



When founding FU JI in 1999, Wei Dong set out to create a visionary new style of catering for Shanghai and Suzhou — an integrated food service concept based upon modern dining values, expectations and aspirations. The FU JI concept encompasses a range of dining experiences appealing to senior business executives, office staff, urban residents and blue-collar workers. And it offers quality food in a variety of settings: commercial and office complexes, factories, and at home. Today, FU JI is Shanghai's largest domestic catering service provider serving over 100,000 meal sets of daily as at 31 March 2005. It has consistently delivered customers and shareholders with the quality service and excellent value they have come to expect from FU JI.

I am delighted to present the first annual results of FU JI Food and Catering Services Holdings Limited (the "Company" or "FU JI") and its subsidiaries (the "Group") for the year ended 31 March 2005 since listing on the Main Board of The Stock Exchange of Hong Kong Limited last December.

2004: FU JI TURNS OVER A NEW LEAF

2004 was a remarkable year for FU JI, a year marked with accomplishments that we are proud of. The IPO received overwhelming support from the local and overseas institutional investors — a clear statement of their confidence in the growth of FU JI. Being listed has empowered us to explore lucrative new business opportunities and attracted many more bright young talents into the food servicing industry.

From our modest start in Suzhou in 2000, our vision has been clear: to better serve the catering needs of millions of urban residents and workers in the Yangtze River Delta.

With that in mind, we have gone on to create a world-class infrastructure that will support our growth for years to come. And we have built it with the same focus and attention to detail that characterised every aspect of our food service concept.

FU JI: PASSIONATELY PURSUING EXCELLENCE IN THE PRC'S BOOMING CATERING SECTOR

FU JI turned in a strong performance despite frequent cost fluctuations, recording a substantial increase in turnover of 79.8% to RMB454.7 million in the year ended 31 March 2005. Profit from operations surged 94.5% to RMB201.9 million and net profit for the year reported an impressive increment of 100.2% to RMB165.4 million, all of which in turn boosted basic earnings per share to RMB49.8 cents.

During the last quarter of fiscal year 2004/05, we started to upgrade our existing processing centers in Sunqiao and Suzhou, aiming at boosting their production capacities

and enhancing operational efficiency. These upgrades have been completed. Apart from securing new contracts, we also explored various new business opportunities, extended our market reach to Guangdong Province, and expanded our service portfolio into school catering and railway catering.

We will continue to strengthen our management team which will direct and support our business expansion. The leadership of FU JI is stronger than ever. After the IPO, our management has gained major expertise in key areas including Catering Services, materials procurement and management, processing operations and human resources. Our business owes its success to the passion of our management and talent of all our employees. I am delighted that we are able to attract and retain the industry's best people. Our workforce brings with us an invaluable mix of experience and energy and the shared desire to constantly improve.

CATERING INDUSTRY IN THE PRC: DINING IS CHANGING FACE AND CONTRACT CATERING IS GROWING

Thanks to the continuously prospering Chinese economy since the late 1990s, the demand for catering services — particularly in the business and dining out has become increasingly popular among urban dwellers. For urban families, eating out provides a welcome break from daily home cooking. On the other hand, high net worth business executives increasingly favor exclusive dining environments that provide excellent service and a variety of specialty dishes. Capable of meeting these needs reputable Chinese restaurant chains have captured significant market share.

Industrial sectors — is rising fast in major Chinese cities and economic hubs. Increasing emphasis on cost efficiency means there is a growing need for corporations to outsource their catering services, and most of them are seeking professional provider who can meet all their needs. Competition within the

catering service industry is polarised. Barriers to entry for small-scale operations are low, as shared by our industry peers: it is easy to start business and cater to a small number of contracts. However, the bar is much higher for large-scale operations as the required investment to meet food safety standards and create the necessary infrastructure is extremely high.

Contract catering in the PRC is still in its infancy as evidenced by its low penetration of the market when compared with other countries. For example, in Japan and Korea, the average ratio is 60%, while in the United Kingdom and United States, it is over 80%. However, the low penetration rate of contract catering in the local catering market points to its rosy future and in turn lucrative opportunities for FUJI.

PROSPECTS

Looking ahead, I see an extremely promising future for FUJI. More importantly, I see the Group having the capability to consistently identify and seize opportunities, and create and maintain product and service

excellence. Catering Services will be our principal growth driver in the long run. We will dedicate further efforts to strengthening FUJI's presence in existing markets, and at the same time earmark new growth areas, such as school catering and railway catering, to expand our revenue stream. Internally, we will seek to bolster our commitment to shaping a high-performance workforce by continuously facilitating staff development and providing training programs.

DIVIDENDS

In accordance with our committed statement in the Prospectus, we are committed to distribute dividends of not less than 30% of our post-IPO consolidated profit attributable to shareholders. In the future, in the absence of any special circumstances or unforeseen events, our dividend policy will remain unchanged. In the light of this, and subject to approval by shareholders at the forthcoming annual general meeting on 1 August 2005, the Directors recommend the payment of a final dividend of 3.8 HK cents per share for the fiscal year 2004/05 (fiscal year 2003/04: nil).

APPRECIATION

Our strength and prowess rest entirely on the support of our Board of Directors, management, employees, suppliers, and shareholders, and most importantly, our customers. Thus, I would like to extend my thanks to all of them. And I am excited about all we will accomplish in the year ahead.

Wei Dong
Chairman

Hong Kong, 28 June 2005