

CORPORATE GOVERNANCE REPORT

The Board of Directors (the “Board”) of FU JI Food and Catering Services Holdings Limited (the “Company”) recognizes their mission of creating values and maximizing returns to the Shareholders, while at the same time fulfilling their corporate responsibilities. To this end, we strive to promote and uphold the highest standard of corporate governance.

The Stock Exchange of Hong Kong Limited (the “HKSE”) has promulgated the Hong Kong Code on Corporate Governance Practices (the “Code”) which came into effect for the Company’s first financial year commencing on or after 1 January 2005. The Board has reviewed the corporate governance practices of the Company with the adoption and improvement of the various procedures and documentation which are detailed in this corporate governance report. The Company has adopted and complied with the code provisions of the Code during the year ended 31 March 2006, except for certain deviations, the details of which have been disclosed in the relevant paragraphs below in this corporate governance report.

THE BOARD

During the year ended 31 March 2006, there was no change in the structure of the Board, which currently comprises nine Directors and its composition is set out as follows:

Executive Directors:

Mr. Wei Dong (*Chairman*)

Ms. Yao Juan

Mr. Tung Fai

Ms. Ku Wang

Non-executive Directors:

Ms. Josephine Price

Independent Non-executive Directors (“INEDs”):

Ms. Tsui Wai Ling Carlye

Mr. Wong Chi Keung

Ms. Yang Liu

Mr. Su Gang Bing

The brief biographical details of the Directors are set out in the “Directors and Senior Management Profile” section on pages 32 to 34 of this annual report.

The Company has four INEDs representing more than one-third of the Board. At least one of the INEDs has appropriate professional qualifications or accounting or related financial management expertise pursuant to Rule 3.10 of the Rules Governing the Listing of Securities on the HKSE (the “Listing Rules”). The Board has received from each INED an annual confirmation of his/her independence and considers that all the INEDs are independent under the guidelines set out in Rule 3.13 of the Listing Rules.

THE BOARD *(Continued)*

The Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Company and its subsidiaries (together the “Group”), and to review and approve the Group’s annual, interim and quarterly results, as well as significant financial and capital matters. During the year under review, six Board meetings were held and attendance of each Director at the Board meetings is set out as follows:

	Number of Board meetings attended/held
Executive Directors:	
Mr. Wei Dong (<i>Chairman</i>)	6/6
Ms. Yao Juan	4/6
Mr. Tung Fai	5/6
Ms. Ku Wang	5/6
Non-executive Directors:	
Ms. Josephine Price	5/6
INEDs	
Ms. Tsui Wai Ling Carlye	4/6
Mr. Wong Chi Keung	5/6
Ms. Yang Liu	2/6
Mr. Su Gang Bing	5/6

During the year ended 31 March 2006, the Board has dealt with matters covering mainly the Group’s overall strategy, annual financial budget, annual, interim and quarterly results, internal control, significant capital and financial matters. The Board has delegated the day-to-day responsibility to the senior management under the supervision of the Board.

Board meetings are scheduled to be held at approximately quarterly intervals and as required by business needs. At least 14 days’ notice of a Board meeting is normally given to all Directors who are given an opportunity to include matters for discussion in the agenda. The Company Secretary assists the Chairman in preparing the agenda for meetings and ensures that all applicable rules and regulations are complied with. The agenda and the accompanying Board papers are normally sent to all Directors at least 3 days before the intended date of a regular Board meeting (and so far as practicable for such other Board meetings). All minutes are kept by the Company Secretary and are open for inspection at any reasonable time on reasonable notice by any Director.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors, all Directors confirmed they have complied with the required standard set out in the code of conduct regarding securities transactions by Directors adopted by the Company.

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ROLES OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code A.2.1 of the Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company currently 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 position provides the Group with stronger and more consistent leadership and allows for more effective planning. Further, the Board considers that this structure will not impair the balance of power, which has been closely monitored by the Board, which comprises experienced and high caliber individuals. The Board has full confidence in Mr. Wei Dong and believes that the current arrangement is beneficial to the business prospect of the Group.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Board does not establish a nomination committee at present. The appointment of new Director(s) is therefore a matter for consideration and decision by the full Board. The Board considers that the new Director(s) is expected to have expertise in relevant area to make contribution to the Company and to have sufficient time to participate in the decision making process of the Company. However, during the year under review, no new Director was appointed by the Board.

There are fixed terms of appointment for the Directors. Each of the Executive Directors entered into a service contract with the Company for an initial term of three years commencing from 17 December 2004. The Non-executive Director and each of the INEDs signed a letter of appointment with the Company for a term of three years commencing from 17 December 2004. In addition, in accordance with the Company's articles of association (the "Articles"), one third of the Directors (including the Chairman of the Company) for the time being (or if the number is not a multiple of three, then the number nearest to but not less than one-third) shall retire from office by rotation at each general meeting in accordance with the provisions of the Articles.

Code E.1.1 of the Code stipulates that in respect of each substantially separate issue at a general meeting, including the appointment of Directors, a separate resolution should be proposed. All Directors of the Company retired at the annual general meeting held on 1 August 2005 were 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 on 1 August 2006.

BOARD COMMITTEES

The Board has established a Remuneration Committee and an Audit Committee, each of which has its specific written terms of reference (published in the Company's website) and is chaired by INEDs. To further enhance independence, both committees include a majority of INEDs.

Remuneration Committee

The Remuneration Committee, established on 28 June 2005, comprises the Group's two INEDs and one Executive Director, namely, Mr. Su Gang Bing (being the Chairman of the Committee), Ms. Yang Liu and Mr. Wei Dong. The written terms of reference of the Remuneration Committee cover, among other things, the review of the Group's policy and structure for the remuneration for all the Directors and senior management of the Group, the approval of the remuneration for all the Executive Directors and senior management of the Group, including the granting of share options to the Group's employees and the Executive Directors under the Company's Share Option Scheme, and the recommendation to the Board for the remuneration for the Non-executive Director and INEDs.

BOARD COMMITTEES *(Continued)*

Remuneration Committee *(Continued)*

No meeting of the Remuneration Committee was held for the period from 28 June 2005 (date of forming the Committee) to 31 March 2006. The remuneration of the Executive Directors and the Group's senior management for the year ended 31 March 2006 was approved by written resolutions signed by all members of the Remuneration Committee.

Audit Committee

The Audit Committee, established on 26 November 2004, comprises the Group's three INEDs, namely, Mr. Wong Chi Keung (being the Chairman of the Committee with appropriate professional qualification or accounting or related financial management expertise), Mr. Su Gang Bing and Ms. Yang Liu.

The primary duties of the Audit Committee are to review the Company's annual reports and accounts, half-yearly reports and quarterly results and to provide advice and comments thereon to the Board, to make recommendation to the Board on the appointment, re-appointment and removal of external auditors and to approve the remuneration and terms of engagement of the external auditors. The Audit Committee is also responsible for reviewing quarterly reports prepared by the management of the Group on the hygiene standards and controls, the financial reporting process and internal control system of the Group and to give suggestions in these regards.

The Audit Committee held four meetings during the year ended 31 March 2006 and the attendance of each member is set out as follows:

Number of Committee meetings attended/held

Committee member:

Mr. Wong Chi Keung	4/4
Ms. Yang Liu	4/4
Mr. Su Gang Bing	4/4

The external auditors, CCIF CPA Limited, and the related representatives of the Group also attended these meetings.

During the meetings held in the financial year ended 31 March 2006, the Audit Committee has performed the works which are set out as follows:

- discuss and review auditing, internal controls, risk management, financial reporting matters including the annual and interim accounts and quarterly results, and quarterly, interim and full year results announcements, before recommending them to the Board for approval;
- review the quarterly reports prepared by the management of the Group on the hygiene standards and controls of the Group;
- approve the remuneration for the audit services provided by the external auditors in respect of the financial year ended 31 March 2005; and
- review the external audit findings, the accounting principles and practices adopted by the Group, Listing Rules and statutory compliance in relation to the financial reporting.

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RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND EXTERNAL AUDITORS

The Directors are responsible for the preparation of the financial statements, which give a true and fair view of the condition of the Group. The external auditors are responsible to form an independent opinion, based on the audit, on the financial statements prepared by the Directors and report the opinion solely to the Shareholders of the Company as a body and for no other purpose.

EXTERNAL AUDITORS' REMUNERATION

For the year ended 31 March 2006, the total remuneration for the audit services provided by the external auditors amounted to HK\$1,450,000 (approximately RMB1,508,000). The audit fee was approved by the Audit Committee.

For the year ended 31 March 2006, the total remuneration for the permissible non-audit services provided by the external auditors amounted to HK\$680,000 (approximately RMB707,200), comprising HK\$527,700 (approximately RMB548,800) for the review of financial information included in the offering circular dated 27 September 2005 for the issuance of HK\$600,000,000 in aggregate principal amount of zero coupon bonds due 2010 convertible into the shares of the Company, and HK\$152,300 (approximately RMB158,400) for the review of the interim financial report of the Group.

INVESTOR RELATIONS

The Company believes that effective communication with the investment community is essential for enhancing investors' knowledge and understanding of the Company's business performance and strategies. To achieve this, the Company pursues a proactive policy of promoting investor relations and communications. The main purpose of the Company's investor relations policy, therefore, is to enable investors to have access, on a fair and timely basis, to information that is reasonably required for making the best investment decisions.

During the year ended 31 March 2006, the Group has actively participated in investor forums and road shows held in Hong Kong, the People's Republic of China and abroad. It also arranged briefings and meetings with analysts and fund managers to enhance their understanding of the Group. The Group also received regular investor audit reports from our investor relations consultant after such events, so that the management could internally discuss and review its investor relations program and communication strategies.

Investors and the public can have access to up-to-date corporate information of the Group through the corporate website of www.fujicatering.com. The website enables them to obtain information on the Group's financial performance and latest business developments.

On behalf of the Board

Wei Dong
Chairman

the PRC, 28 June 2006