FUJI

2005/2006 INTERIM REPORT

福记

FU JI Food and Catering Services Holdings Limited
福記食品服務控股有限公司
(incorporated in the Cayman Islands with limited liability)

CONTENTS

CORPORATE INFORMATION

STOCK CODE

1175

WEBSITE

www.fujicatering.com

DIRECTORS

Executive Directors

Wei Dong *(Chairman)*
Yao Juan
Tung Fai
Ku Wang

Non-executive Director

Josephine Price

Independent Non-executive Directors

Tsui Wai Ling Carlye
Wong Chi Keung
Yang Liu
Su Gang Bing

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Ng Kwok Choi, FCCA, CPA

AUDIT COMMITTEE

Wong Chi Keung *(Chairman)*
Yang Liu
Su Gang Bing

REMUNERATION COMMITTEE

Su Gang Bing *(Chairman)*
Wei Dong
Yang Liu

AUDITORS

CCIF CPA Limited

SOLICITORS

Heller Ehrman White & McAuliffe

COMPLIANCE ADVISER

CAF Securities Company Limited

PRINCIPAL BANKERS

HSBC
Standard Chartered Bank
Bank of China
Agricultural Bank of China
Guangdong Development Bank

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Bank (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 75
George Town
Grand Cayman
Cayman Islands
British West Indies

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Computershare Hong Kong Investor Services Limited
Rooms 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
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CCIF
CCIF CPA LIMITED
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INDEPENDENT REVIEW REPORT TO THE BOARD OF DIRECTORS OF FU JI FOOD AND CATERING SERVICES HOLDINGS LIMITED

INTRODUCTION

We have been instructed by the Company to review the interim financial report set out on pages 04 to 21.

DIRECTORS' RESPONSIBILITIES

The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Hong Kong Accounting Standard 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the Directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

REVIEW WORK PERFORMED

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

REVIEW CONCLUSION

On the basis of our review, which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 September 2005.

CCIF CPA Limited
Certified Public Accountants
Hong Kong
25 November 2005

Chan Wai Dune, Charles
Practising Certificate Number P00712

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005

	Note	Six months ended 30 September 2005 RMB'000 (Unaudited)	2004 RMB'000 (Unaudited)
Turnover	4	323,707	194,635
Other revenue		15,989	1,602
Cost of inventories consumed		(137,543)	(72,114)
Staff costs		(18,144)	(6,505)
Operating lease rentals		(7,466)	(7,490)
Depreciation		(13,953)	(12,638)
Fuel and utility costs		(5,915)	(5,219)
Other operating expenses		(19,437)	(6,678)
Profit from operations	4	137,238	85,593
Finance costs		(4,486)	(1,948)
Profit from ordinary activities before taxation	5	132,752	83,645
Income tax expense	6	(18,615)	(13,685)
Profit attributable to shareholders		114,137	69,960
Earnings per share			
– basic	7(a)	RMB26.7 cents	RMB17.5 cents
– diluted	7(b)	RMB25.8 cents	RMB16.3 cents
Dividend per share	8	HK7.5 cents	–

The notes on pages 08 to 21 form part of the interim financial report.

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 SEPTEMBER 2005

	Note	At 30 September 2005 RMB'000 (Unaudited)	At 31 March 2005 RMB'000 (Audited)
Non-current assets			
Fixed assets	9	264,975	130,168
Construction in progress	10	601,367	411,214
Deposits for acquisition and construction of fixed assets		5,368	9,901
		871,710	551,283
Current assets			
Inventories	11	3,346	2,864
Accounts receivable	12	13,532	7,820
Deposits, prepayments and other receivables		25,752	22,076
Cash and cash equivalents		55,889	313,539
		98,519	346,299
Current liabilities			
Bank loans	13	–	91,000
Other loan payable	15	24,804	24,804
Accounts payable	14	8,615	6,804
Receipts in advance		5,861	6,625
Due to a director	16	116	–
Accruals and other payables		34,988	20,854
Current taxation		21,718	34,570
		96,102	184,657
Net current assets		2,417	161,642
Total assets less current liabilities		874,127	712,925
Non-current liabilities			
Convertible notes	15	9,689	33,072
Bank loans	13	63,331	–
		73,020	33,072
NET ASSETS		801,107	679,853
CAPITAL AND RESERVES			
Capital	17	4,690	4,399
Reserves		796,417	675,454
		801,107	679,853

The notes on pages 08 to 21 form part of the interim financial report.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005

	Paid-up capital *RMB'000* (Unaudited)	Share premium *RMB'000* (Unaudited)	Capital reserve *RMB'000* (Unaudited)	Merger reserve *RMB'000* (Unaudited)	Retained earnings *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
At 1 April 2005						
As previously report	4,399	339,691	–	23,000	312,763	679,853
Opening balance adjustment in respect of financial instruments *(see Note 3(b))*	–	–	1,128	–	(4,379)	(3,251)
	4,399	339,691	1,128	23,000	308,384	676,602
Conversion of convertible notes into shares	291	28,746	(846)	–	–	28,191
Net profits for the period	–	–	–	–	114,137	114,137
Final dividend paid	–	–	–	–	(17,823)	(17,823)
Balance at 30 September 2005	4,690	368,437	282	23,000	404,698	801,107
Balance at 1 April 2004	2	43,184	–	(20,184)	147,346	170,348
Net profits for the period	–	–	–	–	69,960	69,960
Balance at 30 September 2004	2	43,184	–	(20,184)	217,306	240,308

The notes on pages 08 to 21 form part of the interim financial report.

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005

	Six months ended 30 September	
	2005	**2004**
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Net cash inflows from operating activities	124,274	72,282
Net cash outflows used in investing activities	(333,619)	(82,922)
Net cash (outflows used in)/inflows from financing activities	(48,305)	42,376
Net (decrease)/increase in cash and cash equivalents	(257,650)	31,736
Cash and cash equivalents at 1 April	313,539	33,781
Cash and cash equivalents at 30 September	55,889	65,517

The notes on pages 08 to 21 form part of the interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

1. GROUP REORGANISATION

FU JI Food and Catering Services Holdings Limited (the "Company") 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 Company's ultimate holding company is Million Decade Limited, a company which was incorporated in the British Virgin Islands.

Pursuant to a group reorganisation (the "Reorganisation") on 26 November 2004 in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "HKSE"), the Company became the holding company of the companies now comprising the Group through the acquisition, for shares, of the entire issued share capital of Sky Achieve Limited ("Sky Achieve"), the then holding company of the Group. Further details of the Reorganisation are set out in the Company's prospectus dated 7 December 2004.

The Company's shares have been listed on the Main Board of the HKSE since 17 December 2004.

The Group is regarded as a continuing entity resulting from the Reorganisation and has been accounted for on the basis of merger accounting. In accordance with the Statement of Standard Accounting Practice 27 "Accounting for group reconstructions" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), certain comparative figures of the unaudited interim financial report for the six months ended 30 September 2005 have been prepared on the merger basis as if the Company had always been the holding company of the Group for the six months ended 30 September 2004.

2. BASIS OF PRESENTATION

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities (the "Listing Rules") on the HKSE, including compliance with Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting", issued by the HKICPA. It was authorised for issuance by the Board of Directors (the "Board") on 25 November 2005.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2004/05 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2005/06 annual financial statements. Details of these changes in accounting policies are set out in note 3 below.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(Continued)*

2. BASIS OF PRESENTATION *(Continued)*

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgments, 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 interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2004/05 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which term collectively includes HKASs and Interpretations.

The interim financial report is unaudited, but has been reviewed by the Audit Committee of the Company. It has also been reviewed by CCIF CPA Limited in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the HKICPA. The independent review report of CCIF CPA Limited to the Board is included on page 3.

The financial information relating to the financial year ended 31 March 2005 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 March 2005 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 28 June 2005.

3. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new and revised HKFRSs, which term collectively includes HKASs and Interpretations, that are effective or available for early adoption for accounting periods beginning on or after 1 January 2005. The Board has determined the accounting policies expected to be adopted in the preparation of the Group's annual financial statements for the year ending 31 March 2006, on the basis of HKFRSs currently in issue.

The HKFRSs that will be effective or are available for voluntary early adoption in the annual financial statements for the year ending 31 March 2006 may be affected by the issue of additional interpretations or other changes announced by the HKICPA subsequent to the date of issuance of this interim report. Therefore the policies that will be applied in the Group's financial statements for that period cannot be determined with certainty at the date of issuance of the interim financial report.

The following sets out further information on the changes in accounting policies for the annual accounting period beginning on 1 April 2005 which have been reflected in the interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(Continued)*

3. CHANGES IN ACCOUNTING POLICIES *(Continued)*

a) Employee share option scheme (HKFRS 2, Share-based payment)

In prior years, no amounts were recognised when employees (which term includes Directors) were granted share options over shares in the company. If the employees chose to exercise the options, the nominal amount of share capital and share premium were credited only to the extent of the option's exercise price receivable.

With effect from 1 April 2005, in order to comply with HKFRS 2, the Group recognises the fair value of such share options as an expense in the income statement, or as an asset, if the cost qualifies for recognition as an asset under the Group's accounting policies. A corresponding increase is recognised in a capital reserve within equity.

Where the employees are required to meet vesting conditions before they become entitled to the options, the Group recognises the fair value of the options granted over the vesting period. Otherwise, the Group recognises the fair value in the period in which the options are granted.

If an employee chooses to exercise options, the related capital reserve is transferred to share capital and share premium, together with the exercise price. If the options lapse unexercised the related capital reserve is transferred directly to retained earnings.

The new accounting policy is required to be applied retrospectively with comparatives restated in accordance with HKFRS 2.

The change in policy had no effect on the interim financial report as there were no options existed at 1 April 2004 and 2005 or granted during the six month periods ended 30 September 2004 and 2005.

b) Financial instruments (HKAS 32, Financial instruments: Disclosure and presentation and HKAS 39, Financial instruments: Recognition and measurement)

In prior years, the accounting policies for convertible bonds issued were stated at its face value.

With effect from 1 April 2005, and in accordance with HKAS39, the following new accounting policies are adopted for convertible bonds. Convertible bonds issued are split into their liability and equity components at initial recognition by recognising the liability component at its fair value and attributing to the equity component the difference between the proceeds from the issue and the fair value of the liability component. The liability component is subsequently carried at amortised cost. The equity component is recognised in the capital reserve until the bond is either converted (in which case it is transferred to share premium) or the bond is redeemed (in which case it is released directly to retained profits).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(Continued)*

3. CHANGES IN ACCOUNTING POLICIES *(Continued)*

b) Financial instruments (HKAS 32, Financial instruments: Disclosure and presentation and HKAS 39, Financial instruments: Recognition and measurement) *(Continued)*

This change was adopted by way of an adjustment to an increase in the opening balance of the capital reserve of approximately RMB1,128,000 and a decrease in the opening balance of the retained profits of approximately RMB4,379,000 as at 1 April 2005. Comparative amounts have not been restated as this is prohibited by the transitional arrangement in HKAS 39.

As a result of this new policy, profit for the six months ended 30 September 2005 has decreased by approximately RMB1,557,000.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(Continued)*

4. SEGMENT INFORMATION

Segment information is presented in respect of the Group's business segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting. Geographical segment information is not presented as the Group operates predominantly in the People's Republic of China (the "PRC").

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

	Six months ended 30 September	
	2005	**2004**
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Turnover		
– Catering Services business	212,322	89,831
– Chinese Restaurants business	94,303	86,248
– Convenience Food business	17,082	18,556
	323,707	194,635
Segment results		
– Catering Services business	100,801	49,956
– Chinese Restaurants business	22,416	25,242
– Convenience Food business	7,987	10,303
	131,204	85,501
Unallocated income, net	6,034	92
Profit from operations	137,238	85,593
Finance costs	(4,486)	(1,948)
Income tax expense	(18,615)	(13,685)
Profit attributable to shareholders	114,137	69,960
Depreciation and amortisation		
– Catering Services business	4,803	3,607
– Chinese Restaurants business	8,985	8,969
– Convenience Food business	–	–
– Unallocated items	165	62
	13,953	12,638
Provision for bad and doubtful debts		
– Catering Services business	–	61
– Chinese Restaurants business	130	161
– Convenience Food business	–	–
	130	222

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(Continued)*

5. PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

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

	Six months ended 30 September	
	2005	**2004**
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
a) Finance costs		
Interest on bank loans wholly repayable within five years	1,877	664
Interest on convertible notes and other loan payable	2,609	1,284
	4,486	1,948
b) Other items		
Interest income	(761)	(138)
Rental income	(731)	–
Cost of inventories consumed	137,543	72,114
Provision for bad and doubtful debts	130	222
Depreciation of fixed assets	13,953	12,638
Operating leases charges in respect of premises	7,466	7,490

6. INCOME TAX EXPENSE

Income tax expense represents:

	Six months ended 30 September	
	2005	**2004**
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax – the PRC		
Provision for the period	18,615	13,685

No provision for Hong Kong Profits Tax has been made as the Group has no estimated assessable profits arising in Hong Kong for the six months ended 30 September 2004 and 2005.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(Continued)*

6. INCOME TAX EXPENSE *(Continued)*

The provision for the PRC income tax is calculated based on the statutory income tax rate of 33% on the assessable profit of Fu Ji (Suzhou) Catering Co., Ltd. ("Suzhou Fu Ji") and on the preferential income tax rate of 15% on the assessable profit of Fu Ji (Shanghai) Catering Ltd. ("Shanghai Fu Ji")

The Group had no significant potential deferred tax assets and liabilities for the six months ended 30 September 2004 and 2005.

7. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 September 2005 is based on the profit attributable to shareholders of RMB114,137,000 and on the weighted average of 428,216,491 ordinary shares in issue during the period. The calculation of basic earnings per share for the six months ended 30 September 2004 was based on the profit attributable to shareholders of RMB69,960,000 and on the assumption that 400,000,000 ordinary shares have been in issue throughout the period.

(b) Diluted earnings per share

The calculation of diluted earnings per share for the six months ended 30 September 2005 is based on the profit attributable to shareholders but before interest on the convertible notes of RMB116,746,000 and the weighted average number of ordinary shares of 451,645,726 shares after adjusting for the effect of all dilutive potential ordinary shares. The calculation of diluted earnings per share for the six months ended 30 September 2004 was based on profit attributable to shareholders but before interest on convertible notes of RMB70,298,000 and the weighted average number of 430,940,000 ordinary shares in issue comprising 400,000,000 ordinary shares, as if the shares were outstanding throughout the period, after adjusting for the effect of all dilutive potential ordinary shares.

(c) Reconciliations:

	Six months ended 30 September	
	2005 *Number of shares*	**2004** *Number of shares*
Weighted average number of ordinary shares used in calculating basic earnings per share	428,216,491	400,000,000
Deemed issue of ordinary shares for no consideration	23,429,235	30,940,000
Weighted average number of ordinary shares used in calculating diluted earnings per share	451,645,726	430,940,000

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(Continued)*

8. INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK7.5 cents (2004: nil) per share for the six month period ended 30 September 2005. The interim dividend will be paid to the shareholders whose names appear on the Register of Members of the Company at the close of business on 21 December 2005. The interim dividend will be paid on or around 4 January 2006.

9. FIXED ASSETS

	Six months ended 30 September 2005 *RMB'000* (Unaudited)	**Year ended 31 March 2005** *RMB'000* (Audited)
Cost		
At 1 April	196,304	192,371
Additions	44,289	3,933
Transfer from construction in progress *(note 10)*	104,471	–
At 30 September/31 March	345,064	196,304
Depreciation		
At 1 April	66,136	40,074
Charge for the period/year	13,953	26,062
At 30 September/31 March	80,089	66,136
Net book value		
At 30 September/31 March	264,975	130,168

At 30 September 2005, fixed assets with net book value amounting to approximately RMB19,120,000 (At 31 March 2005: Nil) is pledged to secure long term bank loan.

10. CONSTRUCTION IN PROGRESS

	Six months ended 30 September 2005 *RMB'000* (Unaudited)	**Year ended 31 March 2005** *RMB'000* (Audited)
At 1 April	411,214	52,975
Additions	294,624	358,239
Transfer to fixed assets *(note 9)*	(104,471)	–
At 30 September/31 March	601,367	411,214

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(Continued)*

11. INVENTORIES

	At 30 September 2005 *RMB'000* (Unaudited)	At 31 March 2005 *RMB'000* (Audited)
Raw materials, at cost	3,346	2,864

12. ACCOUNTS RECEIVABLE

An ageing analysis of accounts receivable is as follows:

	At 30 September 2005 *RMB'000* (Unaudited)	At 31 March 2005 *RMB'000* (Audited)
Within 1 month	5,944	3,386
Over 1 month but less than 3 months	3,181	3,164
Over 3 months but less than 6 months	2,820	1,270
After 6 months	3,144	1,427
	15,089	9,247
Less: Provision for bad and doubtful debts	(1,557)	(1,427)
	13,532	7,820

Customers are generally granted with credit terms ranging from 30 days to 180 days, depending on the credit worthiness of individual customers.

13. BANK LOANS

Bank loans are repayable as follows:

	At 30 September 2005 *RMB'000* (Unaudited)	At 31 March 2005 *RMB'000* (Audited)
Within 1 year	–	91,000
Due after 1 year but within 5 years	63,331	–
	63,331	91,000

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(Continued)*

13. BANK LOANS *(Continued)*

At 31 March 2005 and 30 September 2005, the bank loans were analysed as follows:

	At 30 September 2005 *RMB'000* (Unaudited)	**At 31 March 2005** *RMB'000* (Audited)
Bank loans secured by:		
– fixed asset	13,331	–
– corporate guarantee by Shanghai Fu Ji and Suzhou Fu Ji	50,000	–
– corporate guarantee by Shanghai Fu Ji	–	15,000
– corporate guarantee by Sky Achieve	–	66,000
– others *(note (a))*	–	10,000
	63,331	91,000

(a) The bank loan of RMB10,000,000 as at 31 March 2005 was secured by corporate guarantee put up by 蘇州國發中小企業擔保投資有限公司, an independent third party.

14. ACCOUNTS PAYABLE

An ageing analysis of accounts payable is as follows:

	At 30 September 2005 *RMB'000* (Unaudited)	**At 31 March 2005** *RMB'000* (Audited)
Within 1 month	2,731	1,407
Over 1 month but less than 3 months	3,686	1,298
Over 3 months but less than 6 months	1,225	1,367
After 6 months	973	2,732
	8,615	6,804

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(Continued)*

15. CONVERTIBLE NOTES AND OTHER LOAN PAYABLE

On 30 December 2003, Sky Achieve and an independent investor (the "Investor"), inter alia, entered into the subscription and investment agreement (the "Subscription Agreement") whereby Sky Achieve agreed to issue and the Investor agreed to subscribe for the convertible notes (the "Note"). Under the Subscription Agreement, the Investor would subscribe for the Note in two tranches of US$2,000,000 (equivalent to RMB16,536,000) each. The first and the second tranches of the Note were issued on 16 January 2004 and 7 June 2004, respectively. The Note, which bears interest at 2.5% per annum, is due on 16 July 2007 and secured by corporate guarantees put up by Shanghai Fu Ji and Suzhou Fu Ji.

On 30 December 2003, Sky Achieve and the Investor, inter alia, also entered into a loan agreement (the "Loan Agreement") whereby the Investor agreed to advance a loan (the "Loan") for the sum of US$3,000,000 (equivalent to RMB24,804,000) to Sky Achieve. The Loan bears interest at 7.8% per annum within 6 months, 7.0% after 6 months to 12 months, 6.5% after 12 months to 18 months and 6.0% after 18 months to 24 months from the date of drawdown, is due on 16 January 2006 and secured by corporate guarantees put up by Shanghai Fu Ji and Suzhou Fu Ji.

On 22 November 2004, the Company, Sky Achieve and the Investor, inter alia, entered into an agreement supplement to the Subscription Agreement whereby, amongst other terms, the Company and all the original parties to the Subscription Agreement agreed that (1) conversion rights of the Note be amended to carry conversion rights into equity shares in the Company instead of Sky Achieve and (2) the obligations under the Note and the Loan were novated to the Company so that the obligations under the Note and the Loan have become the obligations of the Company with effect from 17 December 2004.

On 5 July 2005, the Investor exercised the conversion rights attached to the Note in the amount of US$3,000,000 (RMB24,804,000) and the outstanding principal amount of the Note was reduced to US$1,000,000 (RMB8,268,000). As a result, the Company issued a total number of 27,484,294 new shares (note 17). Upon exercise of the conversion rights attached to the outstanding amount of the Note, the total number of shares to be issued by the Company will be 9,161,432.

16. AMOUNT DUE TO A DIRECTOR

The balance is unsecured, interest free and repayable on demand.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(Continued)*

17. SHARE CAPITAL

	At 30 September 2005 *RMB'000* (Unaudited)	At 31 March 2005 *RMB'000* (Audited)
Authorised:		
2,000,000,000 ordinary shares of HK$0.01 each	21,200	21,200
Issued and fully paid:		
442,484,294 (31 March 2005: 415,000,000) ordinary shares of HK$0.01 each	4,690	4,399

A summary of the movements in the issued share capital of the Company during the period is as follows:

	Number of shares in issue	Issued and fully paid (Unaudited) *RMB'000*
At 1 April 2005	415,000,000	4,399
Shares issued upon conversion of the Note *(note 15)*	27,484,294	291
At 30 September 2005	442,484,294	4,690

18. COMMITMENTS

(a) Capital commitments outstanding at 31 March 2005 and 30 September 2005 not provided for in the interim financial report were as follows:

Authorised but not contracted for in respect of:

	At 30 September 2005 *RMB'000* (Unaudited)	At 31 March 2005 *RMB'000* (Audited)
– capital contribution to subsidiaries	254,174	133,560
– acquisition of a property in Shanghai, the PRC	–	11,084
– acquisition of other fixed assets	44,560	32,748
	298,734	177,392

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(Continued)*

18. COMMITMENTS *(Continued)*

(b) The total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 September 2005 *RMB'000* (Unaudited)	**At 31 March 2005** *RMB'000* (Audited)
Within 1 year	15,823	17,054
After 1 year but within 5 years	94,542	94,886
After 5 years	55,339	63,720
	165,704	175,660

The Group leases a number of properties under operating leases. The leases run for periods from 3 years to 10 years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

At 30 September 2005, the Group contracted with tenants for the following total future minimum lease receivables:

	At 30 September 2005 *RMB'000* (Unaudited)	**At 31 March 2005** *RMB'000* (Audited)
Within 1 year	1,459	1,698
After 1 year but within 5 years	6,288	6,196
After 5 years	844	1,667
	8,591	9,561

19. CONTINGENT LIABILITY

In accordance with the State Administration of Taxation Notice Regarding the Income Tax Rates of Domestic Invested Jointly Managed Enterprises in Pudong District, Shanghai (the "Pudong Tax Notice"), Shanghai Fu Ji was entitled to a preferential income tax rate of 15% before its conversion into a wholly foreign-owned enterprise ("WFOE") on 8 December 2003.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(Continued)*

19. CONTINGENT LIABILITY *(Continued)*

Pursuant to the Foreign Investment Enterprise and Foreign Enterprise Income Tax Law, foreign invested enterprises in the PRC are subject to statutory tax rate of 33%. However, according to the written confirmation from the Tax Bureau (3rd Branch) of Pudong District of Shanghai (the "Pudong Tax Bureau") dated 13 May 2004, Shanghai Fu Ji continued to be entitled to the preferential income tax rate of 15% after its conversion into the WFOE, and the Pudong Tax Bureau also confirmed that Shanghai Fu Ji had been reporting tax return in accordance with the relevant tax rules and that there was no overdue tax and no previous record of punishment for violating national tax law.

The PRC legal adviser advised that, based on their information, it is not unreasonable for Shanghai Fu Ji to pay the income tax at the preferential tax rate of 15%.

On the basis of the opinion provided by the PRC legal advisers and confirmation from the Pudong Tax Bureau, the Directors of the Company are of the view that Shanghai Fu Ji, by paying income tax at the preferential tax rate of 15%, has satisfied all its income tax obligation under the current tax regime.

However, should the relevant tax authorities in future decide that Shanghai Fu Ji should pay tax at the statutory income tax rate of 33% per annum applicable to a WFOE, in the opinion of the PRC legal advisers, Shanghai Fu Ji will only be liable to pay any previously uncharged tax arising from the difference between the usual statutory income tax rate of 33% and the preferential tax rate of 15%, which is 18%, and will not subject to any penalty.

Each of Mr. Wei Dong and Million Decade Limited, which is a shareholder of the Company and controlled by Mr. Wei Dong, has given joint and several indemnities to the Group in connection with, amongst other things, all losses the Group may incur relating to any preferential tax treatment accorded to Shanghai Fu Ji on or before 31 March 2005 being revoked or withdrawn by the relevant authorities for whatever reason.

The contingent liabilities of the Group at 30 September 2005 is the uncharged tax for the period from 1 April 2005 to 30 September 2005 arising from the difference between the usual statutory income tax rate of 33% and the preferential tax rate of 15%, which is 18%. The amount of such contingent liabilities at 30 September 2005 is approximately RMB17,100,000.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group saw tremendous growth in revenue and earnings during the interim period ended 30 September 2005. Half-year turnover increased 66.3% to approximately RMB323.7 million compared to the same period in 2004. The encouraging increment is primarily driven by the growing demand and capacity expansion in catering services, as well as continuing acquisition of new catering contracts and high contract retention rate from the Group's existing catering customers.

The Group reinforced its expansion plan over its catering operations during the review period. The enhancement of productivity compensated for the drop in gross margin from 62.9% to 57.5% in the interim period, subsequent to the strategic change in the sales mix with a slant toward larger catering orders.

Resulted from the robust revenue stream and operational efficiency, net profit was up 63.1% to approximately RMB114.1 million. Basic earnings per share were RMB26.7 cents (1H FY2004/05: RMB17.5 cents).

BUSINESS REVIEW

The Group has set a clear corporate goal: to become a national leading food and catering service enterprise, delivering a fresh, healthy, delicious, diversified and safe choice of foods to corporations, schools, family households and working individuals. The impressive progress in the period is driven by the Group's dedication to value creation and outstanding performance.

Catering Services

Catering Services remained the key business driver in the period, accounting for 65.6% of the Group's total turnover. This division reported an excellent performance in the first half, with revenue increasing 136.4% to approximately RMB212.3 million and operating profit rising 101.8% to RMB100.8 million against the same period of last fiscal year. The overall like-for-like growth principally attributed to booming demands for contract catering in Shanghai and Suzhou, and the expansion in the Group's production and operational base in the period.

Institutional Catering

As at 30 September 2005, the Group has 3 centralised processing centers coming into operation in Sunqiao (Shanghai), Suzhou and Shenzhen, with a combined daily production capacity of 450,000 meals. To cope with the mounting catering demand for existing institutional clients and the new catering contracts, the Group had upgraded the operational efficiency of the Sunqiao (Shanghai) Processing Center in the first quarter of the fiscal year 2005/06, promoting its production capacity from 80,000 meals per day to 150,000 meals. The Suzhou Processing Center also came into commercial operations in July, significantly strengthening the Group's Catering Services in the Suzhou area by providing 150,000 meals per day at its maximum capacity.

In the second quarter of the fiscal year 2005/06, the Group established three centralised processing centers in Songjiang (Shanghai), Kunshan and Shenzhen, and the Shenzhen Processing Center has already commenced operation in September 2005. The Group expects both Songjiang and Kunshan Processing Centers to commence operation in the third quarter of the fiscal year 2005/06 with a total production capacity of 250,000 meals per day. With enhanced production capacity, the Group is in a better position to restructure its client portfolio with a greater disposition for large-scale domestic and international enterprises, and to extend its business scope to areas including school catering.

School Catering

Compared to institutional catering, contract catering for the education sector is far less developed in the PRC. In late September, the Group announced its expansion initiatives on school catering with the establishment of a new centralised processing center in Jiading (Shanghai). While it is usual for local education authorities to impose tight budgets and yet demand stringent on hygiene quality, the Group has the proven experience and expertise to provide quality and nutritious school meals of good value for some of its most choosy customers.

School meals are an important part of young people's daily diet. Under the "one-child policy" and with rising living standards, there has been mounting concern over the prevalence in child obesity as a result of unbalanced diets. Working with schools, parents and local governments, the Group is committed to developing a healthy eating program in the areas it serves, to ensure that each meal provides school children with balanced nutrients.

The Songjiang Processing Center is established to serve, apart from the large factories and institutions in the vicinity of Songjiang, colleges and universities in the locality, while the Jiading Center will focus on catering nutritional meals for primary and secondary schools. Such meals are designed with compliance to the nutrient specifications (guidelines on nutrient intakes) laid down by the local education authority and the schools' catering committee. Jiading Center will also provide Catering Services for the corporates located in the vicinity of Jiading.

Centralised processing centers	Operational in	Production Capacity
Existing		
Sunqiao (Shanghai)	April 2004	150,000 meals per day
Suzhou	July 2005	150,000 meals per day
Shenzhen	September 2005	150,000 meals per day
Under trial production		
Songjiang (Shanghai)	November 2005	150,000 meals per day
Kunshan	November 2005	100,000 meals per day
Under construction		
Hangzhou	December 2005	150,000 meals per day
Wuxi	December 2005	150,000 meals per day
Jiading (Shanghai)	4th quarter 2006	300,000 meals per day

Chinese Restaurants

The restaurant business saw healthy growth in the first half. The Group constantly revises and improves the menus of its restaurants, bringing the freshest ingredients to its customers. In this accord, notwithstanding the intense competition of the restaurant industry in the PRC, this segment recorded a turnover of approximately RMB94.3 million, representing an increase of 9.3% compared with the same period last fiscal year.

The Suzhou Industrial Park Restaurant was established and has come into operations in October 2005.

Convenience Food

Chinese urban dwellers are increasingly aware of the advantages of healthy meals – yet for them, it is also important that such meals are easily obtainable and at prices and qualities that are considered to value-for-money. The "FU JI Home Kitchen" is a niche brand offering traditional home-style Chinese dishes to young urban dwellers in Shanghai and Suzhou.

FINANCIAL REVIEW

Liquidity and Financial Resources

The Group's financial position is sound with stable cash flow. As of 30 September 2005, the Group's total shareholders' equity amounted to RMB801,107,000, representing an increase of 17.8% compared with 31 March 2005. As at 30 September 2005, the Group's cash and bank deposits totaled RMB55,889,000 (31 March 2005: RMB313,539,000). The Group's net current assets were RMB2,417,000 (31 March 2005: RMB161,642,000).

Subsequent to the balance sheet date, on 14 October 2005, the Company issued zero coupon convertible bonds due 2010 (the "Bonds 2010") convertible into ordinary shares of the Company in an aggregate principal amount of HK$600 million. The net proceeds of the Bonds 2010's issuance, after deduction of commission and administrative expenses, are approximately HK$578.8 million.

Taking the above figures into account, together with available bank loans and other loans, as well as its strong operational cash flows, the management is confident that the Group will have adequate resources to settle the debts and provide the funding to meet its daily operational and capital expenditures.

The reporting currency of the Group is Renminbi. Most of the Group's assets and transactions are denominated in Renminbi and the Group's liabilities are principally denominated in Renminbi, HK dollars and US dollars. Accordingly, the appreciation of Renminbi against HK dollars and US dollars on 21 July 2005 and its re-appreciation in the future would be beneficial to the Group's liquidity and financial position.

Capital Structure

As at 30 September 2005, the Group had total long term bank loans bearing fixed annual rates of 6.138% and 7.02% (31 March 2005: from 5.742% to 6.264% of short term bank loans); the convertible notes (the "Notes") and other loan payable (the "Other Loan") (RMB97,824,000 in total) (31 March 2005: RMB148,876,000). As at 30 September 2005, the Group's total shareholders' equity was RMB801,107,000 (31 March 2005: RMB679,853,000). Based on the above, the Group's gearing ratio was approximately 12.2% (31 March 2005: 21.9%).

On 5 July 2005, the Company issued a total number of 27,484,294 new shares as a result of the exercise of the conversion rights attached to the Notes by Min You Holdings Limited in the amount of US$3,000,000 (RMB24,804,000) of the principal amount outstanding. After the issuance, the number of the Company's issued share capital was increased to 442,484,294 and the outstanding principal amount of the Notes was reduced to US$1,000,000 (RMB8,268,000).

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

The bondholders of the Bonds 2010 have the right to convert the Bonds 2010 into the ordinary shares of the Company at any time beginning on and after 25 November 2005 up to the close of business on 30 September 2010 at the conversion price of HK$10.253. Assuming full conversion of the Bonds 2010, the Bonds 2010 will be convertible into 58,519,458 shares (subject to adjustment), representing approximately 11.68% of the enlarged share capital of the Company. The detailed terms of the Notes, the Other Loan and the Bonds 2010 were set out in the interim financial report as set out on pages 04 to 21 of this Interim Report and the Company's press announcement dated 27 September 2005.

Group Structure

Other than the establishment of four wholly-owned subsidiaries – Suzhou Wei Ji Catering System Services Ltd., Shenzhen FU JI Standard Catering Services System Ltd., Duo Xian Le (Qingdao) Food Industrial Ltd. and Duo Xian Le (Shanghai) Food Industrial Ltd., during the current period under review, there has been no material change in the Group's structure.

Charge on Assets and Contingent Liabilities

As at 30 September 2005, the Group had fixed assets with net book value amounting to approximately RMB19,120,000 (31 March 2005: nil) which is pledged to secure long term bank loans.

As at 30 September 2005, the Group had contingent liabilities in the amount of approximately RMB17,100,000 in respect of the adoption of the preferential tax rate of 15% (instead of the statutory tax rate of 33%) in determining the income tax liabilities of a wholly-owned subsidiary in Shanghai Pudong for the six months ended 30 September 2005. As at 31 March 2005, the Group did not have significant contingent liabilities.

Use of IPO proceeds

Shares of the Company were listed on the Main Board of the HKSE on 17 December 2004 with a total of 115,000,000 offer shares (including shares issued as a result of the exercise of the over-allotment option), and the net proceeds from the new shares issue of approximately HK$324,612,000 (equivalent to approximately RMB344,089,000 (the "Net Proceeds")) As at 30 September 2005, the Net Proceeds have been utilized as follow:

- All of the approximately RMB143 million as stated in the prospectus for the listing of the Company for the establishment of central processing centers; and

- approximately RMB8,379,000 out of approximately RMB30 million as stated in the prospectus for the listing of the Company for the general working capital of the Group.

Going forward, the Group will continue to utilise the remaining Net Proceeds to implement growth strategies within its various business lines in accordance with current strategies and business conditions. These will be closely monitored by the Board.

HUMAN RESOURCE

As of 30 September 2005, the Group employed 2,795 employees in the PRC and Hong Kong (31 March 2005: 1,376 employees). All employees are remunerated according to their performance, experience and prevailing market rates. The Group provided retirement benefits in the form of the Mandatory Provident Fund entitlement to employees in Hong Kong. A similar scheme is also provided for the employees in the PRC.

FOOD SAFETY

Success in the catering business is tied to the production of food that is safe, delicious and wholesome. As a responsible food service provider, the Group places the highest priority on food safety and hygiene at every stage of its operations, from sourcing of ingredients, processing, storage, temperature control, to delivery and serving. The management understands that stringent control and proper management of food safety is crucial to its business development in the long run, as a food-borne outbreak could easily destroy a caterer's reputation and business. In addition to strict compliance to the HACCP standard, the Group also ensures its production procedures adhere to other comparable food hygiene requirements, like the ISO 14000, SOP and GMP. To this end, the Group recently appointed SGS, the world's leading inspection, verification, testing and certification company, to regularly monitor the hygienic conditions and food safety compliance of its catering sites (mainly those having on-site cooking facilities) and the Group's centralised processing centers) on random, undetected and independent basis and provide evaluation reports for the management's reference. As at the date of this Interim Report, both the Sunqiao Processing Center and Songjiang Processing Center, and two other of the Group's catering sites had been reviewed. Such review will cover other catering sites and centralised processing centres of the Group as well.

OUTLOOK

The Directors expect the turnover and production to maintain the upward trend seen in the first half. Catering Services would definitely continue to be the principal growth driver of its revenue and earnings in light of the growing demand for contract catering from corporations and the education sector in major economic zones and affluent coastal provinces in the PRC. To support its growth, the Group is setting up three additional processing centers in other high growth potential areas, including Wuxi and Hangzhou. These facilities in the pipeline will replicate the proven operational platforms in Shanghai and Suzhou to ensure the smooth development of business in these areas. The Group is looking forward to expanding its revenue and client base, as well as strengthening the corporate brand as a "trust-worthy professional and comprehensive caterer", hence consolidating the Group's leading market share in the country's catering industry.

The Group is planning also to construct a centralised processing center at Jiading to penetrate into the catering market for the education marketplace. The new center will perform multiple functions including sourcing and procurement of ingredients; storage warehousing and refrigeration; quality control, inspection of food materials and products; and research of meals, focusing in particular the dietary requirements of the education sector. When the construction of Jiading processing center is completed, it is expected to run at a production capacity of 300,000 meals per day. Heat sterilization technologies for food applications will be utilised to ensure that it meets the high hygiene standards required for the education sector.

The Group plans to construct sourcing and initial processing centers in Kunshan, Shangdong and Zhejiang where fresh seafood, poultry, meat and vegetables would be processed before distribution to centralised processing centers. Same as the centralised processing centers, these sourcing and initial process centers will be established to meet HACCP health and safety standards, and the Group is planning to obtain such certifications.

ISSUE OF ZERO COUPON CONVERTIBLE BONDS

On 26 September 2005, the Company entered into a Subscription Agreement with J.P. Morgan Securities Ltd., whereby J.P. Morgan Securities Ltd. agreed to subscribe and pay for or to procure subscribers to subscribe and pay for the Bonds 2010 to be issued at par by the Company in an initial aggregate principal amount of HK$600 million. The initial conversion price is HK$10.253. Assuming full conversion of the Bonds 2010 at the initial conversion price of HK$10.253, the Bonds 2010 will be convertible into 58,519,458 new shares, representing approximately 11.68% of the enlarged issued capital of the Company. The Bonds 2010 were issued on 14 October 2005 and listed on the HKSE on 17 October 2005.

The actual net proceeds of the Bond Issue, after deduction of commission and administrative expenses, are approximately HK$578.8 million. The net proceeds are currently intended to be used primarily for financing the expansion of the Group's production capacity through the establishment of the new centralised processing center in Jiading and for the Group's general working capital.

CORPORATE GOVERNANCE

The core of good corporate governance rests neither in the avoidance of financial shocks nor the negative impacts of its failing. Rather, a business should focus on the positive benefits of good governance. Good corporate governance is therefore about the adoption of solid and correct business strategies and effective management of the firm. Throughout the Company's history, the Board has been keeping abreast of the best corporate governance practices and has strived to implement such practices where appropriate. And the Board is well aware of the fact that trust and support from shareholders allow the Company to maintain its leadership. The Group is committed to maintaining high transparency of its corporate strategies and new business developments and disclosing these to shareholders and analysts in a timely manner.

Senior management regularly meets with analysts to strengthen investor relations and deliver the Group's latest development updates. The Group has participated in various major investor events in the first half of fiscal 2005/06, the details of which are set out below:

Major Investor Relations Activities in 1H FY2005/06

Date	**Activities**
mid September 2005	CLSA Investor Forum – CLSA, HK
mid August 2005	HK & China Mini Conference – Citigroup, HK
mid August 2005	FY2005/06 First Quarter Results Announcement – Post-results meetings with fund managers
late July 2005	HK/China Corporate Day – Goldman Sachs, HK
late June 2005	FY2004/05 Annual Results Announcement – Press Conference – Analysts Briefing – Post-results meetings with fund managers
mid May 2005	CLSA China Forum – CLSA, Beijing
mid April 2005	UK Roadshow – SBI E2-Capital, London

OTHER INFORMATION

DISCLOSURE OF INTERESTS

Directors' interests in securities

As at 30 September 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 (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 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 the Company's Issued Share Capital
Wei Dong *(Note 1)*	Beneficial	285,000,000	Long	64.41%
Yao Juan *(Note 2)*	Beneficial	285,000,000	Long	64.41%

(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:

1. 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.

Save as disclosed above, as at 30 September 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' interests in securities

As at 30 September 2005, the following shareholders (other than the Directors or chief executive of the Company whose interests and short positions in the shares and underlying shares of the Company are disclosed above) had interests or short positions in the shares and underlying shares of the Company which were recorded in the register required to be kept by the Company under 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 the Company's Issued Share Capital
JP Morgan Chase & Co.	Beneficial	–	58,519,458	Long	13.24%
	Custodian corporation/ approved lending agent	7,106,000	–	Long	1.61%
UBS AG	Beneficial	22,408,284	–	Long	5.06%

Save as aforesaid and disclosed under the heading "Directors' interests in securities" above, as at 30 September 2005, the Directors had not been notified by any other persons who had interests or short positions in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

SHARE OPTION SCHEME

Under the terms of the share option scheme (the "Share Option Scheme") conditionally approved by the shareholders of the Company on 26 November 2004, any Director (including executive, non-executive and independent non-executive) and eligible employees of the Group may be granted options to subscribe for the shares of the Company. The Share Option Scheme became effective on 17 December 2004 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. The maximum number of shares in respect of which options may be granted under the Share Option Scheme may not exceed 10 per cent of the issued share capital of the Company. Further details of the Share Option Scheme have been disclosed in the 2004/05 Annual Report of the Company in accordance with the Listing Rules.

No option had been granted or agreed to be granted to any person under the Share Option Scheme since its adoption.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2005.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules. The Company, having made specific enquiry on all the Directors of the Company, confirmed that all its Directors have complied with the Model Code throughout the six months ended 30 September 2005.

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. The Audit 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 Audit 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 Audit Committee has reviewed with the Company's management the Group's quarterly hygiene reports, the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including the review of the unaudited interim financial report for the six months ended 30 September 2005.

REMUNERATION COMMITTEE

The Company established a Remuneration Committee which comprises two independent non-executive Directors, namely Mr. Su Gang Bing and Ms. Yang Liu, and the chairman of the Company Mr. Wei Dong on 28 June 2005. Mr. Su is the chairman of the Remuneration Committee. The Remuneration Committee has rights and duties consistent with those set out in the Code of Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules. The Remuneration Committee is principally responsible for formulating the Group's policy and structure for all remuneration of the Directors and senior management and for providing advice and recommendations to the Board.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK7.5 cents (2004: nil) per share for the six months ended 30 September 2005. The interim dividend will be paid to the shareholders whose names appear on the Register of Members of the Company at the close of business on 21 December 2005. The interim dividend will be paid on or around 4 January 2006.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 19 December 2005 to 21 December 2005 (both days inclusive), for the purpose of determining entitlements to the interim dividend. In order to qualify for the interim dividend, all transfer documents accompanied by 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 16 December 2005.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code throughout the six months ended 30 September 2005, with deviations from code provisions A.2.1 and E.1.1 of the Code in respect of the separate roles of chairman and chief executive officer and the appointment of Directors.

Under the code of provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Under the code provision of E.1.1, in respect of each substantially separate issue at a general meeting, including the appointment of directors, a separate resolution should be proposed.

Code Provision A.2.1

The Company does not have the position of Chief Executive Officer at the Board level and the Chairman, Mr. Wei Dong, currently assumes this role. The Board believes that, as a relatively newly-listed company, vesting the roles of both Chairman and Chief Executive Officer in the same person provides the Group with stronger and more consistent leadership and allows for more effective planning.

Code provision E.1.1

All Directors of the Company retired at the Annual General Meeting held on 1 August 2005 are appointed by one resolution. The Directors of the Company will be proposed to be re-elected subject to retirement by rotation by passing a separate resolution at the Annual General Meeting to be held in 2006.

BOARD OF DIRECTORS

As at the date of this report, the Board comprises four executive Directors, namely Mr. Wei Dong, Ms. Yao Juan, Mr. Tung Fai and Ms. Ku Wang, one non-executive Director, namely Ms. Josephine Price, and four independent non-executive Directors, namely Ms. Tsui Wai Ling Carlye, Mr. Wong Chi Keung, Mr. Su Gang Bing and Ms. Yang Liu.

By Order of the Board
FU JI Food and Catering Services Holdings Limited
Wei Dong
Chairman

Hong Kong, 25 November 2005