suspended
31 December 2012	Suspended
18 January 2013 (the last trading date before the Announcement)	Suspended
Latest Practicable Date	Suspended

Trading in the Shares has been suspended since 28 July 2009 and remains suspended during the period commencing six months immediate preceding the date of the Announcement and the last closing price before the suspension was HK\$7.60 on 28 July 2009.

#### 5. ADDITIONAL DISCLOSURE OF INTERESTS

As at the Latest Practicable Date:

- (a) none of the Directors (including the proposed Directors) was given any benefits as compensation for loss of office or otherwise in connection with the Subscription, the Debt Restructuring Agreement, the Open Offer and/or the Whitewash Waiver;
- (b) none of the Directors (including the proposed Directors) has entered into any agreement, arrangement or understanding with any other person which is conditional on or dependent upon the outcome of the Debt Restructuring Agreement, the Open Offer and/or the Whitewash Waiver or otherwise connected with the Subscription, the Debt Restructuring Agreement, the Open Offer and/or the Whitewash Waiver;
- (c) no member of the Concert Party Group has entered into any agreement, arrangement or understanding (including any compensation arrangement) with any Directors, recent Directors, Shareholders or recent Shareholders which is conditional on or dependence upon the outcome of the Debt Restructuring Agreement, the Open Offer and/or the Whitewash Waiver or otherwise connected with the Subscription, the Debt Restructuring Agreement, the Open Offer and/or the Whitewash Waiver;
- (d) no material contract was entered into by any member of the Concert Party Group in which any Director (including the proposed Directors) has a material personal interest;
- (e) no agreement, arrangement or understanding has been entered into by any member of the Concert Party Group for the transfer, charge or pledge by any of them to any other person of any New Shares to be subscribed under the Subscription and the Debt Restructuring Agreement;
- (f) none of the Directors (including the proposed Directors) had any direct or indirect interest in any assets which have been, since the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by, or leased to, any member of the Group, or are proposed to be acquired or disposed of by, or leased to, any member of the Group; and
- (g) none of the Directors (including the proposed Directors) was materially interested in any contract or arrangement subsisting at the date of the circular which was significant to the business of the Group.

### 6. SHAREHOLDINGS AND DEALINGS

As at the Latest Practicable Date:

- (a) the Company and the Directors had no Shares or share of the Investor and had no outstanding options, derivatives, warrant, other securities convertible or exchangeable into the Shares or any share of the Investor;
- (b) no Shares, convertibles securities, warrants, options and derivatives in the Company were owned, controlled, borrowed or lent by the Company, the Directors, any members of the Concert Party Group or directors of the Investor. Therefore, none of the Directors or any members of the Concert Party Group had voting rights in the Company to vote for or against the Subscription and the Whitewash Waiver;
- (c) no Shares, convertible securities, warrants, options or derivatives of the Company were owned or controlled by a subsidiary of the Company or by a pension fund of any member of the Group or the Independent Financial Adviser or by any adviser to the Company as specified in class (2) of the definition of associate under the Takeovers Code;
- (d) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company, the Investor, their respective concert parties or with any person who is an associate (as defined in the Takeovers Code) of the Company by virtue of classes (1), (2), (3) and (4) of the definition of "associate" under the Takeovers Code. Therefore, there is no such person who owns or controls any Shares or share of the Investor; and
- (e) no Shares, convertible securities, warrants, options or derivatives of the Company was managed on a discretionary basis by fund managers connected with the Company.

During the period beginning six months prior to the date of the Announcement and up to the Latest Practicable Date,

- (a) none of the Company, the Directors, any members of the Concert Party Group or directors of the Investor had dealt for value in shares, convertible securities, warrants, options and derivatives of the Investor or the Company;
- (b) none of the Company, the Directors, any member of the Concert Party Group or directors of the Investor has borrowed or lent any of the Shares;

- (c) none of the Independent Financial Adviser or any adviser to the Company as specified in class (2) of the definition or associate under the Takeovers Code had dealt in the Shares or other securities of the Company carrying voting rights or any convertible securities, warrants, options and derivatives of the Company;
- (d) no fund manager connected with the Company had dealt in the Shares or other securities of the Company carrying voting rights or any convertible securities, warrants, options and derivatives of the Company; and
- (e) no person with whom the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate under the Takeovers Code has an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code had dealt in the Shares or other securities of the Company carrying voting rights or any convertible securities, warrants, options and derivatives of the Company.

#### 7. MATERIAL CONTRACTS

The following contracts have been entered into by the Group (not being contracts entered into in the ordinary course of business carried out or intended to be carried out by the Company or any of its subsidiaries) within the two years immediately preceding the date of the Announcement and up to the Latest Practicable Date, which are or may be material:

- (a) the Debt Restructuring Agreement and the Supplemental Agreement;
- (b) the Phase III SPA in relation to the Phase III Disposal, under which assets mainly comprising land and buildings located in the PRC will be disposed of to Fortune Guard, the purchaser of the Phase III Disposal. The consideration for the Phase III Disposal includes cash consideration of approximately RMB2.5 million and the assumption by Fortune Guard of all indebtedness, claims and any other liability of any Group Company (as defined in the Phase III SPA) to any person other than a Group Company (as defined in the Phase III SPA) up to an amount of approximately RMB480.6 million, which include all indebtedness, claims and any other liability of any Scheme Group Company to any person other than a Group Company (as defined in the Phase III SPA) up to an addition of approximately RMB480.6 million, which include all indebtedness, claims and any other liability of any Scheme Group Company to any person other than a Group Company (as defined in the Phase III SPA), being approximately RMB120.1 million as calculated at the date of the Phase III SPA, which amount may increase when such liabilities are determined by the Provisional Liquidators;
- (c) the Shortfall Guarantee, pursuant to which the Investor shall pay the difference between HK\$56,800,000 and the cash consideration for the Phase III Disposal of approximately RMB2.5 million to the Provisional Liquidators for the benefit of the Scheme Creditors;

- (d) the security trust deed in connection with the Phase III Disposal dated 5 September 2011 entered into between Excelwit Group Limited, Inborn Investments Limited, the Company as trust beneficiary and the Provisional Liquidators, pursuant to which all interests in the registered capital of, and all interests and assets owned by and/or in the possession of, Shanghai Daily Fresh Food Industry Company Limited\* (上海多鮮 樂食品工業有限公司) and Shandong Auterlan Industrial Company Limited\* (山東澳 特萊實業有限公司) will be held by Excelwit Group Limited and Inborn Investments Limited on trust for the benefit of the Company upon closing of the Phase III Disposal until the date the guaranteed amount under the Shortfall Guarantee is paid;
- (e) the third purchaser trust deed in connection with the Phase III Disposal dated 5 September 2011 entered into between Shanghai Daily Fresh Food Industry Company Limited\*(上海多鮮樂食品工業有限公司), the Company as trust beneficiary and the Provisional Liquidators, pursuant to which all interests in the registered capital of, and all interests and assets owned by and/or in the possession of, Shanghai Dongrui Catering Services Limited\*(上海東鋭餐飲配送服務有限公司) were held by Shanghai Daily Fresh Food Industry Company Limited\*(上海多鮮樂食品工業有限 公司) on trust for the benefit of the Company;
- (f) the scheme company assumption agreement in connection with the Phase III Disposal dated 5 September 2011 entered into between the Company, the Scheme Group Companies, the Provisional Liquidators, Fortune Guard and the Investor, pursuant to which Fortune Guard has agreed to assume the indebtedness, obligations and liabilities of the Scheme Group Companies, including but not limited to the amount of the then known indebtedness of Scheme Group Companies in the amount of approximately RMB24.1 million, and further agreed to fully indemnify the Scheme Group Companies in this regard;
- (g) the Deed of Assignment as stipulated under the Debt Restructuring Agreement, pursuant to which all rights, title and interest that the members of the Group (as at the date of the Deed of Assignment) may have in the claims brought by, or to be brought by any such member or potential claims which are capable of being brought by such member against any person who has conducted business with or had dealings with such member were assigned to Quick Glory;
- (h) the Waiver Agreement, pursuant to which the accounts receivable due or payable between certain members of the Group as at the date thereof were waived and discharged;
- (i) the Subscription Agreement; and
- (j) the Underwriting Agreement.

#### 8. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors (including the proposed Directors), had any existing or proposed service contract with the Company or any member of the Group which is not expiring or determinable by the Group within one year without payment of compensation other than statutory compensation.

As at the Latest Practicable Date, none of the Directors (including the proposed Directors) had entered into any service contract with the Company or any of its subsidiaries or associated companies, which:

- (i) (including both continuous and fixed term contracts) have been entered into or amended within 6 months before the date of the Announcement;
- (ii) are continuous contracts with a notice period of 12 months or more; or
- (iii) are fixed term contracts with more than 12 months to run irrespective of the notice period.

#### 9. LITIGATION

On 19 October 2009, the Company presented a petition to the Hong Kong Court for its winding-up and the Provisional Liquidators were appointed as joint and several provisional liquidators of the Company. Upon presentation of the winding-up petition, no action or proceeding shall be proceeded with or commenced against the Company except by leave of the Hong Kong Court, and subject to such terms as the Hong Kong Court may impose.

Upon the Scheme becoming effective on 9 August 2011, all the Indebtedness owed by the Company was fully compromised and discharged by the arrangements contemplated under the Scheme, in exchange for the Scheme Consideration.

As at the Latest Practicable Date, certain members of the Group are engaged in litigations or claims. 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\*), an indirect wholly-owned subsidiary of the Company, is the defendant of 10 civil litigations, in which the amounts involved are in the aggregate of approximately RMB4.1 million and 福堯名肴會 (上海)餐飲有限公司 (Fuyao Famous Delicacies Club (Shanghai) Catering Company Limited\*), currently held on trust by the Investor in favour of Fully Peace Limited (an indirect wholly-owned subsidiary of the Company), is the defendant of 2 civil litigations, in which the amounts involved are in the aggregate amount of approximately RMB0.2 million.

Regarding the 10 outstanding litigations of 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\*), 2 of them are landlords' demands of outstanding rentals of factories and employee dormitories leased by the Group. The amounts involved in the said 2 litigations are in the aggregate amount of approximately RMB3.8 million,

which has been partly settled by the Group in accordance with the settlement orders from the PRC courts. The remaining litigations, which constitute the minority of litigations in respect of the total amounts involved, are disputes with employees and suppliers of the Group.

The 2 outstanding litigations of 福堯名肴會(上海)餐飲有限公司 (Fuyao Famous Delicacies Club (Shanghai) Catering Company Limited\*) are both disputes with suppliers of the Group.

Given that the purpose of the Scheme is to compromise and fully discharge all Indebtedness of the Company, the amounts claimed under the above litigations, in which certain members of the Group (other than the Company) are involved, were not covered under the Scheme. Full provision has been provided in the financial statements of the Company as at 31 December 2012 in relations to all amounts claimed under the litigations.

Having considered the nature of the litigations and full provision made on the amounts claimed under the litigations, the Directors consider that the outstanding litigations would not have material impacts to the Restructured Group and its related business. Save as disclosed in this paragraph, the Directors are not aware of any litigation or claims of material importance pending or threatened by or against the members of the Group as at the Latest Practicable Date.

#### **10. EXPERTS AND CONSENTS**

The following is the qualifications of the experts who have given opinion or advice which is contained in this circular:

Name	Qualification
ANDA CPA Limited ("ANDA")	Certified Public Accountants
The Independent Financial Adviser	a licensed corporation to carry out type 6 (advising on corporate finance) regulated activities under the SFO

Each of ANDA and the Independent Financial Adviser has given and has not withdrawn its consent to the issue of this circular with the inclusion of its report or letter, as the case may be, and reference to its name in the form and context in which they respectively appear. As at the Latest Practicable Date, each of ANDA and the Independent Financial Adviser was not beneficially interested in the share capital of any member of the Group, nor did they have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any members of the Group nor did they have any interest, either direct or indirect, in any assets which had been since 30 September 2012 (being the date to which the latest published audited accounts of the Group were made up) acquired or disposed of by or leased to or were proposed to be acquired or disposed of by or leased to any member of the Group.

## 11. CORPORATE INFORMATION

The Company	
Registered office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands British West Indies
Principal office	Room 2703-08, 27th Floor Shui On Centre, 6-8 Harbour Road, Wanchai Hong Kong
Authorised representatives	Mr. Chin Chang Keng, Raymond 15/F, 294 Des Voeux Road West, Hong Kong Mr. Hui Wing Lok Unit 4, 7/F., Mai Kwai Mansion, 87 Won Tong Tsui Street, Kwai Chung, New Territories, Hong Kong
The Investor	
Registered office	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands
Principal correspondence address	Unit D, 12/F, Seabright Plaza, 9-23 Shell Street, North Point, Hong Kong

The Investor Holdco	
Registered office	Room 604, Anhui Investment Mansion 46 Wang Jiang East Road Bao He District, Hefei, Anhui China
Principal correspondence address	c/o 36th Floor, China Central Place Office Building, Block 3, No. 77 Jianguo Road, Chaoyang District, Beijing 100025, China
Mr. Bi Hao	Flat 401, No. 3 Dong Jiao Market, Dong Shan District, Guangzhou, China
Mr. Bao Jun	No. 19, 5th floor, Unit 23, 8 Dong, No. 1 Binjiang Zhong Road, Jinjiang District, Chengdu City, Sichuan, China
Other parties	
Independent Financial Adviser	Quam Capital Limited 18/F-19/F Aon China Building, 29 Queen's Road Central, Hong Kong
Principal share registrar and transfer office	<ul> <li>Royal Bank of Canada Trust Company (Cayman) Limited,</li> <li>4th Floor, Royal Bank House,</li> <li>24 Shedden Road, George Town,</li> <li>Grand Cayman KY1-1110,</li> <li>Cayman Islands</li> </ul>

Hong Kong branch share registrar and transfer office	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong
Auditor	ANDA CPA Limited Certified Public Accountants 21st Floor Max Share Centre 373 King's Road North Point Hong Kong
Legal advisers to the Company	As to Hong Kong Law King & Wood Mallesons, 9/F Hutchison House, 10 Harcourt Road, Central, Hong Kong As to Cayman Islands Law Maples and Calder 53rd Floor The Centre, 99 Queen's Road Central, Hong Kong
Principal bankers	Hang Seng Bank Level B2, 83 Des Voeux Road, Central, Hong Kong
Company secretary	Mr. Hui Wing Lok Unit 4, 7/F., Mai Kwai Mansion, 87 Wo Tong Tsui Street, Kwai Chung, New Territories, Hong Kong

#### 12. PARTICULARS OF DIRECTORS AND PROPOSED DIRECTORS

## **Executive Director:**

Mr. Chin Chang Keng, Raymond	15/F, 294 Des Voeux Road West,
	Hong Kong

#### Independent non-executive Director:

Mr. Chung Wai Man	1/F, No. 60, Kam Shek New Village,
	Tai Po, New Territories,
	Hong Kong

#### **Proposed executive Directors:**

Ms. Yang Qin	No. 33 Gongjiao Lane,
	Dazhongzhen, Dafeng,
	Yancheng, Jiangsu,
	China
Mr. Wang Jianqing	Room 3302, Building 4, Jincheng Garden,
	No. 858 Dongfeng East Road,
	Guangzhou, Guangdong, China

#### **Proposed independent non-executive Directors:**

Dr. Leung Hoi Ming	5/F, 162 Queen's Road West, Sai Ying Pun, Hong Kong
Mr. Mak Ka Wing, Patrick	Flat C, 10/F, Ka Fu Building, 19-27 Bonham Road, Mid-level, Hong Kong
Mr. Sung Wing Sum	Flat 1, 24/F Kay Yue House, 20 Chun Wah Road, On Kay Court, Ngau Tou Kok, Kowloon, Hong Kong

### **APPENDIX VI**

#### **13. COMPETING INTERESTS**

As at the Latest Practicable Date, none of the Directors or proposed Directors and/or their respective associates was considered to have an interest in a business which competes or is likely to complete, either directly or indirectly, with the business of the Group other than those businesses to which the Directors and their respective associates were appointed to represent the interests of the Company and/or the Group.

#### 14. GENERAL

If there is any inconsistency between the Chinese names of PRC entities, government authorities, institutions, departments, facilities or titles mentioned in this circular and their English translation, the Chinese version shall prevail. Other than that, the English text of this circular shall prevail over the Chinese text in the case of inconsistency.

#### 15. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours from 9:30 a.m. to 5:30 p.m. on any business day (except public holiday and with prior notice) at the principal office of business of the Company in Hong Kong at Room 2703-08, 27th Floor, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong from the date of this circular up to and including the date of the EGM in accordance with Note 1 to Note 8 of the Takeovers Code and will be displayed on the website of the SFC (www.sfc.hk) and on the Company's website (http://www.fujicateringhk.com).

- (i) memorandum and articles of association of the Company;
- (ii) the annual reports of the Company for the years ended 31 March 2011 and 2012 and the interim reports of the Company for the six-months ended 30 September 2011 and 2012;
- (iii) the letter from the Independent Board Committee as set out in this circular;
- (iv) the letter from the Independent Financial Adviser as set out in this circular;
- (v) the unaudited pro forma consolidated statement of financial position of the Group as set out in Appendix III to this circular;
- (vi) the report from ANDA on unaudited pro forma consolidated statement of financial position of the Group, the text of which is set out in Appendix III to this circular;

### **APPENDIX VI**

- (vii) the letters in relation to the profit forecast for the year ending 31 March 2013 and the six-months ending 30 September 2013 issued by ANDA and the Independent Financial Adviser, the texts of which are set out in Appendix IV to this circular;
- (viii) the written consents referred to in the paragraph headed "Expert and Consents" in this appendix;
- (ix) memorandum and articles of association of the Investor; and
- (x) all material contracts referred to in the paragraph headed "Material Contracts" in this appendix.



# 福記食品服務控股有限公司

(已委任臨時清盤人)

## FU JI Food and Catering Services Holdings Limited

(Provisional Liquidators Appointed) (Incorporated in the Cayman Islands with limited liability) (Stock Code : 1175)

#### NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that an extraordinary general meeting (the "EGM") of FU JI Food and Catering Services Holdings Limited (Provisional Liquidators Appointed) (the "Company") will be held at Room 101 Auditorium, 3 Lockhout Road, Wanchai, Hong Kong on Monday, 25 March 2013 at 2:00 p.m. for the purpose of considering and, if thought fit, passing with or without modifications, the following resolutions of the Company:

#### AS A SPECIAL RESOLUTION

1. "THAT conditional upon: (i) approval of the Capital Reduction (as defined below) by the Grand Court of the Cayman Islands (the "Cayman Islands Court"); (ii) registration by the Registrar of Companies of the Cayman Islands of the order of the Cayman Islands Court confirming the Capital Reduction and the minute of the Capital Reduction approved by the Cayman Islands Court containing the particulars required under the Companies Law (2012 Revision) of the Cayman Islands (the "Companies Law") in respect of the Capital Reduction and compliance with any condition as may be imposed by the Cayman Islands Court in relation to the Capital Reduction; and (iii) the Listing Committee of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting the listing of, and permission to deal in, the new ordinary shares of the Company of HK\$0.01 each (the "New Shares") in issue, upon the date on which the Capital Reduction becomes effective (the "Effective Date") the issued share capital of the Company be reduced from HK\$5,412,967.56 to HK\$541,296.756 by the cancellation of HK\$0.009 paid up capital on each issued share of the Company (the "Share") so that each issued share of the Company shall be treated as one fully paid up share of HK\$0.001 (the "Capital Reduction"), and that the credit item arising upon the Capital Reduction, being HK\$4,871,670.80 be applied in full against part of the accumulated losses of the Company as at 31 March 2012."

#### AS ORDINARY RESOLUTIONS

- 2. "THAT conditional upon and immediately following the Capital Reduction, the then (unreduced) authorised but unissued share capital of the Company, being HK\$19,458,703.24, be cancelled and extinguished, such that the authorised share capital of the Company shall be HK\$541,296.756 divided into 541,296,756 Shares with a par value of HK\$0.001 each (the "Capital Cancellation")."
- 3. "THAT conditional upon the Capital Cancellation becoming effective, every 10 Shares of HK\$0.001 each in the share capital of the Company be consolidated into one New Share with a par value of HK\$0.01, such that the authorised share capital of the Company will be HK\$541,296.75 divided into 54,129,675 New Shares with a par value of HK\$0.01 each (the "Share Consolidation" and, separately, the Capital Reduction, Capital Cancellation and Share Consolidation are hereafter referred to collectively as the "Capital Restructuring Events"). Any fractions of New Shares arising upon the Share Consolidation shall not be allocated to the holders of the existing Shares otherwise entitled thereto but such fractions shall be aggregated and sold for the benefit of the Company in such manner, on such terms and subject to such conditions as the Directors (as defined below) may, in their sole and absolute discretion, think fit."
- 4. **"THAT** immediately following the Capital Restructuring Events becoming effective, and subject to the approval of the special resolution to amend the Memorandum and Articles of Association of the Company (set out below), the authorised share capital of the Company be increased from HK\$541,296.75 divided into 54,129,675 New Shares of HK\$0.01 each to HK\$200,000,000 divided into 19,800,000,000 New Shares of HK\$0.01 each and 200,000,000 cumulative non-voting non-redeemable preference shares in the capital of the Company of HK\$0.01 each (the "Preference Shares") by the creation of 19,745,870,325 New Shares of HK\$0.01 each and 200,000,000 Preference Shares of HK\$0.01 each (the "Capital Increase")."
- 5. "**THAT** any one provisional liquidator of the Company (a "Provisional Liquidator" and collectively, "Provisional Liquidators") or any one director of the Company (a "Director" and collectively, "Directors") be and is hereby authorised generally to do all acts, deeds and things, to take all necessary steps, and to approve, sign and execute all documents (including the affixation of the common seal of the Company where execution under seal is required) which may be necessary, desirable or expedient for the purpose of carrying into effect, giving effect to or implementing any of the foregoing Resolutions numbered 1 to 4."

#### AS A FURTHER SPECIAL RESOLUTION

- 6. **"THAT** subject to and conditional upon the implementation of the Capital Restructuring Events, and concurrently with the Capital Increase, the Memorandum and Articles of Association of the Company be amended as follows:
  - (a) Clause 8 of the Memorandum of Association of the Company and Article 8 of the Articles of Association of the Company be deleted in their entirety and each replaced with the following:

"8. The share capital of the Company is HK\$200,000,000 divided into 19,800,000,000 shares with a par value of HK\$0.01 each and 200,000,000 Restricted Voting Preference Shares with a par value of HK\$0.01 each, with power for the Company insofar as permitted by law (and by the Articles) to redeem or purchase any of its shares and to increase or reduce the said capital subject to the provisions of the Companies Law (2012 Revision) of the Cayman Islands (as amended from time to time) and the Articles of Association and to issue any part of its capital, whether original, redeemed or increased with or without any preference, priority or special privilege or subject to any postponement of rights or to any conditions or restrictions and so that unless the conditions of issue shall otherwise expressly declare every issue of shares whether stated to be preference or otherwise shall be subject to the powers hereinbefore contained."

(b) In Article 2 of the Articles of Association of the Company, the following definitions be added:

"Restricted Voting Preference Share(s)" means the restricted voting preference shares of HK\$0.01 par value each in the authorised share capital of the Company issued subject to and in accordance with the Memorandum and Articles of Association of the Company."

"share(s)" means a share in the authorised share capital of the Company (including, without limitation, a Restricted Voting Preference Share and any other share in the capital of the Company) and shall also include a fraction of a share in the Company." (c) A new Article 9B of the Articles of Association of the Company be added as follows:

"9B. Notwithstanding any other provision of the Memorandum of Association of the Company and these Articles, the Restricted Voting Preference Shares shall have the same rights attaching to them as all other shares of the Company of any other class from time to time, except as follows:

- (1) Restricted Voting Preference Shares may not be redeemed;
- (2) Restricted Voting Preference Shares may be re-designated as shares on a 1:1 basis at any time after 6 months from the date of their issue by notice served on the Company and the updating of the Register to record and give effect to the re-designation;
- (3) Restricted Voting Preference Shares shall have no voting rights other than the right to vote on a resolution for the winding up of the Company, or a resolution which, if approved, would vary or abrogate the rights or privileges attaching to the Restricted Voting Preference Shares; and
- (4) Restricted Voting Preference Shares shall have a senior claim to all other shares of the Company in any claim to the remaining assets of the Company upon its winding up, and such Restricted Voting Preference Shares shall rank pari passu amongst themselves in proportion to the amount paid up thereon."

#### AS ORDINARY RESOLUTIONS

#### The Debt Restructuring Agreement, the Subscription and the Allotment of Scheme Shares

- 7. a. "THAT the terms of the agreement dated 5 September 2011 (as supplemented by a supplemental agreement dated 18 January 2013) (the "Debt Restructuring Agreement") entered into by and among Marvel Light Holdings Limited (the "Investor"), Anhui Harvest Investment Company Limited (the "Investor Holdco"), Fortune Guard Holdings Limited, the Company, the Provisional Liquidators, certain members of the Group as at the date of the Debt Restructuring Agreement, Perfect Future Investment Limited and Quick Glory Limited in respect of the debt and capital restructuring of the Company (a copy of which has been produced to the EGM marked "A" and signed by the chairman of the EGM for identification purposes), for the implementation of the restructuring of the Company comprising, among other things, the proposed capital restructuring of the Company, which involves the Capital Restructuring Events and the Capital Increase as referred to in the Resolutions numbered 1 to 4, the Subscription (as defined below), the issue of the Scheme Shares (as defined below), the Open Offer (as defined below) and the Whitewash Waiver (as defined below), the transactions contemplated thereunder and the execution and the performance thereof by the Company, be and are hereby confirmed, ratified and approved;
  - b. the terms of the subscription agreement dated 18 January 2013 (the "Subscription Agreement") entered into by and among the Company as the issuer, the Investor as the subscriber and the Provisional Liquidators (a copy of which has been produced to the EGM marked "B" and signed by the chairman of the EGM for identification purposes) for the subscription (the "Subscription") of (i) 202,702,703 New Shares (the "Subscription Shares") by the Investor at a subscription price of HK\$0.74 per Subscription Share for an aggregate amount of HK\$150,000,000 and (ii) 135,135,135 Preference Shares at a subscription price of HK\$0.74 per Preference Share, for an aggregate amount of HK\$100,000,000, the transactions contemplated thereunder and the execution and the performance thereof by the Company, be and are hereby confirmed, ratified and approved;
  - c. the allotment and issue of the Subscription Shares and the Preference Shares pursuant to the terms of the Subscription Agreement, and the allotment and issue of the New Shares upon conversion or re-designation of the Preference Shares, be and are hereby approved;

- d. the allotment and issue of 23,380,000 New Shares (the "Scheme Shares") credited as fully paid to those persons entitled in accordance with the terms of the Scheme (as defined in the Debt Restructuring Agreement), pursuant to the terms of the Debt Restructuring Agreement, be and are hereby approved;
- e. any one Provisional Liquidator or any one Director be and is hereby authorised generally to do all acts, deeds and things, to take all steps, and to approve, sign and execute all documents (including the affixation of the common seal of the Company where execution under seal is required), as they may in their sole and absolute discretion consider necessary, desirable or expedient for the purpose of or in connection with carrying into effect, giving effect to, implementing or completing any of the foregoing, and any and all actions heretofore taken by any one Provisional Liquidator or any one Director that are consistent with the aforesaid be and are hereby confirmed, ratified and approved."

#### **Open Offer**

8. "THAT conditional upon (i) the Capital Restructuring Events and Capital Increase a. becoming effective; (ii) passing of the Resolution numbered 6 set out in this Notice; (iii) the Listing Committee of the Stock Exchange granting its approval to the listing of, and permission to deal in the New Shares, the Offer Shares (as defined below), the Subscription Shares, the New Shares to be issued upon conversion or re-designation of Preference Shares and the Scheme Shares; and (iv) the fulfillment of all the conditions precedent set out in the underwriting agreement dated 18 January 2013 (the "Underwriting Agreement"), a copy of which marked "C" has been produced to the EGM and signed by the chairman of the EGM for the purposes of identification and entered into between the Company, the Investor as the underwriter (the "Underwriter") and the Provisional Liquidators, the issue by way of an open offer (the "Open Offer") of 54,129,675 New Shares (the "Offer Shares") at the subscription price of HK\$0.74 per Offer Share on the basis of one Offer Share for every one New Share to the shareholders of the Company (the "Qualifying Shareholders") whose names appear on the register of members of the Company as at the close of business on Thursday, 16 May 2013, Hong Kong time or such other date as may be determined by the Company and the Underwriter (the "Record Date"), other than the shareholders of the Company (the "Excluded Shareholders") whose addresses as shown on the register of members of the Company as at 4:30 p.m. on the Record Date are in places outside Hong Kong where based on the legal opinions provided by the relevant overseas legal advisers to the Company, the Directors are of the opinion that it is necessary or expedient to exclude such shareholders from the Open Offer on account either of the legal restrictions under the laws of the relevant places or the requirements of the relevant

regulatory body or stock exchange in such places, the Open Offer not being extended to the Excluded Shareholders and the taking up by the Underwriter of the Offer Shares which the Excluded Shareholders are otherwise entitled to apply for but for the abovementioned reasons (if not taken up by Qualifying Shareholders by way of excess application), the transactions contemplated thereunder and the performance thereof by the Company, be and are hereby confirmed, ratified and approved;

- b. the terms of the Underwriting Agreement, the transactions contemplated thereunder and the execution and performance thereof by the Company be and are hereby approved, confirmed and ratified, and the Provisional Liquidators and any one Director be and is hereby authorised to make such exclusions or other arrangements as they may, in their absolute discretion, consider necessary, desirable or expedient, in relation to the Excluded Shareholders, the treatment of fractional entitlements and the underwriting of the Offer Shares by the Underwriter;
- c. any one Provisional Liquidator and any one Director be and is hereby authorised generally to do all acts, deeds and things, to take all steps, and to approve, sign and execute all documents (including the affixation of the common seal of the Company where execution under seal is required), as they may in their sole and absolute discretion consider necessary, desirable or expedient for the purpose of or in connection with carrying into effect, giving effect to, implementing or completing any of the foregoing, and any and all actions heretofore taken by any one Provisional Liquidator or any one Director that are consistent with the aforesaid be and are hereby confirmed, ratified and approved."

#### Whitewash Waiver

- 9. **"THAT** subject to the passing of Resolutions numbered 7 to 8 set out in this Notice:
  - a. the whitewash waiver (the "Whitewash Waiver") granted or to be granted by the Executive Director (including his delegates) of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong (the "SFC") pursuant to Note 1 on dispensations from Rule 26 of The Hong Kong Codes on Takeovers and Mergers (the "Takeovers Code") waiving any obligation (either unconditionally or subject to such conditions as may be required by the SFC) on the part of the Investor and parties acting in concert with it (which has the meaning as that ascribed in the Takeovers Code, including those presumed to be acting in concert thereunder) to make a mandatory general offer for all the New Shares not already owned or agreed to be acquired upon completion of the Subscription or as a result of underwriting under the Underwriting Agreement, be and is hereby approved; and
  - b. any one Provisional Liquidator and any one Director be and is hereby authorised generally to do all acts, deeds and things, to take all steps, and to approve, sign and execute all documents (including the affixation of the common seal of the Company where execution under seal is required), as they may in their sole and absolute discretion consider necessary, desirable or expedient for the purpose of or in connection with carrying into effect, giving effect to, implementing or completing any of the foregoing, and any and all actions heretofore taken by any one Provisional Liquidator or any one Director that are consistent with the aforesaid be and are hereby confirmed, ratified and approved."

#### **Appointment of Directors**

- 10. "**THAT** conditional upon the resumption of trading of the Shares (the "Resumption"), each of the following persons (having consented to act as such) be elected as Directors of the Company effective from the date of Resumption:
  - a. Ms. Yang Qin be appointed as an executive Director;
  - b. Mr. Wang Jianqing be appointed as an executive Director;
  - c. Dr. Leung Hoi Ming be appointed as an independent non-executive Director;
  - d. Mr. Mak Ka Wing, Patrick be appointed as an independent non-executive Director;
  - e. Mr. Sung Wing Sum be appointed as an independent non-executive Director; and

f. the board of Directors be and is hereby authorised to fix the remuneration of each of Ms. Yang Qin, Mr. Wang Jianqing, Dr. Leung Hoi Ming, Mr. Mak Ka Wing, Patrick and Mr. Sung Wing Sum."

By order of the Board FU JI Food and Catering Services Holdings Limited (Provisional Liquidators Appointed) Chin Chang Keng, Raymond Director For and on behalf of **FU JI Food and Catering Services Holdings Limited** (Provisional Liquidators Appointed) Lai Kar Yan (Derek) Yeung Lui Ming (Edmund) Darach E. Haughey Joint and Several Provisional Liquidators Acting as agents for and on behalf of the Company without personal liability

Hong Kong, 1 March 2013

Registered Office: Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands

Principal Office: Room 2703-08, 27th floor Shui On Centre, 6-8 Harbour Road, Wanchai Hong Kong Notes:

- 1. A proxy form to be used for the EGM is enclosed with this circular.
- 2. Any member of the Company entitled to attend and vote at the EGM is entitled to appoint one or more proxies (if such member is the holder of two or more shares) to attend and vote instead of him. A proxy need not be a shareholder of the Company.
- 3. To be valid, a proxy form, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of that power or authority, must be deposited at the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not less than 48 hours before the time fixed for the holding of the EGM or any adjournment thereof.
- 4. Where there are joint holders of any ordinary share of the Company, any one of such holders may vote at the EGM, either personally or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such holders be present at the EGM personally or by proxy, that one of such holders so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
- 5. The above resolutions will be put to vote at the EGM by way of poll. Resolutions numbered 4 and 6 will be voted by the Independent Shareholders (as defined in this circular). Resolution numbered 5 will be voted by the Open Offer Independent Shareholders (as defined in this circular).

As at the Latest Practicable Date, the Board comprises of Mr. Chin Chang Keng, Raymond as executive Director and Mr. Chung Wai Man as independent non-executive Director.

\* For identification purpose only