

The Directors present their report and the audited financial statements of FU JI Food and Catering Services Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 March 2005.

#### GROUP REORGANISATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 8 April 2004 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands ("Companies Law").

Pursuant to the Group reorganisation (the "Reorganisation") in preparation for the public listing of the Company's shares, the Company acquired the entire issued share capital of Sky Achieve Limited, the then holding company of the Group, on 26 November 2004 and became the holding company of the Group. The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "HKSE") on 17 December 2004 (the "Listing Date"). Further details of the Reorganisation are set out in the Prospectus of the Company (the "Prospectus") dated 7 December 2004.

#### PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries comprise the provision of Catering Services, the operation of Chinese Restaurants and the production and sale of Convenience Food products.

#### RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 March 2005 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 34 to 66.

The Directors recommend the payment of a final dividend of HK\$3.8 cents per share (approximately equivalent to RMB4.028 cents per share) in respect of the year, to the shareholders whose names appear on the register of members of the Company on 1 August 2005.

No interim dividend was declared for the six months ended 30 September 2004.

#### CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 26 July 2005 to 1 August 2005, both days inclusive, during which period no transfer of shares in the Company can be registered. In order to qualify for the final dividend, all completed transfer forms together with the relevant share certificates must be lodged with the Company's Hong Kong branch registrar, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on 25 July 2005.

#### FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last four financial years is set out on page 5. The summary does not form part of the audited financial statements.

## FIXED ASSETS

Details of the movements in fixed assets of the Group during the year are set out in note 15 to the financial statements.

## SHARE CAPITAL AND SHARE OPTION SCHEME

Details of the movements in share capital of the Company from 8 April 2004 (date of incorporation) to 31 March 2005 are set out in note 25 to the financial statements.

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 other 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 the Listing Date. From the Listing Date to 31 March 2005, no such share options was granted.

The maximum number of shares available for issue under share options which may be granted under the Scheme and any other schemes is 41,500,000 shares, representing 10 per cent. 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 Rules Governing the Listing of Securities on the HKSE (the "Listing Rules")) are subject to approval in advance by the Independent Non-executive Directors. In addition, any share options granted to a connected person who is also a substantial shareholder or its associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

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

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

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

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

## RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in note 26 to the financial statements.

## DISTRIBUTABLE RESERVES

As at 31 March 2005, the Company's reserves, including the share premium account, available for distribution, calculated in accordance with the Companies Law, amounted to RMB359,261,000, of which RMB16,716,000 has been proposed as a final dividend for the year. Under the Companies Law, a company may make distribution to its shareholders out of the share premium account under certain circumstances.

## PRE-EMPTIVE RIGHTS

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

## DIRECTORS

The Directors of the Company from 8 April 2004 (date of incorporation) up to the date of this report were:

### *Executive Directors*

Mr. Wei Dong ( <i>Chairman</i> )	(Appointed on 29 April 2004)
Ms. Yao Juan	(Appointed on 29 April 2004)
Mr. Tung Fai	(Appointed on 29 April 2004)
Ms. Ku Wang	(Appointed on 29 April 2004)

### *Non-executive Director*

Ms. Josephine Price	(Appointed on 22 November 2004)
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### *Independent Non-executive Directors*

Ms. Tsui Wai Ling Carlye	(Appointed on 22 November 2004)
Mr. Wong Chi Keung	(Appointed on 22 November 2004)
Ms. Yang Liu	(Appointed on 22 November 2004)
Mr. Su Gang Bing	(Appointed on 22 November 2004)

In accordance with Article 87(1) of the Company's articles of association, Ms. Yao Juan, Mr. Tung Fai and Ms. Ku Wang will retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

### **DIRECTORS' SERVICE CONTRACTS**

Each of Mr. Wei Dong, Ms. Yao Juan, Mr. Tung Fai and Ms. Ku Wang, all being Executive Directors, has entered into a service contract with the Company for an initial term of three years commencing from 17 December 2004, and thereafter may be terminated by either party giving to the other not less than three months' written notice.

Each of Ms. Josephine Price, Ms. Tsui Wai Ling Carlye, Mr. Wong Chi Keung, Ms. Yang Liu and Mr. Su Gang Bing, has signed a letter of appointment with the Company for a term of three years commencing from 17 December 2004.

Save as disclosed above, none of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

### **BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT**

Brief biographical information of Directors of the Company and senior management of the Group as at the date of this annual report are set out on pages 30 to 32.

### **DIRECTORS' INTERESTS IN COMPETING BUSINESS**

During the year ended 31 March 2005, none of the Directors of the Company was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

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

As at 31 March 2005, the interests of each Director and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO") as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the HKSE pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were, as follows:

#### (i) Interest in the share capital of the Company

Name of Director	Types of Interests	Number of Shares	Position	Approximate Percentage of Interests
Wei Dong (Note 1)	Beneficial	285,000,000	Long	68.67%
Yao Juan (Note 2)	Beneficial	285,000,000	Long	68.67%

#### (ii) Interest in the share capital of Million Decade Limited ("Million Decade Shares"), an associated corporation (within the meaning of the SFO)

Name of Director	Types of Interest	Approximate Percentage Holding of Million Decade Shares
Wei Dong (Note 1)	Controlled Corporation	100%

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.
- 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.

Save as disclosed above, as at 31 March 2005, none of the Directors or chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the HKSE pursuant to the Model Code.

### SUBSTANTIAL SHAREHOLDERS' AND PERSONS' INTERESTS OR SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2005, the following interests of 5% or more of the issued share capital and underlying shares under equity derivatives of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name	Types of Interests	Number of Shares of the Company	Number of Underlying Shares of the Company	Position	Approximate percentage of Interests
Wei Dong (Note 1)	Beneficial	285,000,000	—	Long	68.67%
Yao Juan (Note 2)	Beneficial	285,000,000	—	Long	68.67%
Min You Holdings Limited	Beneficial	3,250,000	36,645,726	Long	9.61%*
Aria Investment Partners II, L.P. (Note 3)	Controlled Corporation	3,250,000	36,645,726	Long	9.61%*
CLSA Private Equity Management Limited (Note 4)	Investment Manager	3,250,000	36,645,726	Long	9.61%*
CLSA Funds Ltd. (Note 5)	Controlled Corporation	3,250,000	36,645,726	Long	9.61%*
CLSA B.V. (Note 6)	Controlled Corporation	3,250,000	36,645,726	Long	9.61%*
Calyon Capital Markets Asia B.V. (Note 7)	Controlled Corporation	3,250,000	36,645,726	Long	9.61%*
Credit Lyonnais Capital Markets International SASU (Note 8)	Controlled Corporation	3,250,000	36,645,726	Long	9.61%*
Calyon S.A. (Note 9)	Controlled Corporation	3,250,000	36,645,726	Long	9.61%*
Credit Agricole S.A. (Note 10)	Controlled Corporation	3,250,000	36,645,726	Long	9.61%*
SAS Rue la Boetie (Note 11)	Controlled Corporation	3,250,000	36,645,726	Long	9.61%*

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.
3. Aria Investment Partners II, L.P. is beneficially interested in the entire issued share capital of Min You Holdings Limited and is deemed or taken to be interested in the 39,895,726 shares and the underlying shares in which Min You Holdings Limited has declared an interest for the purpose of the SFO.
4. CLSA Private Equity Management Limited is the investment manager of Aria Investment Partners II, L.P..
5. CLSA Funds Ltd. is beneficially interested in the entire issued share capital of CLSA Private Equity Management Limited and is deemed or taken to be interested in the 39,895,726 shares and the underlying shares in which CLSA Private Equity Management Limited has declared an interest for the purpose of the SFO.
6. CLSA B.V. is beneficially interested in the entire issued share capital of CLSA Funds Ltd. and is deemed or taken to be interested in the 39,895,726 shares and the underlying shares in which CLSA Private Equity Management Limited has declared an interest for the purpose of the SFO.
7. Calyon Capital Markets Asia B.V. is beneficially interested in 65% of the issued share capital of CLSA B.V. and is deemed or taken to be interested in the 39,895,726 shares and the underlying shares in which CLSA Private Equity Management Limited has declared an interest for the purpose of the SFO.
8. Credit Lyonnais Capital Markets International SASU is beneficially interested in the entire issued share capital of Calyon Capital Markets Asia B.V. and is deemed or taken to be interested in the 39,895,726 shares and the underlying shares in which CLSA Private Equity Management Limited has declared an interest for the purpose of the SFO.
9. Calyon S.A. is beneficially interested in the entire issued share capital of Calyon Capital Markets International SASU and is deemed or taken to be interested in the 39,895,726 shares and the underlying shares in which CLSA Private Equity Management Limited has declared an interest for the purpose of the SFO.
10. Credit Agricole S.A. is beneficially interested in the entire issued share capital of Calyon S.A. and is deemed or taken to be interested in the 39,895,726 shares and the underlying shares in which CLSA Private Equity Management Limited has declared an interest for the purpose of the SFO.
11. SAS Rue la Boetie is beneficially interested in 51.50% of the issued share capital of Credit Agricole S.A. and is deemed or taken to be interested in the 39,895,726 shares and the underlying shares in which CLSA Private Equity Management Limited has declared an interest for the purpose of the SFO.

\* The approximate percentage of interests is calculated based on the issued share capital of the Company as at 31 March 2005 and 39,895,726, being the total number of the Company's shares and the underlying shares registered by the shareholders.

Saved as disclosed above, as at 31 March 2005, no person, other than the Directors and chief executive, whose interests are set out in the section headed "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures" above, had registered an interest or short position in the shares and underlying shares of the Company that was required to be recorded pursuant to section 336 of the SFO.

### **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES**

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

### **DIRECTORS' INTERESTS IN CONTRACTS**

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

### **CONNECTED TRANSACTIONS**

To facilitate the Reorganisation, certain non-continuing connected transactions were entered into before the Listing Date under Chapter 14A of the Listing Rules. Details of these connected transactions are set out in the Prospectus.

Saved as stated above, during the year, the Group has not entered into any connected transactions under Chapter 14A of the Listing Rules.

### **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the period from the Listing Date to 31 March 2005, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

### **CONVERTIBLE NOTES (THE "NOTE")**

Details of the Note of the Company are set out in note 22 to the financial statements.

### **RULE 13.18 OF THE LISTING RULES**

As at 31 March 2005, there were covenants in an agreement of the Group relating to specific performance obligations of the Company's controlling shareholders. The following information is hereby disclosed pursuant to Rule 13.18 of Chapter 13 of the Listing Rules:

Pursuant to a subscription and investment agreement (the "Subscription Agreement") dated 30 December 2003 entered into between, inter alia, the Group and Min You Holdings Limited ("Min You"), the Group agreed to issue the Note due 16 July 2007 to Min You. The Note has been subscribed by Min You in two tranches of US\$2 million (equivalent to RMB16,536,000) each on 16 January and 7 June 2004 respectively. Pursuant to the Subscription Agreement, each of Mr. Wei Dong, Ms. Yao Juan and Mr. Wei Ming, collectively being the controlling shareholders of the Company as a group of persons, has undertaken to Min You that he/she shall not dispose of any of the shares directly or indirectly held by him/her in the Company for a period of 12 months following the Listing Date.

### MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the financial year is as follows:

	Percentage of the Group's total	
	Sales	Purchases
The largest customer	3.2%	
Five largest customers in aggregate	11.2%	
The largest supplier		3.3%
Five largest suppliers in aggregate		13.5%

At no time during the year have the Directors, their associates or any shareholder of the Company (which to the knowledge of the Directors own more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

### RETIREMENT BENEFIT SCHEMES

Details of the retirement benefit schemes of the Group are set out in note 13 to the financial statements.

### AUDIT COMMITTEE

The primary duties of the Audit Committee are to review the Company's annual report and accounts, half-yearly reports and for the financial year commencing 1 April 2005, quarterly results and to provide advice and comments thereon to the Board of Directors. The Committee is also responsible for reviewing quarterly reports prepared by the executive committee of the Company on the hygiene standards and controls, the financial reporting process and internal control system of the Group and for giving suggestions in these regards. The Committee has three members comprising Mr. Su Gang Bing, Ms. Yang Liu and Mr. Wong Chi Keung, all being Independent Non-executive Directors, with Mr. Wong Chi Keung being the chairman.

The Committee has reviewed with the Company's management the Group's quarterly hygiene reports, the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim financial report and the audited annual financial statements of the Group during the year.

### COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

In the period between the Listing Date and 31 March 2005, the Company has complied with the Code of Best Practice as set out in the then effective Appendix 14 to the Listing Rules.

### COMPLIANCE WITH THE MODEL CODE OF THE LISTING RULES

The Company has adopted the terms of the Model Code as set out in Appendix 10 to the Listing Rules. In the period between the Listing Date and 31 March 2005, the Company, having made specific enquiry on all the Directors of the Company, confirmed that all its Directors have complied with the Model Code.

### PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors at the date of this annual report, there was a sufficient prescribed public float of the issued share of the Company under the Listing Rules.

### INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of its Independent Non-executive Directors confirmation of his/her independence and the Company considers that each of them to be independent based on the guidelines set out in Rule 3.13 of the Listing Rules.

### AUDITORS

The financial statements were audited by CCIF CPA Ltd. who will retire at the conclusion of the forthcoming annual general meeting and being eligible, offer themselves for re-appointment. A resolution for the re-appointment of CCIF CPA Ltd. as auditors of the Company is to be proposed at the forthcoming annual general meeting.

On behalf of the Board

**Wei Dong**  
*Chairman*

Hong Kong, 28 June 2005