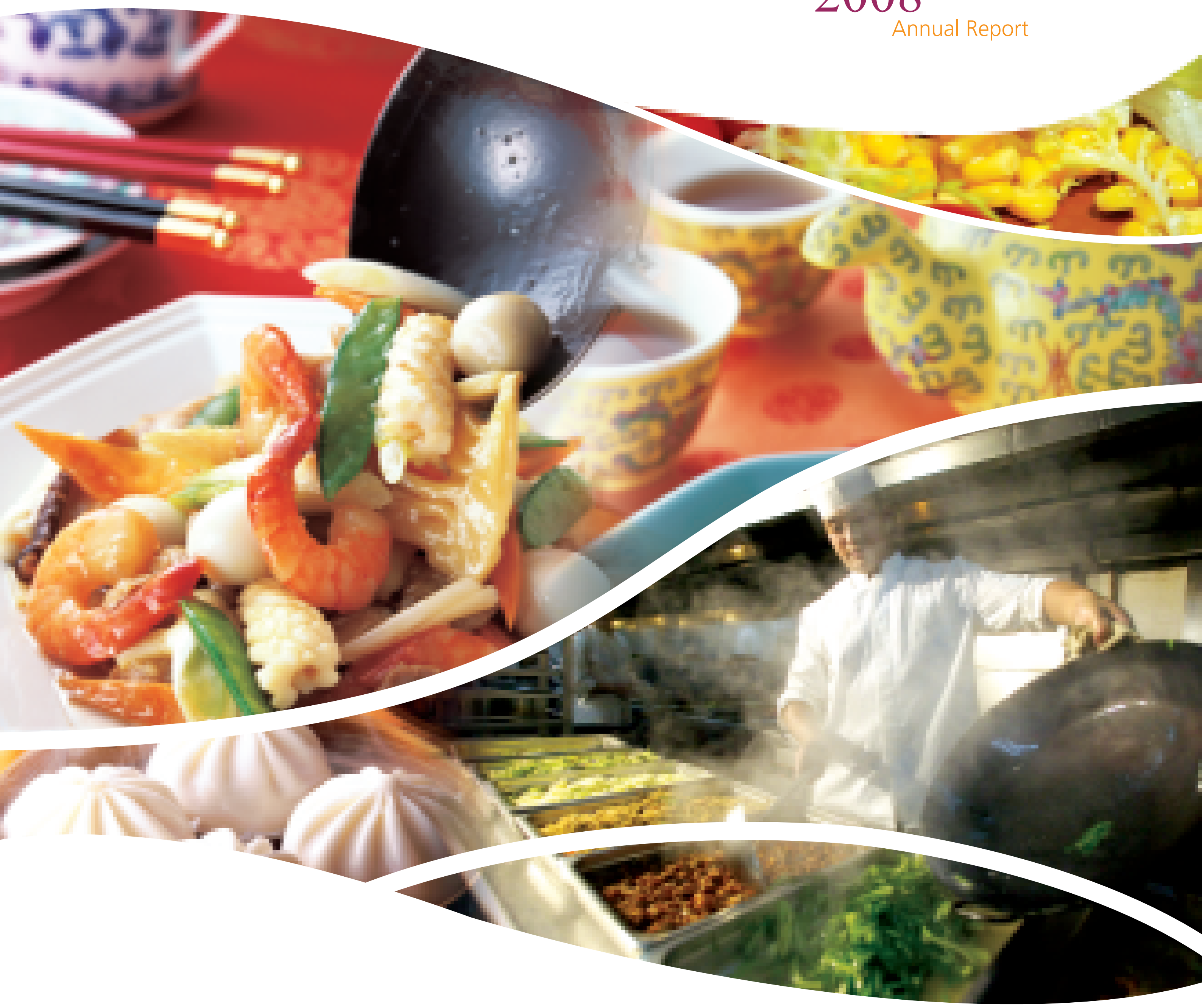
FU JI Food and Catering Services Holdings Limited
福記食品服務控股有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code : 1175

2008 Annual Report



Business Highlights

FU JI had made great efforts and substantial capital investment in the past few years, in building world-class industrial kitchen platform that boasts economies of scale and standard assurance in supporting sourcing of ingredients, processing and production of foods at the lowest cost and the highest efficiency.

Empowered by this centralized production system unique among caterers in the PRC, we are capable of putting out a substantial number of meals a day which is unmatched by our rivals in China.

Our Strength

Facilitated by our industrial kitchen platform comprising four sourcing and initial processing centres, seven local distribution and processing centres and two regional distribution and processing centres, FU JI has the capabilities to venture up and down stream, and in effect into all segments along the catering industry value chain.

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Corporate Information

Legal Name of the Company

FU JI Food and Catering Services Holdings Limited

Stock Code

1175

Website

www.fujicatering.com

Date of Listing on Main Board

17 December 2004

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)*
Yang Liu
Wei Dong

Auditors

CCIF CPA Limited
Certified Public Accountants
20th Floor
Sunning Plaza
10 Hysan Avenue
Causeway Bay
Hong Kong

Solicitors

Chen & Co. Law Firm
O'Melveny & Myers

Principal Bankers

Agricultural Bank of China
China Construction Bank
Deutsche Bank, AG, London Branch
Guangdong Development Bank
HSBC
Rabobank Nederland, Shanghai Branch
Standard Chartered Bank

Authorized Representatives

Tung Fai
Ng Kwok Choi, FCCA, CPA

Principal Share Registrar and Transfer Office

Butterfield Fund Services (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705
George Town
Grand Cayman
Cayman Islands

Registered Office

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head Office and Principal Place of Business in Hong Kong

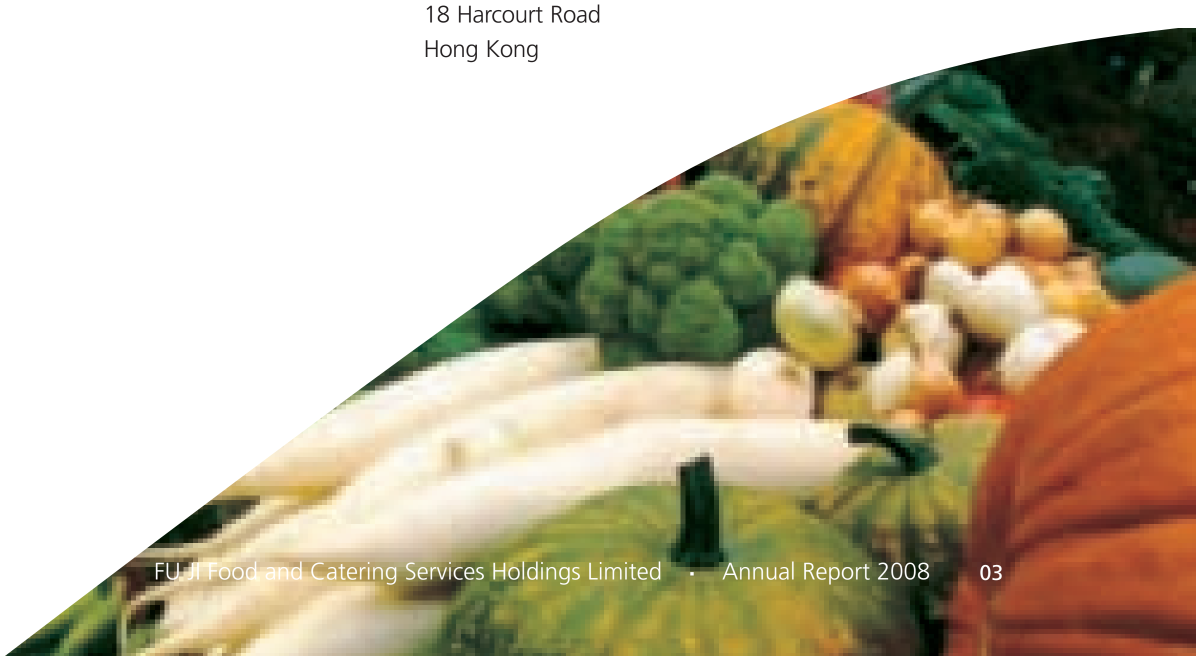
Room 2103, 21st Floor
Harbour Centre
25 Harbour Road
Wanchai
Hong Kong

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
Wanchai
Hong Kong

Investor Relations Consultant

Strategic Financial Relations (China) Limited
Unit A, 29th Floor
Admiralty Centre I
18 Harcourt Road
Hong Kong



Financial Calendar

Announcement of Annual Results

30 July 2008

Closure of Register of Members

29 August – 4 September 2008

Annual General Meeting

4 September 2008

Planned Results Announcement For The Fiscal Year Ending 31 March 2009

1st Quarter	:	Late-August 2008
Interim	:	Mid-December 2008
3rd Quarter	:	Mid-February 2009
Full Year	:	Early-July 2009

Dividends

Interim Dividend	:	HK cents 11.5 per share, paid on 18 January 2008
Proposed Final Dividend	:	HK cents 12.6 per share
Payable	:	18 September 2008

Five Years Financial Summary

	Year ended 31 March				
RMB'000	2004	2005	2006	2007	**2008**
Results					
Turnover	252,901	454,695	796,750	1,199,415	**1,915,594**
Profit From Operations	103,810	201,912	308,191	433,666	**581,177**
Finance Costs	(2,983)	(5,125)	(23,138)	(49,911)	**(105,401)**
Profit Before Taxation	100,827	196,787	285,053	383,755	**475,776**
Income Tax	(18,213)	(31,370)	(33,667)	(35,668)	**(49,459)**
Profit For The Year	82,614	165,417	251,386	348,087	**426,317**
Attributable To:					
Ordinary Equity Shareholders Of The Company	82,614	165,417	251,386	348,087	**410,956**
Minority Interests	—	—	—	—	**15,361**
	82,614	165,417	251,386	348,087	**426,317**

	As at 31 March				
RMB'000	2004	2005	2006	2007	**2008**
Assets And Liabilities					
Non-current Assets	205,272	551,283	1,366,217	2,320,788	**4,287,770**
Current Assets	100,979	346,299	472,768	924,101	**1,429,511**
Current Liabilities	94,563	184,657	252,527	475,168	**655,141**
Non-current Liabilities	41,340	33,072	140,897	977,335	**2,261,873**
Net Assets	170,348	679,853	1,445,561	1,792,386	**2,800,267**

Notes:

FU JI Food and Catering Services Holdings Limited (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. Pursuant to reorganization (the "Reorganization") in preparation for the listing of the shares on the Main Board of The Stock Exchange of Hong Kong Limited, the Company acquired the entire issued share capital of Sky Achieve Limited, the then holding company of other companies comprising the Group, and became the holding company of the companies comprising the Group on 26 November 2004.

The Group resulting from the Reorganization is regarded as a continuing group. Accordingly, the financial information for the years ended 31 March 2005 and 2004 as contained in the sections "Five years financial summary" and "Financial highlights" of this Annual Report had been prepared on the basis that the Company was the holding company of the Group for each of the relevant years, rather than from 26 November 2004. Accordingly, the results of the Group for each of the financial years ended 31 March 2005 and 2004 include the results of the Company and its subsidiaries with effect from 1 April 2003 or since their respective dates of incorporation, whichever is a shorter period as if the current group structure had been in existence throughout the two years presented. The assets and liabilities of the Group as at 31 March 2004 is a combination of the assets and liabilities of the Company and its subsidiaries as at the relevant year end date.

Financial Highlights

RMB'000 (except ratios and per share amount)	Year ended 31 March 2004	2005	2006	2007	**2008**
Results					
Catering Services	98,374	236,856	573,870	932,323	**1,383,213**
Chinese Restaurants	149,474	181,240	200,448	232,940	**275,033**
Theme Restaurants	—	—	—	—	**191,431**
Convenience Food and Others	5,053	36,599	22,432	34,152	**65,917**
Turnover	252,901	454,695	796,750	1,199,415	**1,915,594**
Profit from operations	103,810	201,912	308,191	433,666	**581,177**
Profit for the year	82,614	165,417	251,386	348,087	**426,317**
Profit attributable to ordinary equity shareholders	82,614	165,417	251,386	348,087	**410,956**
Earnings per share attributable to ordinary equity shareholders (RMB cents)					
— basic *(note 1)*	27.5	49.8	56.5	68.9	**77.2**
— diluted *(note 2)*	27.2	46.5	56.0	68.9	**77.2**
Dividends per share (HK cents)	N/A	3.8	15.3	20.6	**24.1**
Operating profit margins %	41.1%	44.4%	38.7%	36.2%	**30.3%**
Net profit margins % *(note 3)*	32.7%	36.4%	31.6%	29.0%	**22.3%**
Return on equity % *(note 4)*	64.0%	38.9%	23.7%	21.5%	**17.8%**

Notes:

1. The calculations for the years ended 31 March 2008, 2007, 2006 and 2005 are based on the profits attributable to ordinary equity shareholders of the Company and the weighted average number of ordinary shares in issue during the years. Other calculation is based on the profit attributable to ordinary equity shareholders of the Company for the relevant years and the 300,000,000 ordinary shares of the Company in issue as at the date of Prospectus being 7 December 2004.
2. Details of the calculations for the years ended 31 March 2008 and 2007 are set out in note 11(b) to the financial statements. The calculations for the years ended 31 March 2006, 2005 and 2004 are based on profits attributable to ordinary equity shareholders of the Company but before interest on convertible notes and the weighted average numbers of ordinary shares after adjusting for the effect of all dilutive potential ordinary shares.
3. The calculations are based on profit for the relevant years divided by the turnovers.
4. Its calculation is based on the profits for the relevant years divided by the average of opening and closing balances of total equity for the relevant years.

RMB'000 (except ratios, days and per share amount)	As at 31 March 2004	2005	2006	2007	**2008**
Assets and liabilities					
Non-current assets	205,272	551,283	1,366,217	2,320,788	**4,287,770**
Current assets	100,979	346,299	472,768	924,101	**1,429,511**
Total assets	306,251	897,582	1,838,985	3,244,889	**5,717,281**
Current liabilities	94,563	184,657	252,527	475,168	**655,141**
Net current assets	6,416	161,642	220,241	448,933	**774,370**
Non-current liabilities	41,340	33,072	140,897	977,335	**2,261,873**
Net assets	170,348	679,853	1,445,561	1,792,386	**2,800,267**
Current ratios *(note 1)*	1.07	1.88	1.87	1.94	**2.18**
Stock turnover days *(note 2)*	2	2	4	7	**11**
Debtors turnover days *(note 2)*	8	7	7	9	**9**
Creditors turnover days *(note 3)*	22	13	8	11	**32**
Net assets per share (RMB cents) *(note 4)*	56.8	163.8	287.8	351.3	**517.3**
Gearing ratios % *(note 5)*	53.9%	21.9%	21.0%	72.4%	**90.4%**

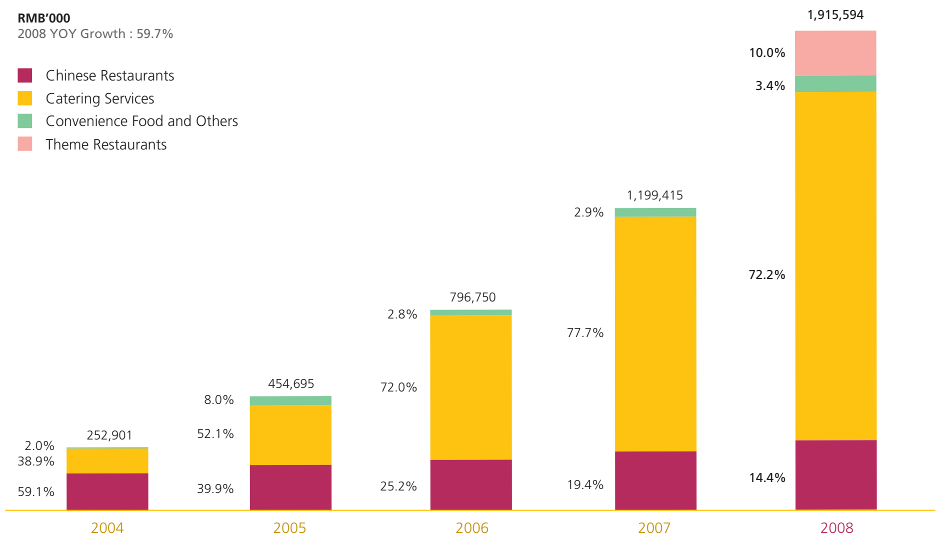
Notes:

1. Its calculation is based on the current assets divided by the current liabilities as at the relevant year end dates.
2. Its calculation is based on the average of opening and closing balances for inventory/accounts receivable divided by turnover during the relevant years and multiplied by the number of days in the relevant years.
3. Its calculation is based on the average of opening and closing balances for accounts payable divided by total purchases during the relevant years and multiplied by the number of days in the relevant years.
4. The calculations as at 31 March 2008, 2007, 2006 and 2005 are based on the net assets as at the relevant year end dates and the outstanding 541,296,756, 510,251,463, 502,362,563 and 415,000,000 shares as at 31 March 2008, 2007, 2006 and 2005, respectively. Other calculation is based on the net assets as at the relevant year end date and the 300,000,000 ordinary shares of the Company in issue as at the date of Prospectus being 7 December 2004.
5. It is calculated with reference to the total borrowings and the net assets value of the Group as at the relevant year end dates.

Financial Highlights *(continued)*

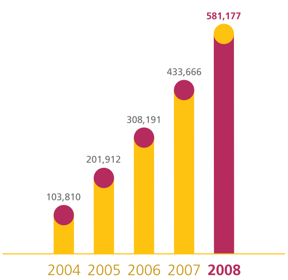
Turnover Analysis By Business Lines

RMB'000
2008 YOY Growth : 59.7%



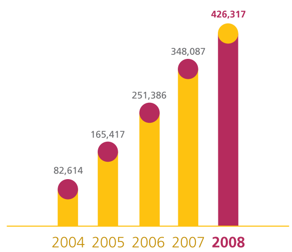
Profit From Operations

RMB'000
2008 YOY Growth : 34.0%

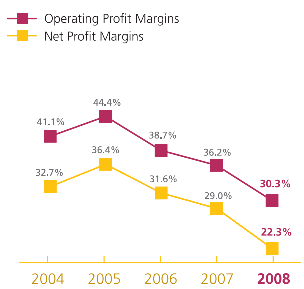


Profit For The Year

RMB'000
2008 YOY Growth : 22.5%

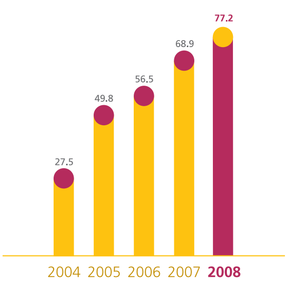


Operating Profit Margin & Net Profit Margin



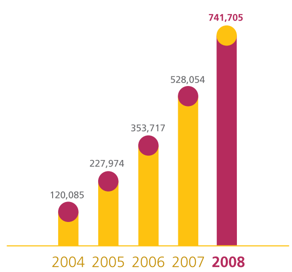
Basic Earnings Per Share Attributable To Ordinary Equity Shareholders

RMB cents
2008 YOY Growth : 12.0%



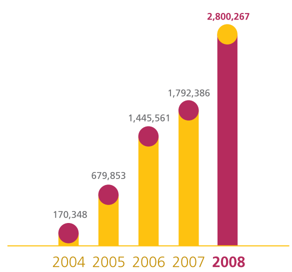
EBITDA

RMB'000
2008 YOY Growth : 40.5%



Net Assets

RMB'000
2008 YOY Growth : 56.2%



Chairman's Statement

All-round

and diversified catering
services provider in China

The Group operates three complementary businesses, including Catering Services, Restaurants (Chinese Restaurants and Theme Restaurants) and Convenience Food and Others.

Chairman's Statement

I am pleased to see the Group is now advancing from the investment stage into harvest time after years of investment periods and we are confident for the prospects of the future.

Mr. Wei Dong
Chairman

I am pleased to present the annual results of FU JI Food and Catering Services Holdings Limited and its subsidiaries (known together as "FU JI" or the "Group") for the fiscal year 2007/08. Tapping the huge and still growing catering market and catering outsourcing trend in the People's Republic of China (the "PRC"), the Group achieved commendable growth in revenue and earnings for the fiscal year. Turnover reached a new high at approximately RMB1,915.6 million, representing a 59.7% year-on-year growth. Profit from operations increased 34.0% to RMB581.2 million whereas profit attributable to Shareholders increased to RMB411.0 million, a 18.1% growth compared with the last fiscal year. Basic earnings per share attributable to Shareholders were RMB77.2 cents (fiscal year 2006/07: RMB68.9 cents). The Board of Directors (the "Board") proposed to distribute a final dividend of HK cents 12.6 per share for the fiscal year of 2007/08 (fiscal year 2006/07 HK cents 10.4 per share).

In the past few years, the Group had made great efforts and substantial capital investment in building a world-class industrial kitchen platform that boasts ecnomomies of scale and standard assurance in supporting sourcing of ingredients, processing and production of foods at the lowest cost and the highest efficiency. Empowered by this centralized production system unique among caterers in the PRC, the Group is capable of putting out substantial number of meals a day for each of its customers, which it believes is unmatched by its rivals in China.

Solidly-based in the Yangtze River Delta region, FU JI is strategically expanding business coverage to the Pearl River Delta Region and Bohai Bay Rim area where there are thriving economies. Facilitated by its industrial kitchen platform comprising four sourcing and initial processing centres, seven local distribution and processing centres and two regional distribution and processing centres (the "RDPC"), the Group has the capabilities to venture up and down stream, and in effect into all segments along the catering industry value chain. As at the end of the fiscal year 2007/08, the Group boasted an annual production capacity of one million meals, which is expected to increase to 2.3 million meals comes fiscal year end 2009/10 after the Beijing RDPC and Jiading RDPC begin operation by the first and second quarter of the fiscal year 2008/09, respectively.

The Group operates three core businesses that complement each other. They are Catering Services, Restaurants (Chinese Restaurants and Theme Restaurants) and Convenience Food and Others. After the Group completes the buliding up of its centralized production platform, it would focus efforts on business development and market expansion. One of the significant moves it took in expansion was the acquisition of majority interest in Sky Charm Group Limited on 1 November 2007, which has given the Group immediate stake in the Golden Hans' theme restaurant chain that provides German style BBQ buffet-type cuisines. During the year, the Group regrouped the classification of its businesses to improve transparency, highlight strategic priorities and facilitate responsiveness to anticipated business opportunities.

Among the three core businesses, Catering Services continued to be the main revenue driver and accounted for 72.2% of the Group's total turnover for the fiscal year. The segment recorded RMB1,383.2 million in turnover and RMB459.1 million in profit from operations. As for the Restaurants business, it brought turnover of RMB466.5 million, of which RMB275.1 million and RMB191.4 million were generated from Chinese Restaurants and Theme Restaurants respectively. It accounted for 24.4% of the Group's total turnover. The remaining 3.4% of the Group's total turnover were derived from Convenience Food and Others (after considering inter-segment turnover).

During the fiscal year, although the Group was challenged by surging food costs, rental and labour costs, the Group was able to maintain a 58.9% gross profit margin (fiscal year 2006/07: 58.0%). This was the result of the fact that the Group was able to reduce food costs using flexible pricing policies that permit shifting of costs partially to customers or through menu adjustment.

For FU JI, a dedicated player in the food and catering services industry, food safety and hygiene has always been a top priority. The Group will strive to ensure food safety throughout the entire production and delivery process. It has a set of strict internal guidelines in place to ensure the highest safety standards starting from procurement of raw materials to food processing and delivery. This gives the Group a competitive advantage over its peers, when food safety is gaining the attention of authorities and consumers at large and under growing regulatory scrutiny.

Looking forward, the Group, which is advancing from the investment stage into harvest time, is optimistic about the prospects of its different businesses. As catering services market in China is enormous and yet to be fully-tapped, the Group expects continuous strong organic growth for the consumer segment of Catering Services, covering enterprises, organizations, factories, canteens of Central Business Districts, universities and schools and exhibition centres. The Group also sees tremendous growth potential in the institutional segment of the business. It will strive to expand into the railway segment which is growing and promises a higher profit margin in future, and other markets including tourist attractions, highway service stations, and military and shipping. Furthermore, the Group has plans to build more new central kitchens in new strategic locations to support expansion of business to other potential economic regions, such as Wuhan, Fujian and Jiangxi, which are not covered by the existing industrial kitchen platform.

Building on our solid industrial kitchen platform and with advanced food processing capabilities and a sophisticated management team, we are ready to capture a larger share in the catering services market and extend our overall business coverage in China.

On behalf of FU JI, I would like to express my gratitude to all employees for their diligence and contribution in the past year, which had made our excellent results possible. With the support of the Board, the management team, its employees, suppliers, Shareholders, and most importantly, its customers, FU JI will continue to work hard towards becoming the best catering services provider in the PRC and delivering better returns to Shareholders.

Wei Dong
Chairman

The PRC, 30 July 2008

Management Discussion and Analysis

FU JI

a leading player in the food and catering services industry

The Group has always put customers in our first place. Customer oriented services laid a solid foundation for our growth and we will strive to provide the excellent services to our customers.

The Group also has a set of strict internal guidelines in place to ensure the highest safety standards throughout the entire production and delivery process.

Management Discussion and Analysis

During the year ended 31 March 2008, FU JI Food and Catering Services Holdings Limited (the "Company") and its subsidiaries (known together as "FU JI" or the "Group") achieved commendable growth in revenue and earnings, and also made concrete progress in expanding its core businesses. The Group has reclassified Catering Services into Consumer Segment Catering and Institutional Segment Catering to more clearly reflect its strategic focuses. The Group currently operates three principal complementary businesses, namely Catering Services, Restaurants (Chinese Restaurants and Theme Restaurants) and Convenience Food and Others.

Achieving strong organic growth and acquiring Theme Restaurants business line, the Group reported excellent operating results for the fiscal year. Turnover reached a new high at approximately RMB1,915.6 million, an increase of 59.7% against the year ended 31 March 2007. Overall gross profit margin and operating profit margin for the year were 58.9% (fiscal year 2006/07: 58.0%) and 30.3% (fiscal year 2006/07: 36.2%) respectively. Gross profit margin and operating profit margin were 58.9% and 31.3% respectively, excluding the operating results of Theme Restaurants business which had been consolidated into the Group's operating results after 1 November 2007 (the "Acquisition Date"). Overall gross profit was RMB1,127.8 million and net profit was RMB426.3 million, 62.2% and 22.5% higher respectively, against the fiscal year 2006/07. Basic earnings per share attributable to ordinary equity holders of the Company were RMB77.2 cents (fiscal year 2006/07: RMB68.9 cents).

In compliance with Hong Kong Financial Reporting Standard 2, and Hong Kong Accounting Standards 32 and 39, the Group booked non-cash charges of approximately RMB6,043,000 (fiscal year 2006/07: RMB9,250,000) on equity-settled share-based expenses and approximately RMB81,276,000 (fiscal year 2006/07: RMB30,562,000) on its convertible bonds to its net profits for the fiscal year. Those charges incurred together with the reduced operating profit margin for the fiscal year led to a drop in net profit margin to 22.3% (fiscal year 2006/07: 29.0%).

Market Review

In recent years, the demand for contract catering services in China has risen continuously driven by more and more multinational and domestic corporations seeking to outsource catering. That phenomenon plus the People's Republic of China (the "PRC") government tightening hygiene requirements for catering service providers nationwide have worked in favour of reputable catering service providers like the Group and allowed the Group to maintain competitiveness in the fast growing market.

Business Review

The Group boasts a business with multi-growth drivers enjoying the benefit of sharing resources in its vertically integrated operations. In the past few years the Group had made significant capital investments into building and enhancing its world-class industrial kitchen platform, comprising four existing sourcing and initial processing centres ("SIPCs"), seven well-established local distribution and processing centres ("LDPCs") and two regional distribution and processing centres ("RDPCs"). Presenting increasing synergies in terms of pricing flexibility and more effective allocation of raw materials and other resources, which helps to mitigate inflation of food prices, to the Group's businesses, the comprehensive value chain has enabled the Group to enjoy a higher profit margin than its rivals and hence the Group has raised the entry barrier of the industry. Entering the harvest stage of its investment, the Group expects steady growth for all the three core businesses.

Catering Services

Bolstered by growing demand for catering services in China, the segment continued to expand as the Group's principal revenue and profit growth driver. During the fiscal year, revenue from the business increased by 48.4% to approximately RMB1,383.2 million, and operating profit also increased, by 40.6%, to approximately RMB459.1 million. As at 31 March 2008, the Group produced approximately 750,500 sets of meal daily (excluding railway meals), representing a 32.2% growth compared to approximately 567,500 sets as at the end of March 2007. The segment accounted for 72.2% of the Group's total turnover.

The Group reclassified the activities under Catering Services business in this fiscal year to more clearly show different strategic focuses. This business now has two sub-segments, namely Consumer Segment Catering and Institutional Segment Catering, defined with reference to the downstream market they serve. The Consumer Segment Catering has a solid foundation and the Institutional Segment serves a growing market which will be the main focus of the Group in the future. With the only production platform in the market with capability of servicing more than 10,000 meal-sets a day for each catering site, the Group enjoys cost and wastage rate significantly lower than the market average and accordingly a higher profit margin, giving it unparallel competitiveness in the industry.

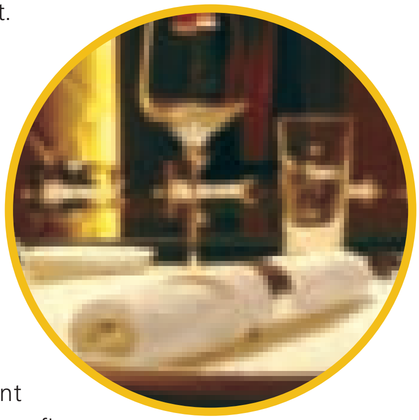
Consumer Segment Catering

Consumer Segment Catering provides finished and semi-finished goods mainly to factories, industrial parks, universities, canteens in central business district and exhibitions and sports events. It reported a turnover of approximately RMB1,342.7 million for the year. The Group sees substantial untapped opportunities in the different markets covered in the segment.

For this key profit driver under its Catering Services business, the Group will explore business opportunities in enterprises, factories, central business district, universities and schools and exhibition centres.

Institutional Segment Catering

The segment is currently serving semi-finished products to railway passengers in high-speed trains in the PRC and expanding business coverage to tourist spots and highway service stations and military and shipping sites. It brought in a turnover of approximately RMB40.5 million for the year. The Group is optimistic about the growth of the segment as it is among the first movers in this largely unexploited market.



With products boasting the distinctive feature of staying fresh for more than 30 days without refrigeration and preservatives, the Group enjoys absolute advantage over its competitors in this fast growing market. Relative to Consumer Segment Catering, Institutional Segment Catering currently has a lower profit margin but much bigger room to expand and to improve its profit margin in the future.

Restaurants

Chinese Restaurants

Chinese Restaurants business is the Group's second major revenue contributor, accounting for 14.4% of the Group's total turnover. During the year under review, the Group opened three new Chinese restaurants in Beijing, Shanghai and Suzhou, which brought the total number of operating Chinese restaurants of the Group to nine.

The business provided the Group with stable and recurring income throughout the year. Its turnover was RMB275.1 million, 18.1% more than in the previous year. The Group will adopt a flexible approach when opening new restaurants in the future. The business has reached a scale that allows the Group to enjoy the lowest material costs and wastages, and optimum usage of raw materials that its competitors cannot match, wherever the restaurants may be.

Theme Restaurants

The Group acquired majority stake in Sky Charm Group Limited ("Sky Charm") which wholly owned the Golden Hans theme restaurant chain, marking its venture into Theme Restaurants business. Golden Hans is a chain of German-style microbrewery house featuring self-brewed beer and western-style BBQ dishes and other buffet foods, and live entertainment. It has presence currently in 26 cities in China. The Group expected the business with strong potential to develop smoothly.

Between the Acquisition Date and the end of the fiscal year 2007/08 (the "Acquisition Period"), Golden Hans had served approximately 5.939 million customers spending on average RMB34 per head. The Group believes with western style cuisines and dining concepts gaining popularity in the PRC, expanding into Theme Restaurants business will effectively broaden its revenue stream. The acquisition has brought synergies to the Group in terms of shared procurement at lower cost, more efficient allocation and application of resources and greater economies of scale. For Golden Hans, supported by the Group's centralized sourcing, processing and distribution centres, it has been able to lower cost and widen profit margin. The restaurant chain is on the list of recommended restaurants for the Beijing Olympics. Its clientele comprises mainly medium to high spending Chinese consumers including college students, young professionals and young families. As at the end of 31 March 2008, Golden Hans had a total of 39 stores in 26 cities in the PRC. The Group expects to take the brand to more cities in China.

The operating results of Sky Charm and its subsidiaries for the Acquisition Period are set out as follows:

	RMB'000
Turnover	191,431
Other revenue	2,373
Cost of materials consumed	(79,918)
Staff costs	(24,725)
Operating lease rentals	(13,493)
Depreciation and amortization	(6,168)
Fuel and utility costs	(10,585)
Consumable stores	(3,157)
Other operating expenses	(9,055)
Profit from operations	46,703

Golden Hans Nationwide Footprint

The Group has expanded into Theme Restaurant business by acquiring majority stake in Sky Charm Group Limited which wholly owned the Golden Hans theme restaurant chain, and expected it will effectively broaden its revenue stream.

Golden Hans had a total of 39 stores in 26 cities in the PRC. The Group expects to take the brand to more cities in China.

Convenience Food and Others

Convenience Food and Others accounted for 3.4% of the Group's total turnover for the fiscal year (after considering inter-segment turnover). With the support of the Group's efficient logistics network and distribution channels, the segment achieved satisfactory result for the year ended 31 March 2008. Turnover of the segment was RMB65.9 million (after considering inter-segment turnover), representing a 93.0% growth against the previous year. Another beneficiary of the Group's centralized production system, the business share cost and resources with other operational arms and at the same time provide highly nutritious convenience food to urban dwellers in Shanghai and Suzhou.

Financial Review

Liquidity and Financial Resources

The Group's financial position is sound with healthy operating and financing cash flows. As at 31 March 2008, the Group's total equity amounted to RMB2,800,267,000, representing an increase of 56.2% against the amount as at 31 March 2007. Cash and cash equivalents totalled RMB957,430,000 as at 31 March 2008 (31 March 2007: RMB556,630,000) and net current assets were RMB774,370,000 (31 March 2007: RMB448,933,000).

On 18 October 2007, the Company issued Hong Kong dollar settled zero coupon convertible bonds due 2010 (the "Citi Bonds") convertible into ordinary shares of the Company in an aggregate principal amount of RMB1.5 billion. The net proceeds from the issuance, after deduction of commission and all other directly attributable costs, were approximately HK$1.506 billion.

Taking into account the proceeds from the issuance of the Citi Bonds and the healthy balance of cash and cash equivalents, available bank loans and strong operational cash flows, the management is confident that the Group will have adequate resources to finance its daily operational and capital expenditures.

The reporting currency of the Group is Renminbi and the Group's monetary assets, monetary liabilities and transactions are principally denominated in Renminbi, HK dollars and US dollars. During the year under review, the Renminbi had appreciated significantly against the HK dollar and US dollar, while the HK dollar continued to be pegged with the US dollar. As the Group's HK dollars and US dollars-denominated monetary assets are significantly matched with the Group's HK dollars and US dollars-denominated monetary liabilities, the Directors did not consider the Group as significantly exposed to foreign currency risk and thus deemed the use of hedging tools unnecessary.

Capital Structure

As at 31 March 2008, the Group had total debts made up of bank loans principally bearing fixed annual rates of 6.723% to 8.217% (31 March 2007: between 4.860% and 6.732%) and floating rate in the range of 0% to 12.75% per annum, consideration payable for the acquisition of a subsidiary, the Citi Bonds and the three-year zero coupon convertible bonds due 2009 (the "Bonds 2009") (RMB2,530,873,000 in total) (31 March 2007: RMB1,296,835,000). As at 31 March 2008, the Group's total equity was RMB2,800,267,000 (31 March 2007: RMB1,792,386,000). Based on the above, its gearing ratio was approximately 90.4% (31 March 2007: 72.4%).

On 9 November 2006, the Company issued the Bonds 2009 in an aggregate principal amount of HK$1 billion convertible into ordinary shares of the Company. Holders of the Bonds 2009 have the right to convert them into ordinary shares of the Company at any time beginning from 20 December 2006 and thereafter up to the close of business on 25 October 2009 at the conversion price of HK$17.51 per share (the "Conversion Price"), which was adjusted to HK$17.18 per share on 18 January 2008. During the year under review, the Company issued and allotted a total of 30,725,293 new shares as a result of conversion of the Bonds 2009 in the total amount of HK$538,000,000 at the Conversion Price. In addition, during the year under review, 320,000 employee share options were exercised. After the issuances, as at 31 March 2008, the number of issued shares of the Company had increased to 541,296,756 and the outstanding principal amount of the Bonds 2009 was reduced to HK$462,000,000.

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

Holders of the Citi Bonds have the right to convert them into ordinary shares of the Company at any time beginning from 28 November 2007 and thereafter up to the close of business on 11 October 2010 at the conversion price of HK$32.825 per share (subject to adjustment). However no new share has been issued resulting from conversion of the Citi Bonds since its issuance.

The detailed terms and particulars of the Bonds 2009 and the Citi Bonds can be found in the Group's financial statements for the year ended 31 March 2008 and the Company's announcement dated 10 October 2006 and 12 October 2007.

Group Structure

During the year under review, the Group established eleven wholly-owned subsidiaries in the PRC – FU JI Famous Delicacies Club (Shanghai) Catering Co. Ltd., Tian Yang Mei Tong Agricultural Development Co. Ltd., Auterlan (Beijing) Food Industry Co. Ltd., Shanghai Dong Rui Catering Services Ltd., Shanghai Xingdong Catering Services Ltd., Suzhou Fu Ji United Yu Hua Yuan Catering Co. Ltd., Beijing Yao Du Catering Co. Ltd., Qing Dao Wei Xian Da Catering Services Ltd., Shanghai Long Chu Catering Services Ltd., Shanghai Jia Chu Duo Xian Le Food Sales Co. Ltd. and Wu Hu Wei Xian Da Catering Co. Ltd. In addition, on the Acquisition Date, the Group completed the acquisition of 60% equity stake in Sky Charm. Sky Charm owns the entire issued share capital of Golden Hans Holdings Limited (previously named as South Champ Limited) which holds 100% equity interest in various companies whose primary business is operation of the Golden Hans theme restaurant chain.

Save as disclosed above, during the year under review, there had been no material change in the Group's structure.

Charge on Assets and Contingent Liabilities

As at 31 March 2008, the Group had bank deposits denominated in HK dollars, equivalent to RMB136,438,000 (31 March 2007: RMB262,544,000) and had fixed assets having a carrying amount of approximately RMB107,845,000 (31 March 2007: Nil), which were pledged to secure bank facilities granted to the Group.

As at 31 March 2008, the Group had contingent liabilities in the amount of approximately RMB57,054,000 (31 March 2007: RMB32,686,000) in respect of the adoption of preferential tax treatments in determining the income tax liabilities of certain wholly owned subsidiary in Shanghai. In addition, the Group had contingent liabilities in the amount of approximately RMB100,000,000 in respect of claiming damages by a third party for infringement of trademark "fu ji".

Human Resource

As at 31 March 2008, the Group had 12,305 employees (including 5,277 employees attributable to Sky Charm and its subsidiaries) in the PRC and Hong Kong (31 March 2007: 4,653 employees). All employees are remunerated according to their performance, experience and prevailing market rates. The Group also provides retirement benefits in the form of Mandatory Provident Fund entitlement to employees in Hong Kong. A similar scheme is also provided to employees in the PRC.

The Group has adopted a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who have contributed to the success of the Group's operations. The Directors may, at their discretion, invite any employees of the Group or Directors of the Company to take up any options to subscribe for shares of the Company. Details of the Scheme are disclosed in this Annual Report in accordance with the Rules Governing the Listing of Securities of the Stock Exchange of Hong Kong Limited.

To realize the full potential of its human resources, the Group invests heavily in providing intensive training to its staff to ensure they deliver good performance in their individual capacity and know thoroughly and abide by various regulations and internal hygiene control requirements. The Group continues to recruit experienced professionals for its different operations and site personnel to improve overall operational efficiency.

Outlook

The new Beijing RDPC and Jiading RDPC, which are scheduled to commence operation in the first quarter and by the end of second quarter of the fiscal year 2008/09 respectively, will become the logistic hubs in Huadong region and areas in the vicinity of Beijing when completed. Thereafter, the Group will be able to enjoy yet better economies of scale in production and procurement to more areas. The Group has moved into harvest period after making huge capital investments in the past years. The Group will strive to improve utilization rate of its production platform to speed up business development in the coming year and beyond.

Riding on the thriving catering service market in China, which is still highly fragmented, the Group is confident of growing its traditional Consumer Segment Catering and at the same time make advancement in the huge and fast-growing new Institutional Segment Catering, expanding coverage to new institutions like railways by working closely with relevant government authorities. The Group will develop railway catering service by forming joint ventures that promise synergies to the business. The Group believes the Consumer Segment Catering and Institutional Segment Catering will both be presented with business opportunities by the booming economy in China.

The Group will explore business opportunities in markets that can use the support from the central kitchen before considering setting up new LDPCs/RDPCs. Wuhan, Fujian and Jianxi are some of the areas it has in mind.

For the Chinese Restaurants business, the Group will continue to add new restaurants at strategic locations that can allow them to ride on its well established industrial kitchen platforms. The Group will continue to expand in Beijing, Shanghai and Suzhou. Regarding the Theme Restaurants, the Group plans to expand the clientele of Golden Hans to include medium and high-end customers while continuing to take the restaurant chain to other cities in the country. It is optimistic about the future of its Restaurants business.

Riding on its leading industrial kitchen platform and brand advantage, the Group will push forward with expanding its business steadily and seeking to capture more new business opportunities. It will strive to gain a bigger market share in this highly fragmented Catering Services market in China.

Prospects

In the future, the Group is confident of growing its traditional Consumer Segment Catering and at the same time make advancement in the huge and fast-growing new Institutional Segment Catering, expanding coverage to railway catering service.

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 2008, 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 2008, 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"):
Dr 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 38 to 39 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 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 mergers and acquisition, 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 *(Chairman)*	6/6
Ms. Yao Juan	2/6
Mr. Tung Fai	6/6
Ms. Ku Wang	6/6
Non-executive Directors:	
Ms. Josephine Price	6/6
INEDs:	
Dr Tsui Wai Ling Carlye	6/6
Mr. Wong Chi Keung	6/6
Ms. Yang Liu	1/6
Mr. Su Gang Bing	5/6

During the year ended 31 March 2008, the Board has dealt with matters covering mainly the Group's overall strategy, annual, interim and quarterly results, internal control, significant mergers and acquisitions, capital and financial matters. The Board has delegated the day-to-day operations of the Group 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.

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 and the Chairman, Mr. Wei Dong, currently assumes this role. The Board believes that 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 a 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. Upon the expiry of the service contracts/appointment letters on 16 December 2007, all the Directors (except Ms. Josephine Price) entered a new service contract/signed a new letter of appointment with the Company for a term of three years commencing from 17 December 2007.

Code A.4.1 of the Code stipulates that non-executive directors should be appointed for a specific term, subject to re-election. Ms. Josephine Price, a Non-executive Director of the Company, has not been appointed for a specific term since the expiry of the appointment letter on 16 December 2007. Pursuant to 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. Accordingly, all Directors shall be subject to retirement by rotation and re-election at Annual General Meetings under the Articles and the Board considers that it is not necessary to appoint all Directors for a specific term as the Articles require all Directors to retire at least once every three years.

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.

No meeting of the Remuneration Committee was held during the year ended 31 March 2008. The remuneration of the Executive Directors and the Group's senior management 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 2008 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 2008, 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 2007; 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.

Code E.1.2 of the Code stipulates that the chairman of the Board and the chairmen (or if one is not available another member) of the audit, remuneration and nomination committees should attend the Annual General Meeting. Due to their offshore business engagements, the members of the Audit Committee did not attend the Annual General Meeting of the Company held in Hong Kong on 21 August 2007. The Board will finalize and inform the date of the Annual General Meeting as earliest as possible to make sure that at least one member of the Company's Audit Committee and Remuneration Committee would attend the Annual General Meeting of the Company in future.

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.

Internal Control

The Board has overall responsibility for maintaining the soundness and effectiveness of the internal control system and risk management procedures of the Group, including setting a management structure and its terms of reference to ensure efficient and effective use of the Group's resources to assist the Group in achieving its operation objectives, safeguarding the Group's assets against any unauthorized use or disposal and ensuring an appropriate maintenance of according records and the availability of reliable financial information for internal use or external release.

The Audit Committee assisted the Board in discharging its responsibilities for maintaining an effective system of internal controls on the Group's business operations. During the year, the Audit Committee has reviewed the quarterly working reports prepared by the risk assessment department of the Group and discussed with the relevant personnel the work plan for the forthcoming year together with their resource requirement to ensure the effectiveness of internal controls in the Group's business operations.

External Auditors' Remuneration

For the year ended 31 March 2008, the total remuneration for the audit services provided by the external auditors amounted to HK$5,400,000 (approximately RMB5,102,000). The audit fee was approved by the Audit Committee.

For the year ended 31 March 2008, the total remuneration for the permissible non-audit services provided by the external auditors amounted to HK$1,647,000 (approximately RMB1,556,000), comprising HK$732,000 (approximately RMB692,000) for the review of financial information included in the offering circular dated 16 October 2007 for the issuance of RMB1.5 billion in aggregate principal amount of zero coupon bonds due 2010 convertible into the shares of the Company, HK$336,000 (approximately RMB317,000) for the financial due diligence services provided in relation to the acquisition of majority stakes in Sky Charm Group Limited and HK$579,000 (approximately RMB547,000) for the review of the interim financial report and the quarterly results of the Group.

The re-appointment of CCIF CPA Limited as auditors of the Company has been recommended by the Audit Committee and endorsed by the Board and is subject to approval by the Shareholders at the forthcoming annual general meeting.

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 2008, the Group has actively participated in investor forums and road shows held in Hong Kong, the People's Republic of China (the "PRC") 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, 30 July 2008

Directors' Report

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 2008.

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 Theme Restaurants and the production and sale of Convenience Food products and other related business, in the People's Republic of China (the "PRC").

Results and Dividends

The Group's profit for the year ended 31 March 2008 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 44 to 112.

The Directors had declared an interim dividend of HK cents 11.5 per share (approximately equivalent to RMB cents 10.865 per share), totalling approximately HK$62,249,000 (equivalent to RMB58,813,000), which was paid on 18 January 2008.

The Directors recommend the payment of a final dividend of HK cents 12.6 per share (approximately equivalent to RMB cents 11.351 per share) in respect of the year, to the shareholders whose names appear on the register of members of the Company on 4 September 2008.

Closure of Register of Members

The register of members of the Company will be closed from 29 August 2008 to 4 September 2008, 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 28 August 2008.

Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five 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 notes 14 and 15 to the financial statements.

Share Capital and Share Option Scheme

Details of the movements in share capital of the Company during the year are set out in note 28 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 employees of the Group. The Scheme was conditionally adopted by the Company's Shareholders on 26 November 2004 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. The Scheme became effective on 17 December 2004.

The maximum number of shares available for issue under share options which may be granted under the Scheme and any other schemes is 54,129,675 shares, representing 10 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 Stock Exchange of Hong Kong Limited (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 proceeding the date of the offer; and (iii) the nominal value of the Company's shares.

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

Movements of the share options granted under the Scheme for the year ended 31 March 2008 are as follows:

Name or Category of participant	Balance as at 1 April 2007	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 March 2008	Date of grant	Exercisable period *(Note 1)*	Exercise price per share *(HK$)* *(Note 2)*
Director:								
Ms. Ku Wang	100,000	—	(20,000)	—	80,000	25 May 2006	25 May 2007 to 24 November 2014	15.61
Employees:								
In aggregate	3,860,000	—	(300,000)	(480,000)	3,080,000	25 May 2006	25 May 2007 to 24 November 2014	15.61
Total	3,960,000	—	(320,000)	(480,000)	3,160,000			

Notes:

1. *All holders of options granted under the Scheme may only exercise their options in the following manner:*

Date	*Percentage of shares subject to the options*
1st anniversary of the date of grant	*20%*
2nd anniversary of the date of grant	*40%*
3rd anniversary of the date of grant	*60%*
4th anniversary of the date of grant	*80%*
5th anniversary of the date of grant	*100%*

2. *The closing price per share of the Company immediately before the date of options granted was HK$15.25.*

3. *Valuation of the share options granted and its related accounting policy are set out in notes 25 and 2(o)(ii) to the financial statements, respectively.*

Reserves

Details of the movements in the reserves of the Group and the Company during the year are set out in note 28 to the financial statements.

Distributable Reserves

As at 31 March 2008, the Company's reserves, including the share premium account, available for distribution, calculated in accordance with the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands ("Companies Law"), amounted to RMB1,487,487,000, of which RMB61,444,000 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.

Subsidiaries

Details of the Company's subsidiaries as at 31 March 2008 are set out in note 18 to the financial statements.

Directors

The Directors of the Company during the year and up to the date of this annual report were:

Executive Directors
Mr. Wei Dong *(Chairman)*
Ms. Yao Juan
Mr. Tung Fai
Ms. Ku Wang

Non-executive Director
Ms. Josephine Price

Independent Non-executive Directors
Dr Tsui Wai Ling Carlye *BBS MBE JP*
Mr. Wong Chi Keung
Ms. Yang Liu
Mr. Su Gang Bing

In accordance with Article 87(1) and Article 87(2) 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

None of the Directors proposed for re-election at the forthcoming annual general meeting has entered or has proposed to enter into any service contracts 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 31 March 2008 are set out on pages 38 to 41.

Directors' Interests in Competing Business

During the year ended 31 March 2008, 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 and Debentures

As at 31 March 2008, 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
Mr. Wei Dong *(Note 1)*	Beneficial	285,000,000	Long	52.65%
Ms. Yao Juan *(Note 2)*	Beneficial	285,000,000	Long	52.65%

(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	Percentage Holding of Million Decade Shares
Mr. 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.*

(iii) Interest in share options of the Company

Name of Director	Date of Grant	Exercise Price	Exercisable Period	Position	Number of Shares in respect of Options Outstanding as at 31 March 2008
Ms. Ku Wang	25 May 2006	HK$15.61	25 May 2007 to 24 November 2014	Long	80,000

Save as disclosed above, as at 31 March 2008, none of the Directors or chief executive of the Company had any interest or short position in the shares, underlying shares and 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 Other Persons' Interests and Short Positions in the Shares, Underlying Shares and Debentures

As at 31 March 2008, the following shareholder (other than the Directors or chief executives of the Company whose interests and short positions in the shares, underlying shares and debentures of the Company are disclosed in the section headed "Directors' and chief executives' interests and short positions in the shares, underlying shares and debentures" above) had interests or short positions in the shares, underlying shares and debentures of the Company which were recorded in the register to be kept by the Company under section 336 of the SFO:

Interest in Shares

Name of Shareholder	Capacity	Number of Shares	Position	Approximate Percentage of the Company's Issued Share Capital
Bank of America Corporation	Interest of controlled corporation	28,798,000	Long	5.32%
Janus Capital Management LLC	Investment manager	32,918,000	Long	6.08%
UBS AG	Beneficial owner	5,817,774	Long	1.07%
	Person having a security interest in shares	36,497,809	Long	6.74%
	Interest of controlled corporation	1,834,000	Long	0.34%
JP Morgan Chase & Co	Beneficial owner	6,165,387	Long	1.14%
	Investment manager	39,679,470	Long	7.33%
	Custodian corporation/Approved lending agent	2,274,461	Long	0.42%

Short Position in Shares

Name of Person	Number of Shares	Approximate Percentage of the Company's Issued Share Capital
UBS AG	2,252,700	0.42%

Save as disclosed herein, there was no person known to any Directors or chief executives of the Company, who, as at 31 March 2008, had interests or short positions in the shares, underlying shares and 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.

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

As at the end of the year or at any time 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.

Management Contracts

No contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or existed during the year.

Connected Transactions

During the year, the Group has not entered into any significant connected transactions under Chapter 14A of the Listing Rules.

Purchase, Sale or Redemption of Listed Securities

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Bank Loans and Other Borrowings

Details of the Group's bank loans and other borrowings as at 31 March 2008 are set out in notes 23, 27 and 30 to the financial statements.

Major Customers and Suppliers

The aggregate sales and purchases attributable to the Group's five largest customers and suppliers respectively were less than 30 per cent. of the Group's total sales and purchases for the years ended 31 March 2008 and 2007.

Retirement Benefit Schemes

Details of the retirement benefit schemes of the Group are set out in note 12 to the financial statements.

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.

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

The PRC, 30 July 2008

Directors and Senior Management Profile

Directors

Executive Directors

Mr. Wei Dong, aged 39, is the Chairman and an Executive Director of the Company. Founding the Group in 1999, Mr. Wei is responsible for the Group's overall management and strategic planning and development. Prior to founding the Group, Mr. Wei worked for Nan Tong National Tax Bureau (南通市國家稅務局) for more than 8 years and was the general manager of a company engaging in the Chinese Restaurants business in the PRC. He graduated from the Jiangxi University of Finance and Economics (江西財經大學) majoring in taxation and from Tsinghua University (北京清華大學) with a master degree in business administration. He is currently a standing committee member of China Business Federation (中國商業聯合會).

Ms. Yao Juan, aged 36, is an Executive Director of the Company. She is also a director of two PRC-incorporated subsidiaries of the Company. She graduated from Shanghai Fudan University (上海復旦大學) with a bachelor degree in chemistry and from China Europe International Business School (中歐國際工商學院) with a master degree in business administration. Prior to founding the Group in 1999 with Mr. Wei Dong, she worked for a trading company and developed over five years of experience in import and export trade business. Ms. Yao is the spouse of Mr. Wei Dong.

Mr. Tung Fai, aged 46, is an Executive Director of the Company and joined the Group in 2003. He is also a director of a number of subsidiaries of the Company (including Sky Charm Group Limited ("Sky Charm")). He is responsible for the overall strategic planning and financial management of the Group. Mr. Tung has more than 15 years of experience in investment management and is experienced with the investment business environment in the PRC and Hong Kong. He holds a bachelor degree in finance from the Jiangxi University of Finance & Economics (江西財經大學).

Ms. Ku Wang, aged 37, is an Executive Director of the Company and joined the Group in 2004. She also holds a number of administrative positions in two subsidiaries of the Company. She is responsible for the overall administration of the Group. Prior to joining the Group, she worked with a foreign-owned enterprise in the PRC as an assistant economist. She has experience in trading and accounting. Ms. Ku graduated from Capital University of Economics and Business (首都經濟貿易大學) majoring in business and economics in 1993.

Non-executive Director

Ms. Josephine Price, aged 54, is a Non-executive Director of the Company. Ms. Price was formerly the Senior Managing Director of CLSA Capital Partners (HK) Limited. She joined CLSA in 1995 after leaving NatWest Markets where she was one of the joint-heads of the corporate finance division. She has been in Hong Kong for over 20 years. She is a graduate of the University of Kent at Canterbury, the United Kingdom. Ms. Price is a member of the Law Societies of England & Wales and Hong Kong and a fellow member of the Hong Kong Institute of Directors. She is also a member of the Hong Kong Securities Institute and a registered investment adviser in Hong Kong.

Independent Non-executive Directors

Dr Tsui Wai Ling Carlye *BBS MBE JP*, aged 61, is an Independent Non-executive Director of the Company. She is the Chief Executive Officer of The Hong Kong Institute of Directors. She is a Fellow of The Hong Kong Institute of Directors, The Hong Kong Institution of Engineers and The British Computer Society and an Honorary Fellow of the Hong Kong Association for Computer Education. She is a graduate from the University of Hong Kong with a BA degree and from Middlesex University with a Doctor in Professional Studies. A Justice of the Peace, Ms. Tsui was formerly a Wan Chai District Councillor, an Urban Councillor and a Provisional Urban Councillor. She is past Chairman and current Council Member of Hong Kong Chinese Orchestra. She is an independent non-executive director of RoadShow Holdings Limited, a company listed on the Main Board of the HKSE, and AXA Financial Services Trustees Limited. She was awarded one of the Ten Outstanding Young Persons in Hong Kong in 1981, IT Achiever of the Year 1992, Member of the Most Excellent Order of the British Empire in 1997, a Bronze Bauhinia Star in 2003 and the Middlesex University Ken Goulding Award 2007 for the most outstanding professional doctorate.

Mr. Wong Chi Keung, aged 53, is an Independent Non-executive Director of the Company. He obtained a master degree in business administration from the University of Adelaide in Australia in 1986. Mr. Wong is a fellow member of The Hong Kong Institute of Certified Public Accountants, The Chartered Association of Certified Accountants and CPA, Australia, an associate member of The Institute of Chartered Secretaries and Administrators and The Chartered Institute of Management Accountants. He is a Responsible Officer for asset management, advising on securities and corporate finance for Legend Capital Partners, Inc. under the SFO. He is formerly an executive director of Guangzhou Investment Company Limited, an independent non-executive director and a member of the audit committee of China Treasure (Greater China) Investments Limited and currently an independent non-executive director and a member of the audit committee of Asia Orient Holdings Limited, Asia Standard International Group Limited, Century City International Holdings Limited, China Nickel Resources Holdings Company Limited, China Ting Group Holdings Limited, Golden Eagle Retail Group Limited, First Natural Foods Holdings Limited, Great Wall Motor Company Limited, International Entertainment Corporation, PacMOS Technologies Holdings Limited, Paliburg Holdings Limited, Regal Hotels International Holdings Limited and TPV Technology Limited, all of which are listed on the HKSE. He has over 30 years of experience in financing, accounting and management.

Ms. Yang Liu, aged 45, is an Independent Non-executive Director of the Company. Ms. Yang is currently the vice chairperson of the China Cooking Association (中國烹飪協會). She has been involved with the China Cooking Association for many years and is experienced in the food and catering services industry.

Mr. Su Gang Bing, aged 65, is an Independent Non-executive Director of the Company. Mr. Su is currently the vice chairperson of the administration board of New Shanghai Business City (新上海商業城管理委員會). Mr. Su graduated from Shanghai Second Military Medicine University (上海第二軍醫大學) majoring in medicine in 1967. Mr. Su was a part-time professor in Shanghai Engineering Technology University (上海工程技術大學) in 1995.

Senior Management

Mr. Dong Biao Cheng, aged 42, is the Vice President of the Group. He is responsible for the financial management of the Group. He graduated from Jiangxi University of Finance and Economics (江西財經大學) majoring in statistics in 1989. Before joining the Group in May 2004, he was the chief Economist and Accountant of a company listed on the Main Board of the HKSE. He attained an accounting qualification given by the Finance Ministry of the PRC (中華人民共和國財政部) in 1997.

Mr. Hu Zhi Qiang, aged 39, is the Vice President of the Group. He is responsible for managing the Group's human resources. He graduated from Foreign Languages Department, Shanghai Teacher's University (上海師範大學外文系) in 1991. Prior to joining the Group in September 2004, Mr. Hu had worked in Amway China Corporation Ltd. as a senior human resources development manager since 2001. Working as senior managers in the human resources departments of various renowned companies such as Johnson & Johnson (China) Limited and General Electric Jiabao Lighting Co., Ltd., Mr. Hu has developed more than 10 years of experience in human resources management of multi-national companies.

Mr. Wang Wei Dong, aged 39, is the Vice President of the Group. He was formerly responsible for the establishment of the Group's centralized processing centres, the Group's division of sourcing and initial processing centres and central procurement department and currently for the Group's division of sales and marketing. He graduated from Jiangxi University of Finance and Economies (江西財經大學) with a bachelor degree in finance and from Beijing University (北京大學) with a master degree in business administration. Prior to joining the Group in January 2005, Mr. Wang had extensive general management experience in various PRC companies.

Mr. Liu Wei Dong, aged 42, joined the Group in February 2008 as general manager for the Group's division of finance and investment. He graduated from Jiangxi University of Finance and Economics (江西財經大學) majoring in finance. Prior to joining the Group, he has worked for more than 15 years in the PRC's banking industry.

Mr. Liu Zong Ji, aged 44, joined the Group in June 2006 and was formerly responsible for the Group's Shandong operations and high-speed railway catering operations. Starting from February 2008, he has been the Group's general manager in charge of the Group's catering business. He graduated from Shandong Academy of Finance (山東財經學院).

Mr. Lien Chien Wen, aged 52, joined the Group in March 2007 as the general manager for the Group's division of sourcing and initial processing business. He graduated from National Taiwan Ocean University and has over 20 years of professional management experience in food industries.

Mr. Sun Li Guo, aged 44, is the chairman and chief executive officer of the Group's Theme Restaurants business division. He is also a director of Sky Charm. He graduated from Light Technical Institute of Harbin (黑龍江省哈爾濱輕工業學校) with food and beverage-related profession. He has more than 12 years of working experience in chain restaurant operations and food manufacturing.

Dr Liu Chen Jang, *PHD*, aged 48, joined the Group in May 2007 as the general manager of the Group's R&D division. He graduated from University of Maryland, USA with a Doctor in food science. He has extensive experience in food R&D, food manufacturing and plant operations.

Mr. Yang Kai, aged 40, joined the Group in December 2007 as the Group's general manager in Chinese Restaurants business division. He graduated from Beijing University of Science and Technology (北京科技大學) and has more than 15 years of working experience in hotel and catering industry in the PRC.

Mr. Yang Lai Zhong, aged 47, joined the Group in October 2006. He is currently the Group's general manager in charge of the Group's construction division. He graduated from PLA No. 1 Capital Construction & Engineering College (基建工程兵第一高級技術學院).

Mr. Qin Jing Ha, aged 42, joined the Group in February 2008 as the Group's general manager in sales and marketing division. He graduated from Xuzhou Teacher's University (徐洲師範大學) in 1990 and has over 15 years experience in sales and marketing experience in FMCG industry in the PRC.

Mr. Zhang Guo Hua, aged 38, joined the Group in November 2007 as the Group's general manager in E-sales division. He graduated from Zhejiang University (浙江大學) with over 12 years of sales, marketing and e-commerce development experience.

Mr. Tian Wen Ji, aged 36, joined the Group in April 2006 and is currently the Group's general manager in the Convenience Food business segment. He graduated from East China Normal University (華東師範大學) in 1993 and has over 15 years experience in sales and marketing experience in the PRC commercial environment.

Mr. Ng Kwok Choi, aged 37, has been the Group's Financial Controller, Qualified Accountant and Company Secretary of the Company since April 2004. He is also a director of Sky Charm. He is responsible for the Group's overall financial planning and management of the Group. Before joining the Group, he had been the group financial controller of a company listed on the Main Board of the HKSE since July 2000 and had worked for more than five years in an international accounting firm in Hong Kong, from which he has gained extensive experience in accounting, auditing and taxation matters. Mr. Ng is a fellow member of The Chartered Association of Certified Accountants and an associate member of The Hong Kong Institute of Certified Public Accountants. He graduated from the Hong Kong University of Science and Technology majoring in Accounting in 1994.

Report of the Independent Auditor

CCIF

CCIF CPA LIMITED
20/F Sunning Plaza
10 Hysan Avenue
Causeway Bay, Hong Kong

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
FU JI FOOD AND CATERING SERVICES HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of FU JI Food and Catering Services Holdings Limited (the "Company") set out on pages 44 to 112, which comprise the consolidated and Company balance sheets as at 31 March 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2008 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

CCIF CPA Limited
Certified Public Accountants

Hong Kong, 30 July 2008

Chan Wai Dune, Charles
Practising Certificate Number P00712

Consolidated Income Statement

For the year ended 31 March 2008 (Expressed in Renminbi)

	Note	**2008 RMB'000**	2007 RMB'000
Turnover	4(a)	**1,915,594**	1,199,415
Other revenue	4(b)	**66,680**	52,000
Cost of materials consumed		**(787,773)**	(504,054)
Staff costs		**(194,945)**	(97,841)
Operating lease rentals		**(81,165)**	(29,422)
Depreciation and amortisation		**(154,485)**	(94,388)
Fuel and utility costs		**(53,796)**	(24,905)
Consumable stores		**(41,238)**	(13,917)
Other operating expenses		**(87,695)**	(53,222)
Profit from operations		**581,177**	433,666
Finance costs		**(105,401)**	(49,911)
Profit before taxation	5	**475,776**	383,755
Income tax	6(a)	**(49,459)**	(35,668)
Profit for the year		**426,317**	348,087
Attributable to:			
Equity shareholders of the Company		**410,956**	348,087
Minority interests		**15,361**	—
Profit for the year		**426,317**	348,087
Dividends payable to equity shareholders of the Company attributable to the year	10		
Interim dividend declared during the year		**58,813**	51,300
Final dividend proposed after the balance sheet date		**61,444**	53,288
		120,257	104,588
Earnings per share	11		
— basic		**77.2 cents**	68.9 cents
— diluted		**77.2 cents**	68.9 cents

The notes on pages 51 to 112 form part of these financial statements.

Consolidated Balance Sheet

At 31 March 2008 (Expressed in Renminbi)

	Note	2008 RMB'000	2008 RMB'000	2007 RMB'000	2007 RMB'000
Non-current assets					
Fixed assets					
— Property, plant and equipment	14		**3,190,914**		2,042,590
— Interests in leasehold land held for own use under operating leases	15		**241,153**		187,164
			3,432,067		2,229,754
Intangible asset	16		**161,465**		—
Goodwill	17		**393,188**		10,300
Deposits for acquisition of leasehold land			**5,800**		58,260
Deposit for construction of a processing centre			**189,100**		—
Deposits for leasehold improvements of new theme restaurants			**39,193**		—
Deposits for acquisition of property, plant and equipment			**54,957**		22,474
Deposit for acquisition of a subsidiary			**12,000**		—
			4,287,770		2,320,788
Current assets					
Inventories	19	**88,705**		27,848	
Trade and other receivables	20	**246,938**		77,079	
Pledged bank deposits	21	**136,438**		262,544	
Cash and cash equivalents	22	**957,430**		556,630	
		1,429,511		924,101	
Current liabilities					
Bank loans	23	**269,000**		319,500	
Trade and other payables	24	**347,511**		132,292	
Income tax payable	26	**38,630**		23,376	
		655,141		475,168	
Net current assets			**774,370**		448,933
Total assets less current liabilities			**5,062,140**		2,769,721

Consolidated Balance Sheet *(continued)*

At 31 March 2008 (Expressed in Renminbi)

	Note	**2008** RMB'000	**2008** RMB'000	2007 RMB'000	2007 RMB'000
Non-current liabilities					
Bank loans	23	**105,405**		—	
Convertible bonds due 2009	27	**441,293**		977,335	
Convertible bonds due 2010	27	**1,373,295**		—	
Consideration payable for the acquisition of the subsidiaries	30	**341,880**		—	
			2,261,873		977,335
NET ASSETS			**2,800,267**		1,792,386
CAPITAL AND RESERVES	28(a)				
Share capital			**5,665**		5,386
Reserves			**2,688,895**		1,787,000
Total equity attributable to equity shareholders of the Company			**2,694,560**		1,792,386
Minority interests			**105,707**		—
TOTAL EQUITY			**2,800,267**		1,792,386

Approved and authorised for issue by the Board of Directors on 30 July 2008.

Wei Dong
Director

Tung Fai
Director

The notes on pages 51 to 112 form part of these financial statements.

Balance Sheet

At 31 March 2008 (Expressed in Renminbi)

	Note	2008 RMB'000	2008 RMB'000	2007 RMB'000	2007 RMB'000
Non-current assets					
Investments in subsidiaries	18		517,819		3
Current assets					
Trade and other receivables	20	3,130,640		1,989,862	
Pledged bank deposits	21	7,279		—	
Cash and cash equivalents	22	260,360		20,207	
		3,398,279		2,010,069	
Current liabilities					
Trade and other payables	24	17,842		6,419	
Net current assets			3,380,437		2,003,650
Total assets less current liabilities			3,898,256		2,003,653
Non-current liabilities					
Bank loan	23		105,405		—
Convertible bonds due 2009	27		441,293		977,335
Convertible bonds due 2010	27		1,373,295		—
Consideration payable for the acquisition of the subsidiaries	30		341,880		—
NET ASSETS			1,636,383		1,026,318
CAPITAL AND RESERVES	28(b)				
Share capital			5,665		5,386
Reserves			1,630,718		1,020,932
TOTAL EQUITY			1,636,383		1,026,318

Approved and authorised for issue by the Board of Directors on 30 July 2008.

Wei Dong
Director

Tung Fai
Director

The notes on pages 51 to 112 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2008 (Expressed in Renminbi)

	Note	**2008** RMB'000	**2008** RMB'000	2007 RMB'000	2007 RMB'000
Total equity at 1 April					
As previously reported			**1,792,386**		1,445,561
Net income recognised directly in equity:					
Exchange differences on translation into presentation currency	28(a)	**(21,054)**		(12,584)	
Net profit for the year		**426,317**		348,087	
Total recognised income and expense for the year			**405,263**		335,503
Attributable to:					
Equity shareholders of the Company		**389,507**		335,503	
Minority interests		**15,756**		—	
		405,263		335,503	
Change in minority interests arising from acquisition of subsidiaries	28(a)		**89,951**		—
Dividends declared or approved during the year	28(a)		**(111,927)**		(90,148)
Movements in equity arising from capital transactions					
— exercise of share options	28(a)	**4,942**		—	
— equity component of convertible bonds issued	28(a)	**125,419**		11,541	
— conversion of convertible bonds into shares	28(a)	**488,471**		80,679	
— equity settled share-based transactions		**5,762**		9,250	
			624,594		101,470
Total equity at 31 March			**2,800,267**		1,792,386

The notes on pages 51 to 112 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 March 2008 (Expressed in Renminbi)

	Note	2008 RMB'000	2008 RMB'000	2007 RMB'000	2007 RMB'000
Operating activities					
Profit before taxation		**475,776**		383,755	
Adjustments for:					
Finance costs		**105,401**		49,911	
Interest income		**(27,818)**		(23,145)	
Depreciation and amortisation		**154,485**		94,388	
Loss on disposal of property, plant and equipment		**4,800**		185	
Write-down of inventories		**782**		358	
Equity settled share-based payment expenses		**6,043**		9,250	
(Reversal of impairment loss)/impairment loss for trade and other receivables		**(747)**		1,367	
Impairment loss on other receivables		**98**		—	
Foreign exchange gain		**(25,446)**		—	
Operating profit before changes in working capital		**693,374**		516,069	
Increase in inventories		**(42,962)**		(12,981)	
Increase in trade and other receivables		**(164,626)**		(20,024)	
Increase in trade and other payables		**73,005**		31,415	
Cash generated from operations		**558,791**		514,479	
Tax paid					
PRC income tax paid		**(35,185)**		(34,418)	
Net cash generated from operating activities			**523,606**		480,061
Investing activities					
Payments for the purchase of property, plant and equipment		**(1,226,120)**		(929,768)	
Payments for the acquisition of leasehold land		**(4,888)**		—	
Proceeds from disposal of property, plant and equipment		**5,030**		33	
Net cash outflow from acquisition of subsidiaries	30	**(158,424)**		(10,300)	
Payments for deposits in respect of:					
— purchase of property, plant and equipment		**(260,776)**		(20,525)	
— acquisition of leasehold land		**(800)**		(55,360)	
— acquisition of a subsidiary		**(12,000)**		—	
Decrease/(Increase) in pledged bank deposits		**102,598**		(151,757)	
Interest received		**30,634**		21,910	
Net cash used in investing activities			**(1,524,746)**		(1,145,767)

Consolidated Cash Flow Statement *(continued)*

For the year ended 31 March 2008 (Expressed in Renminbi)

	Note	2008 RMB'000	2008 RMB'000	2007 RMB'000	2007 RMB'000
Financing activities					
Increase in bills payable		**70,000**		—	
New bank loans raised		**406,905**		466,200	
Repayment of bank loans		**(352,000)**		(368,875)	
Net proceeds from issuance of convertible bonds		**1,459,324**		961,775	
Interest paid		**(30,960)**		(19,349)	
Proceeds from issuance of shares		**4,500**		—	
Dividends paid to equity shareholders of the Company		**(111,927)**		(90,148)	
Net cash generated from financing activities			**1,445,842**		949,603
Net increase in cash and cash equivalents			**444,702**		283,897
Cash and cash equivalents at 1 April			**556,630**		281,744
Effect of foreign exchange rate changes			**(43,902)**		(9,011)
Cash and cash equivalents at 31 March	22		**957,430**		556,630

The notes on pages 51 to 112 form part of these financial statements.

Notes to the Financial Statements

For the year ended 31 March 2008

1. General Information

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, and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "HKSE") on 17 December 2004. The addresses of the Company's registered office and principal place of business are disclosed in the corporate information section of the annual report.

The Company and its subsidiaries (together referred to as the "Group") are principally engaged in the provision of catering services, the operations of Chinese restaurants and Theme restaurants, and the production and sales of convenience food products and other related business.

2. Significant Accounting Policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the HKSE (the "Listing Rules"). A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these development to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 March 2008 comprise the Company and its subsidiaries.

The measurement basis used in the preparation of the financial statements is the historical cost basis. The functional currencies of the Company and its subsidiaries in the People's Republic of China (the "PRC") are Hong Kong dollars ("HK$") and Renminbi ("RMB") respectively. For the purposes of presenting the consolidated financial statements, the Group adopted Renminbi as its presentation currency.

2. Significant Accounting Policies *(continued)*

(b) Basis of preparation of the financial statements *(continued)*

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and the estimates with a significant risk of material adjustment in the next year are discussed in note 36.

(c) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised profits but only to the extent that there is no evidence of impairment.

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the Company.

2. Significant Accounting Policies *(continued)*

(c) Subsidiaries *(continued)*

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

Loans from holders of minority interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated balance sheet in accordance with notes 2(k), (l) or (m) depending on the nature of the liability.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 2(h)), unless the investment is classified as held for sale.

(d) Goodwill

Goodwill represents the excess of the cost of a business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 2(h)).

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination is recognised immediately in profit or loss.

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(e) Property, plant and equipment

The following items of property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 2(h)):

— buildings held for own use which are situated on leasehold land, where the fair value of the building could be measured separately from the fair value of the leasehold land at the inception of the lease (see note 2(g)); and

— other items of plant and equipment.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 2(t)).

2. Significant Accounting Policies *(continued)*

(e) Property, plant and equipment *(continued)*

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

— Buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion.

— Leasehold improvements	Over the lease terms
— Furniture and equipment	3–10 years
— Motor vehicles	5–7 years

No depreciation is provided in respect of construction in progress.

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(f) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(h)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

— Trademark "Golden Hans"	20 years

Both the period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

2. Significant Accounting Policies *(continued)*

(g) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

(h) Impairment of assets

(i) Impairment of financial assets

Financial assets that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

2. Significant Accounting Policies *(continued)*

(h) Impairment of assets *(continued)*

(i) Impairment of financial assets *(continued)*

If any such evidence exists, any impairment loss is determined and recognised as the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment;

— pre-paid interests in leasehold land classified as being held under an operating lease;

— investments in subsidiaries (except for those classified as held for sale (or included in a disposal group that is classified as held for sale)); and

— goodwill.

2. Significant Accounting Policies *(continued)*

(h) Impairment of assets *(continued)*

(ii) Impairment of other assets *(continued)*

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

— Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and Impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34 "Interim financial reporting" in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see note 2(h)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

2. Significant Accounting Policies *(continued)*

(i) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the first-in, first-out cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period in which the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(j) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 2(h)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment losses of doubtful debts (see note 2(h)).

(k) Convertible bonds

Convertible bonds that can be converted into equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition the liability component of the convertible bonds is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the capital reserve until either the bond is converted or redeemed.

If the bond is converted, the capital reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the bond is redeemed, the capital reserve is released directly to retained profits.

2. Significant Accounting Policies *(continued)*

(l) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(m) Trade and other payables

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(o) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Share based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial option pricing model (the "Binomial Model"), taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

2. Significant Accounting Policies *(continued)*

(o) Employee benefits *(continued)*

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(p) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary differences or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

2. Significant Accounting Policies *(continued)*

(p) Income tax *(continued)*

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(q) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(r) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the profit or loss as follows:

(i) Revenue from provision of catering services and restaurant operations

Revenue arising from provision of catering services and restaurant operations is recognised when the related services together with food products are rendered and provided to customers.

(ii) Revenue from sales of food products

Revenue from sales of food products is recognised when the products are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership.

2. Significant Accounting Policies *(continued)*

(r) Revenue recognition *(continued)*

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(iv) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(v) Government grants

Government grants are recognised in the balance sheet initially as deferred income when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised in profit or loss as revenue on a systematic basis over the useful life of the asset.

(vi) Transportation income

Transportation income is recognised when transportation services are rendered.

(s) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

For the purposes of presenting the consolidated financial statements, the results of the operations outside the PRC are translated into Renminbi at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into Renminbi at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity.

On disposal of an operation outside the PRC, the cumulative amount of the exchange differences recognised in equity which relate to that foreign operation is included in the calculation of the profit or loss on disposal.

2. Significant Accounting Policies *(continued)*

(t) Borrowing costs

Borrowing costs are expensed in profit or loss in the period in which they are incurred, except to the extent that they are capitalized as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalization of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(u) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(iv) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(v) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(v) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

2. Significant Accounting Policies *(continued)*

(v) Segment reporting *(continued)*

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances, corporate and financing expenses.

3. Changes in accounting policies

The HKICPA has issued a number of new and revised HKFRSs and Interpretations that are first effective or available for early adoption for the current accounting period of the Group and the Company.

There have been no significant changes to the accounting policies applied in these financial statements for the years presented as a result of these developments. However, as a result of the adoption of HKFRS 7 "Financial instruments: Disclosures" and the amendment to HKAS 1 "Presentation of financial statements: Capital disclosures", there have been some additional disclosures provided as follows:

As a result of the adoption of HKFRS 7, the financial statements include expanded disclosure about the significance of the Group's financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by HKAS 32 "Financial instruments: Disclosure and presentation". These disclosures are provided throughout these financial statements, in particular in note 29.

The amendment to HKAS 1 introduces additional disclosure requirements to provide information about the level of capital and the Group's objectives, policies and processes for managing capital. These new disclosures are set out in note 28(f).

Both HKFRS 7 and the amendment to HKAS 1 do not have any material impact on the classification, recognition and measurement of the amounts recognised in the financial instruments.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 37).

4. Turnover and other revenue

(a) Turnover

Turnover represents the sales value of goods supplied and services provided to customers, which excludes business tax and other government surcharge, less returns and discounts. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2008 **RMB'000**	2007 RMB'000
Catering Services business	**1,383,213**	932,323
Chinese Restaurants business	**275,033**	232,940
Theme Restaurants business	**191,431**	—
Convenience Food and related business	**65,917**	34,152
	1,915,594	1,199,415

(b) Other revenue

The amount of each significant category of other revenue is as follows:

	2008 **RMB'000**	2007 RMB'000
Interest income on financial assets not at fair value through profit or loss		
— Interest income from banks	**27,818**	23,145
Government grants	**33,212**	22,914
Rental income from sub-letting	**1,805**	913
Transportation income	**1,976**	3,099
Others	**1,869**	1,929
	66,680	52,000

Note: These government grants are one-off payments from the PRC government and the Group does not need to repay to the PRC government. These grants, made for business support, are generally awarded to enterprises on a discretionary basis. The Group received these government grants because of its investments and operations of catering services and restaurants in the PRC.

5. Profit Before Taxation

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

	2008 RMB'000	2007 RMB'000
a) Finance costs:		
Interest on bank borrowings wholly repayable within five years	**23,934**	19,349
Interest on convertible bonds	**81,276**	30,562
Total interest expense on financial liabilities not at fair value through profit or loss	**105,210**	49,911
Other borrowing costs	**191**	—
	105,401	49,911
b) Staff costs:		
Retirement costs		
— contributions to defined contribution retirement plans	**2,845**	2,186
Salaries, wages and other benefits	**186,057**	86,405
Equity-settled share-based payment expenses	**6,043**	9,250
	194,945	97,841
c) Other items:		
Cost of materials consumed	**787,773**	504,054
Auditors' remuneration		
— audit services	**5,102**	2,078
Operating leases rentals in respect of premises	**81,165**	29,422
Amortisation of land lease premium	**6,517**	2,423
Amortisation of intangible asset	**3,435**	—
Depreciation of property, plant and equipment	**144,533**	91,965
Loss on disposal of property, plant and equipment	**4,800**	185
Write-down of inventories	**782**	358
(Reversal of impairment loss)/Impairment loss for trade receivables	**(747)**	1,367
Net foreign exchange gain	**(11,468)**	(8,886)

6. Income Tax in the Consolidated Income Statement

(a) Income tax in the consolidated income statement represents:

	2008 RMB'000	2007 RMB'000
Current tax — PRC		
Provision for the PRC income tax for the year	**49,459**	35,668

No provision for Hong Kong Profits Tax has been made as the Group has no estimated assessable profits arising in Hong Kong for each of the years ended 31 March 2008 and 2007.

Taxation for the PRC subsidiaries is charged at the approximate current rates of taxation ruling in the tax jurisdictions of the PRC. During the year, certain PRC subsidiaries are subject to tax at 50% of the standard tax rates or fully exempt from income tax under the relevant tax rules and regulations.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2008 RMB'000	2007 RMB'000
Profit before taxation	**475,776**	383,755
Notional tax on profit before taxation, calculated at the PRC statutory rate	**73,868**	126,639
Effect of different tax rates in other tax jurisdictions	**(47,824)**	(413)
Tax effect of non-deductible expenses	**42,609**	733
Tax effect of additional tax deductions	**(53,614)**	(115,723)
Tax effect of non-taxable income	**(18,316)**	(3,507)
Tax effect of unused tax losses not recognised	**52,736**	27,939
Actual tax expense	**49,459**	35,668

(c) The Group had no significant potential deferred tax assets/liabilities for each of the years ended 31 March 2008 and 2007.

6. Income Tax in the Consolidated Income Statement *(continued)*

(d) On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC ("New Tax Law") which took effect on 1 January 2008 whereby PRC income tax rate was unified to 25% for all enterprises.

The State Council of the PRC passed an implementation guidance note ("Implementation Guidance") on 26 December 2007, which sets out details of how existing preferential income tax rates will be adjusted to the standard rate of 25%. According to the Implementation Guidance, certain PRC enterprises of the Group which have not fully utilised their five-year tax holiday will be allowed to continue to receive benefits of the full exemption from a reduction in income tax rate until expiry of the tax holiday, after which, the 25% standard rate will apply.

Pursuant to the Notice on the Implementation Rules for Grandfathering Relief under the New Tax Law ("Notice 39") issued by The State Council on 26 December 2007, effective from 1 January 2008, the existing preferential income tax rate of 15% pertaining to certain enterprises of the Group established in the PRC will gradually transit to the applicable tax rate of 25%.

The enactment of the New Tax Law is not expected to have any financial effect on the amounts accrued in the consolidated balance sheet in respect of current tax payable.

Further under the New Tax Law, from 1 January 2008, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business in the PRC but whose relevant income is not effectively connected with the establishment or a place of business in the PRC, will be subject to withholding tax at the rate of 10% (unless reduced by treaty) on various types of passive income such as dividends derived from sources within the PRC. As certain of the Group's foreign-invested enterprises are directly held by a Hong Kong incorporated subsidiary, a rate of 5% is applicable to the calculation of this withholding tax. The Group has already assessed the impact of the New Tax Law regarding this withholding tax and considered the New Tax Law would not have a significant impact on the results of operations and financial position of the Group as at 31 December 2007.

According to the notice Caishui 2008 No. 1 released by the Ministry of Finance and the State Administration of Taxation, distributions of the pre-2008 retained profits of a foreign-invested enterprise to a foreign investor in 2008 or after are exempt from corporate income tax. Accordingly, the retained profits as at 31 December 2007 in the Group's foreign-invested enterprise books and accounts will not be subject to 10% or 5% withholding tax on future distributions.

7. Directors' Remuneration

Details of directors' remuneration for the year are as follows:

Year ended 31 March 2008:

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement scheme contributions RMB'000	Sub-total RMB'000	Share-based payments (note) RMB'000	Total RMB'000
Executive Directors						
Mr. Wei Dong	—	1,185	—	1,185	—	1,185
Ms. Yao Juan	—	996	13	1,009	—	1,009
Mr. Tung Fai	—	556	11	567	—	567
Ms. Ku Wang	—	443	11	454	177	631
Non-executive Director						
Ms. Josephine Price	118	—	—	118	—	118
Independent Non-executive Directors						
Ms. Tsui Wai Ling, Carlye	118	—	—	118	—	118
Mr. Wong Chi Keung	118	—	—	118	—	118
Ms. Yang Liu	118	—	—	118	—	118
Mr. Su Gang Bing	118	—	—	118	—	118
	590	3,180	35	3,805	177	3,982

Year ended 31 March 2007:

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement scheme contributions RMB'000	Sub-total RMB'000	Share-based payments (note) RMB'000	Total RMB'000
Executive Directors						
Mr. Wei Dong	—	1,065	—	1,065	—	1,065
Ms. Yao Juan	—	866	18	884	—	884
Mr. Tung Fai	—	594	12	606	—	606
Ms. Ku Wang	—	425	10	435	234	669
Non-executive Director						
Ms. Josephine Price	—	—	—	—	—	—
Independent Non-executive Directors						
Ms. Tsui Wai Ling, Carlye	124	—	—	124	—	124
Mr. Wong Chi Keung	124	—	—	124	—	124
Ms. Yang Liu	124	—	—	124	—	124
Mr. Su Gang Bing	123	—	—	123	—	123
	495	2,950	40	3,485	234	3,719

7. Directors' Remuneration *(continued)*

There was no amount paid during the years ended 31 March 2008 and 2007 to any directors of the Company as inducement to join or upon joining the Group or as compensation for loss of office. There was no any arrangement under which a director waived or agreed to waive any remuneration during the years ended 31 March 2008 and 2007.

Note: These represent the estimated value of share options granted to the directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in note 2(o)(ii) and, in accordance with that policy, includes adjustments to reverse amounts accrued in previous years where grants of equity instruments are forfeited prior to vesting.

The details of these benefits in kind, including the principal terms and number of options granted, are disclosed under the paragraph "Share capital and share option scheme" in the Directors' Report and note 25.

8. Individuals with Highest Emoluments

Of the five individuals with the highest emoluments, one of them (2007: Nil) is a director whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of other four (2007: five) individuals are as follows:

	2008 RMB'000	2007 RMB'000
Basic salaries, allowances and other benefits	**2,282**	3,291
Retirement scheme contributions	**56**	94
Equity compensation benefits	**3,368**	5,840
	5,706	9,225
Number of senior management	**4**	5

The emoluments of the four (2007: five) individuals with the highest emoluments are within the following bands:

	2008 Number of individuals	2007 Number of individuals
RMB		
Nil – 1,000,000	**—**	—
1,000,001 – 1,500,000	**2**	2
1,500,001 – 2,000,000	**1**	1
2,000,001 – 2,500,000	**1**	—
2,500,001 – 3,000,000	**—**	2

There was no amount paid during the years ended 31 March 2008 and 2007 to the five highest paid employees as inducement to join or upon joining the Group or as compensation for loss of office.

9. Profit Attributable to Equity Shareholders of the Company

The consolidated profit attributable to equity shareholders of the Company includes a loss of approximately RMB172,895,000 (2007: RMB45,140,000) which has been dealt with in the financial statements of the Company.

Reconciliation of the above amount to the Company's profit for the year:

	2008 RMB'000	2007 RMB'000
Amount of consolidated loss attributable to equity shareholders dealt with in the Company's financial statements	**(172,895)**	(45,140)
Interim dividends from subsidiaries attributable to the profits of the current financial year, approved and paid during the year	**340,128**	160,589
Company's profit for the year (note 28(b))	**167,233**	115,449

10. Dividends

(a) Dividends payable to equity shareholders of the Company attributable to the year

	2008 RMB'000	2007 RMB'000
Interim dividend declared and paid of HK11.5 cents (equivalent to approximately RMB10.865 cents) per ordinary share (2007: HK10.2 cents (equivalent to approximately RMB10.093 cents) per ordinary share)	**58,813**	51,300
Final dividend of HK12.6 cents (equivalent to approximately RMB11.351 cents) per ordinary share proposed after the balance sheet date (2007: HK10.4 cents (equivalent to approximately RMB10.291cents) per ordinary share)	**61,444**	53,288
	120,257	104,588

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

10. Dividends *(continued)*

(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2008 RMB'000	2007 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK10.4 cents per ordinary share (2007: HK7.8 cents per ordinary share)	**53,114**	38,848

11. Earnings Per Share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB410,956,000 (2007: RMB348,087,000) and the weighted average number of 532,573,184 ordinary shares (2007: 504,908,488 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2008	2007
Issued ordinary shares at 1 April	**510,251,463**	502,362,563
Effect of issuance of shares under the exercise of share options	**232,787**	—
Effect of issuance of shares upon conversion of convertible bonds	**22,088,934**	2,545,925
Weighted average number of ordinary shares at 31 March	**532,573,184**	504,908,488

11. Earnings Per Share *(continued)*

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB410,956,000 (2007: RMB348,087,000) and the weighted average number of ordinary shares of 532,601,040 (2007: 505,069,265) ordinary shares, calculated as follows:

(i) Profit attributable to ordinary equity shareholders of the Company (diluted)

	2008 RMB'000	2007 RMB'000
Profit attributable to ordinary equity shareholders	**410,956**	348,087
After tax effect of effective interest on liability component of convertible bonds (note)	**—**	—
Profit attributable to ordinary equity shareholders (diluted)	**410,956**	348,087

Note: Because diluted earnings per share is increased when taking the convertible bonds into account, the convertible bonds are antidilutive and are ignored in the calculation of diluted earnings per share.

(ii) Weighted average number of ordinary shares (diluted)

	2008	2007
Weighted average number of ordinary shares at 31 March	**532,573,184**	504,908,488
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	**27,856**	160,777
Effect of conversion of convertible bonds (note)	**—**	—
Weighted average number of ordinary shares (diluted) at 31 March	**532,601,040**	505,069,265

Note: Because diluted earnings per share is increased when taking the convertible bonds into account, the convertible bonds are antidilutive and are ignored in the calculation of diluted earnings per share.

12. Retirement Benefits

Pursuant to the relevant labour rules and regulations in the PRC, the PRC subsidiaries of the Group participate in a defined contribution retirement scheme (the "Scheme") organised by the PRC municipal government whereby the PRC subsidiaries are required to contribute to the Scheme for the retirement benefits of eligible employees. Contributions made are calculated based on 10% to 22% of the payroll costs of the eligible employees. The PRC subsidiaries are not liable to any retirement benefits beyond its obligation to contribute, and the PRC municipal government is responsible for the entire pension obligations payable to the retired employees.

For providing retirement benefits to its employees in Hong Kong, the Group has set up a mandatory provident fund ("MPF") scheme which is available to all Hong Kong employees. The Group's and the employees' contributions to the MPF scheme are based on 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000, in accordance with the requirements of the Hong Kong Mandatory Provident Fund Scheme Ordinance and related regulations. Mandatory contributions to the MPF scheme are vested immediately.

Contributions made to the above schemes by the Group amounted to approximately RMB2,845,000 (2007: RMB2,186,000) for the year.

13. Segment Reporting

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 PRC.

Business segments

(i) Catering Services business

Catering Services segment is engaged in the sourcing and initial processing of food products and the provision of catering services for institutional and individual customers.

(ii) Chinese Restaurants business

Chinese Restaurants operation segment is engaged in the provision of dining services through the operation of a chain of Chinese restaurants.

13. Segment Reporting *(continued)*

Business segment *(continued)*

(iii) Theme Restaurant business

Theme Restaurants segment is engaged in the provision of self-brewed beer and BBQ dishes and other buffet foods, and live entertainment through the operation of a chain of theme restaurants.

(iv) Convenience Food and related business

Convenience Food segment is engaged in the production and sales of convenience food products and the related business.

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

	2008 **RMB'000**	2007 RMB'000
Turnover		
— Catering Services business	**1,383,213**	932,323
— Chinese Restaurants business	**275,033**	232,940
— Theme Restaurants business	**191,431**	—
— Convenience Food and related business		
— revenue from external customers	**65,917**	34,152
— inter-segment revenue	**19,622**	—
	1,935,216	1,199,415
Less: inter-segment revenue	**(19,622)**	—
	1,915,594	1,199,415
Segment results		
— Catering Services business	**459,145**	326,609
— Chinese Restaurants business	**50,410**	67,421
— Theme Restaurants business	**40,896**	—
— Convenience Food and related business	**(15,756)**	17,766
	534,695	411,796
Unallocated operating income and expenses, net	**46,482**	21,870
Profit from operations	**581,177**	433,666
Finance costs	**(105,401)**	(49,911)
Income tax	**(49,459)**	(35,668)
Profit for the year	**426,317**	348,087

13. Segment Reporting *(continued)*

Business segment *(continued)*

(b) Additional information on business segments:

	2008 RMB'000	2007 RMB'000
Segment assets		
— Catering Services business	**3,242,091**	2,059,004
— Chinese Restaurants business	**397,293**	273,405
— Theme Restaurants business	**737,303**	—
— Convenience Food and related business	**104,431**	—
	4,481,118	2,332,409
Unallocated corporate assets	**1,236,163**	912,480
Consolidated total assets	**5,717,281**	3,244,889
Segment liabilities		
— Catering Services business	**179,224**	67,870
— Chinese Restaurants business	**30,779**	26,020
— Theme Restaurants business	**359,717**	—
— Convenience Food and related business	**10,517**	—
	580,237	93,890
Unallocated corporate liabilities	**2,336,777**	1,358,613
Consolidated total liabilities	**2,917,014**	1,452,503
Capital expenditure during the year		
— Catering Services business	**1,177,537**	846,561
— Chinese Restaurants business	**167,837**	161,546
— Theme Restaurants business	**574,042**	—
— Convenience Food and related business	**85,103**	—
— Unallocated items	**20,238**	30,773
	2,024,757	1,038,880
Depreciation and amortisation for the year		
— Catering Services business	**98,560**	69,714
— Chinese Restaurants business	**35,399**	21,635
— Theme Restaurants business	**9,604**	—
— Convenience Food and related business	**8,379**	555
— Unallocated items	**2,543**	2,484
	154,485	94,388

14. Property, Plant and Equipment

	The Group										
	Buildings held for own use carried at cost RMB'000	Leasehold improvements RMB'000	Furniture and equipment (Restaurants) RMB'000	Furniture and equipment (Processing Centres) RMB'000	Furniture and equipment (convenience food and related business) RMB'000	Furniture and equipment (Theme restaurants) RMB'000	Furniture and equipment (Office) RMB'000	Motor vehicles RMB'000	Sub-total RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:											
At 1 April 2006	15,417	301,413	60,241	133,013	—	—	4,340	25,086	539,510	733,977	1,273,487
Exchange adjustments	—	(12)	—	—	—	—	(7)	—	(19)	—	(19)
Reclassification	—	—	(51,172)	56,859	—	—	(1)	(5,686)	—	—	—
Additions	78,763	18,131	6,176	15,958	—	—	4,426	8,700	132,154	832,335	964,489
Transfer in/(out)	3,248	254,467	—	44,653	—	—	—	—	302,368	(302,368)	—
Disposals	(178)	—	—	(60)	—	—	(3)	—	(241)	—	(241)
At 31 March 2007	97,250	573,999	15,245	250,423	—	—	8,755	28,100	973,772	1,263,944	2,237,716
At 1 April 2007	97,250	573,999	15,245	250,423	—	—	8,755	28,100	973,772	1,263,944	2,237,716
Addition from acquisition of subsidiaries	—	40,377	—	—	—	36,061	—	708	77,146	118	77,264
Additions	—	55,193	3,434	48,757	5,438	5,605	3,624	3,386	125,437	1,100,686	1,226,123
Transfer in/(out)	—	390,806	—	—	—	—	—	—	390,806	(390,806)	—
Disposals	—	(13,382)	—	(30)	—	(121)	(7)	(237)	(13,777)	—	(13,777)
At 31 March 2008	97,250	1,046,993	18,679	299,150	5,438	41,545	12,372	31,957	1,553,384	1,973,942	3,527,326
Accumulated amortisation and depreciation:											
At 1 April 2006	444	72,381	9,374	15,074	—	—	1,717	4,210	103,200	—	103,200
Exchange adjustments	—	(12)	—	—	—	—	(4)	—	(16)	—	(16)
Reclassification	—	—	(6,417)	7,554	—	—	—	(1,137)	—	—	—
Charge for the year	2,315	45,841	5,587	33,635	—	—	1,152	3,435	91,965	—	91,965
Written back on disposals	(6)	—	—	(17)	—	—	—	—	(23)	—	(23)
At 31March 2007	2,753	118,210	8,544	56,246	—	—	2,865	6,508	195,126	—	195,126
At 1 April 2007	2,753	118,210	8,544	56,246	—	—	2,865	6,508	195,126	—	195,126
Charge for the year	2,379	88,605	1,604	42,560	424	2,861	1,682	4,418	144,533	—	144,533
Written back on disposals	—	(3,122)	—	(3)	—	(51)	(3)	(68)	(3,247)	—	(3,247)
At 31 March 2008	5,132	203,693	10,148	98,803	424	2,810	4,544	10,858	336,412	—	336,412
Net book value											
At 31 March 2008	92,118	843,300	8,531	200,347	5,014	38,735	7,828	21,099	1,216,972	1,973,942	3,190,914
At 31 March 2007	94,497	455,789	6,701	194,177	—	—	5,890	21,592	778,646	1,263,944	2,042,590

All of the Group's buildings are located in the PRC. At 31 March 2008, the Group's building having a carrying amount of approximately RMB75,430,000 (2007: RMB Nil) was pledged as collateral for bills payable (see note 24).

The construction in progress primarily relates to the construction of the production premises and facilities of the Group's subsidiaries in the PRC.

15. Interests in Leasehold Land Held for Own Use Under Operating Leases

	The Group	
	2008	2007
	RMB'000	RMB'000
Cost		
At 1 April	**189,846**	11,122
Additions during the year	**60,506**	178,724
At 31 March	**250,352**	189,846
Accumulated amortisation		
At 1 April	**2,682**	259
Charge for the year	**6,517**	2,423
At 31 March	**9,199**	2,682
Net book value		
At 31 March	**241,153**	187,164

The land is held on medium-term leases and located in the PRC. At 31 March 2008, the Group's leasehold land having a carrying amount of RMB32,415,000 (2007: RMBNil) was pledged to secure banking facilities (see note 24) granted to the Group.

16. Intangible asset

	The Group
	RMB'000
Cost:	
Addition of Trademark through the acquisition of the subsidiaries and at 31 March 2008	164,900
Accumulated amortisation:	
Amortisation for the year and at 31 March 2008	(3,435)
Carrying amount:	
At 31 March 2008	161,465

The intangible asset represents trademark "Golden Hans" acquired during the year.

The amortisation charge for the year is included in "depreciation and amortisation" in the consolidated income statement.

16. Intangible asset *(continued)*

The fair value of trademark acquired was determined by an independent professional valuer based on a relief from royalty model, a commonly applied approach to valuing trademarks.

17. Goodwill

		The Group	
		2008	2007
	Note	**RMB'000**	RMB'000
Cost and carrying amount:			
At 1 April		**10,300**	—
Addition arising on acquisition of the subsidiaries	30	**382,888**	10,300
At 31 March		**393,188**	10,300

Impairment test for cash-generating unit containing goodwill

Goodwill is allocated to the Group's cash-generating units ("CGU") as follows:

	2008	2007
	RMB'000	RMB'000
Guangxi Meitong (Note a)	**10,300**	10,300
Theme restaurants (Note b)	**382,888**	—
	393,188	10,300

Notes:

(a) For the purposes of impairment testing, goodwill arose from the acquisition of a 100% equity interest in Guangxi Meitong Co., Ltd. ("Guangxi Meitong") on 25 November 2006. The Group paid a consideration of approximately RMB10,300,000 to acquire Guangxi Meitong so as to enjoy the tax benefit of Guangxi Meitong, and Guangxi Meitong did not own any material assets at the date of acquisition. Guangxi Meitong was awarded as "State-Level Industrialised Agricultural Leading Enterprises" of the nation by the central government of the PRC in December 2002. According to the circular Nong Jing Fa [2002] No. 14, Guangxi Meitong is entitled to full exemption of PRC enterprise income tax until December 2008.

Guangxi Meitong is principally engaged in the development, manufacturing and sales of food products within catering service business.

Goodwill is allocated to the cash generating unit of Guangxi Meitong ("CGU").

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

17. Goodwill *(continued)*

Note:

(a) *(continued)*

Key assumptions used for value-in-use calculations:

	2008	2007
	%	%
— Operating profit margin	**35.0**	35.0
— Growth rate	**3.0**	3.0
— Discount rate	**20.0**	17.7

Management determined the budgeted operating profit margin based on past performance and its expectation for market development. The discount rate used is pre-tax and reflects specific risks relating to the relevant segment.

The recoverable amount of the CGU is higher than its carrying amount based on value-in-use calculations. Accordingly, no impairment loss on goodwill is recognised in the consolidated income statement.

(b) *For the purpose of impairment testing, goodwill arose from the acquisition of a 60% equity interest in Sky Charm Group Limited ("Sky Charm") and its subsidiaries on 27 September 2007. Sky Charm is an investment holding company and its subsidiaries are principally engaged in the business of operating the theme restaurant chain, a chain of buffet restaurants that offers western-style barbequed food and its self-brewed beer. The directors of the Company believe that the acquisition provides an attractive opportunity for the Group to acquire a restaurant chain that offers diners a different dining experience, which is growing in popularity in the PRC. The acquisition will also allow the Group to procure and process food ingredients and raw materials for the theme restaurants through its centralized system of sourcing, processing and distribution centres to achieve a higher profit margin for the acquired restaurants through economies of scale and sharing of resources.*

The estimated consideration for the acquisition is approximately RMB 517,814,000 (the consideration is not finalized as the consideration is based on the Sky Charm's future operating performance (see note 30). Goodwill is allocated to the cash generating unit of the Theme Restaurants business.

The recoverable amount of CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five year period are extrapolated using the estimated rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

Key assumptions used for value-in-use calculations:

— Operating profit margin	**18.4%**
— Growth rate	**3.0%**
— Discount rate	**16.0%**

Management determined the budgeted operating profit margin based on past performance and its expectation for market development. The discount rate used is pre-tax and reflects specific risks relating to the relevant segment.

The recoverable amount of CGU is higher than its carrying amount based on value-in-use calculations. Accordingly, no impairment loss on goodwill is recognised in the consolidated income statement.

18. Investments in Subsidiaries

	The Company 2008 RMB'000	2007 RMB'000
Unlisted shares, at cost	**517,819**	3

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation and operation	Issued and fully paid share capital/ registered capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by subsidiary	Principal activities
Sky Achieve Limited ("Sky Achieve")	British Virgin Islands ("BVI")	US$200	100%	100%	—	Investment holding
Sky Charm Group Ltd.	BVI	USD50,000	60%	60%	—	Investment holding of subsidiaries operating theme restaurants
Fu Ji Management Limited	Hong Kong	HK$100	100%	—	100%	Provision of administrative services to group companies
Fu Ji United (Suzhou) Catering Co., Ltd. ("Suzhou Fu Ji")*	The People's Republic of China ("PRC")	US$968,500	100%	—	100%	Operation of Chinese restaurants and provision of catering services
Fu Ji United (Shanghai) Catering Ltd. ("Shanghai Fu Ji")*	The PRC	RMB15,000,000	100%	—	100%	Operation of Chinese restaurants and provision of catering services
Suzhou Weiji Catering System Services Ltd.# (note)	The PRC	RMB20,000,000	100%	—	100%	Operation of Chinese restaurants and provision of catering services
Shanghai Xing Bang Catering Services Ltd.* (note)	The PRC	HK$100,000,000	100%	—	100%	Provision of catering services
Shanghai Dong Wei Catering Services Ltd.# (note)	The PRC	RMB5,000,000	100%	—	100%	Provision of catering services
Shenzhen Fu Ji Standard Catering Services System Ltd.# (note)	The PRC	RMB10,000,000	100%	—	100%	Provision of catering services
Shangdong Auterlan Industrial Co., Ltd.*	The PRC	HK$126,000,000	100%	—	100%	Sourcing and initial processing business
Auterlan (Shandong) Agricultural Product Developing Co., Ltd. ** (note)	The PRC	US$12,820,000	100%	—	100%	Sourcing and initial processing business
Shandong Auterlan Meat Food Co., Ltd. ** (note)	The PRC	US$10,000,000	100%	—	100%	Sourcing and initial processing business

18. Investments in Subsidiaries *(continued)*

Name of company	Place of incorporation and operation	Issued and fully paid share capital/ registered capital	Proportion of ownership interest: Group's effective holding	Held by the Company	Held by subsidiary	Principal activities
Shanghai Ke Qian Logistics Co., Ltd.# (note)	The PRC	RMB5,000,000	100%	—	100%	Provision of logistics services
Shanghai Duo Xian Le Food Sales Co., Ltd.# (note)	The PRC	RMB100,000,000	100%	—	100%	Operation of supermarkets
Fu Ji United Jiading Catering Co., Ltd.# (note)	The PRC	RMB5,000,000	100%	—	100%	Operation of Chinese restaurants
Guangxi Meitong Co., Ltd. ** (note)	The PRC	HK$600,000,000	100%	—	100%	Sourcing and initial processing business
Wuxi Meitong Food Technology Co., Ltd. **	The PRC	USD25,000,000	100%	—	100%	Sourcing and initial processing business
Shanghai Daily Fresh Food Industry Co., Ltd. ("Shanghai Daily Fresh Food") *	The PRC	HK$100,000,000	100%	—	100%	Provision of catering services
Beijing Yao Du Catering Co Ltd.* (note)	The PRC	RMB15,000,000	100%	—	100%	Operation of Chinese restaurants
Fu Ji United (Suzhou) Yu Hua Yuan Catering Co., Ltd.# (note)	The PRC	RMB1,000,000	100%	—	100%	Operation of Chinese restaurants
Auterlan (Beijing) Food Industry Co., Ltd.**	The PRC	USD12,500,000	100%	—	100%	Sourcing and initial processing business
Shanghai Dong Rui Catering Services Ltd.# (note)	The PRC	RMB1,000,000	100%	—	100%	Provision of catering services
Qing Dao Wei Xian Da Catering Services Ltd. (note)	The PRC	HK$150,000,000	100%	—	100%	Provision of catering services

* : *Registered under the laws of the PRC as wholly foreign-owned enterprise.*

** : *Registered under the laws of the PRC as sino-foreign equity enterprise.*

\# : *Registered under the laws of the PRC as limited liability enterprise.*

(note) : *For identification only.*

19. Inventories

	The Group 2008 RMB'000	The Group 2007 RMB'000
Raw materials and consumable stores	**81,311**	27,848
Goods for resale	**7,394**	—
	88,705	27,848

20. Trade and Other Receivables

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Amounts due from subsidiaries	**—**	—	**3,127,696**	1,987,842
Trade debtors	**53,790**	31,094	**—**	—
Advances to suppliers	**27,093**	163	**—**	—
Advances to employees	**22,587**	1,341	**—**	—
Interest receivable	**49**	2,865	**—**	—
Loans and receivables	**103,519**	35,463	**3,127,696**	1,987,842
Rental and other deposits				
— property rental deposits	**20,876**	8,943	**—**	—
— other deposits	**23,310**	11,407	**1,802**	1,979
Prepayments				
— property rental	**20,052**	7,886	**—**	—
— others	**8,041**	7,166	**1,142**	—
Other taxes recoverable	**7,682**	—	**—**	—
Others	**63,458**	6,214	**—**	41
	246,938	77,079	**3,130,640**	1,989,862

The amounts due from subsidiaries are unsecured, non-interest bearing and have no fixed terms of repayment.

All of the trade and other receivables, apart from rental and other deposits, are expected to be recovered or recognised as expense within one year.

(a) Ageing analysis

Trade debtors are generally granted with credit terms ranging from 30 days to 180 days. An ageing analysis of trade receivables is as follows:

	The Group	
	2008	2007
	RMB'000	RMB'000
Within 1 month	**28,464**	12,383
More than 1 month but less than 3 months	**16,827**	10,619
More than 3 months but less than 6 months	**3,985**	7,665
More than 6 months	**7,011**	3,671
	56,287	34,338
Less: Impairment loss for doubtful debts	**(2,497)**	(3,244)
	53,790	31,094

20. Trade and Other Receivables *(continued)*

(b) Impairment of trade debtors

Impairment losses in respect of trade debtors are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly (see note 2(h)(i)).

The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	The Group	
	2008	2007
	RMB'000	RMB'000
At 1 April	**3,244**	1,877
(Reversal of impairment loss)/Impairment loss recognised	**(747)**	1,367
At 31 March	**2,497**	3,244

At 31 March 2008, the Group's trade debtors of RMB2,497,000 (2007: RMB3,244,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowances for doubtful debts of RMB315,000 (2007: RMB1,367,000) were recognised. The Group does not hold any collateral over these balances.

(c) Trade debtors that are not impaired

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

	The Group	
	2008	2007
	RMB'000	RMB'000
Neither past due nor impaired	**34,945**	15,015
Less than 1 month past due	**6,947**	4,392
1 to 3 months past due	**6,682**	8,374
Over 3 months past due	**5,022**	1,143
	18,651	13,909
	53,596	28,924

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

20. Trade and Other Receivables *(continued)*

(c) Trade debtors that are not impaired *(continued)*

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

21. Pledged Bank Deposits

Pledged bank deposits as at 31 March 2008 and 2007 were used to secure for:

	The Group		**The Company**	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Bank loans (note 23)	**128,813**	262,172	**—**	—
Corporate card facility	**346**	372	**—**	—
Catering service contracts	**7,279**	—	**7,279**	—
	136,438	262,544	**7,279**	—

22. Cash and Cash Equivalents

	The Group		**The Company**	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash at bank	**949,034**	554,480	**260,360**	20,207
Cash on hand	**8,396**	2,150	**—**	—
Total	**957,430**	556,630	**260,360**	20,207

23. Bank Loans

Bank loans are repayable as follows:

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 1 year as classified under current liabilities	**269,000**	319,500	**—**	—
After 1 year but within 2 years	**—**	—	**—**	—
After 2 years but within 5 years	**105,405**	—	**105,405**	—
As classified under non-current liabilities	**105,405**	—	**105,405**	—
Total	**374,405**	319,500	**105,405**	—

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
As at 31 March, the bank loans were analysed as follows:				
Secured	**119,000**	249,500	**—**	—
Unsecured	**255,405**	70,000	**105,405**	—
	374,405	319,500	**105,405**	—
Bank loans secured by				
— the Group's bank deposits (see note 21)	**119,000**	249,500	**—**	—
— corporate guarantees by Shanghai Fu Ji and Suzhou Fu Ji, the wholly-owned subsidiaries of the Company	**90,000**	20,000	**—**	—
— corporate guarantee by Shanghai Daily Fresh Food, a wholly-owned subsidiary of the Company	**60,000**	50,000	**—**	—
	269,000	319,500	**—**	—

The bank loans amounting to RMB269,000,000 are denominated in Renminbi. The bank loan amounting to RMB105,405,000 is denominated in United States dollar. There were no unutilised banking facilities as at 31 March 2008 and 2007.

23. Bank Loans *(continued)*

At 31 March 2008, the terms of the bank loans were as follows:

(a) Secured bank loans of RMB119,000,000 (2007: RMB249,500,000), which carried effective interest at 6.723% (2007: 4.860%–5.022%) per annum and are repayable within one year, are secured by charges over the Group's bank deposits (see note 21).

(b) Unsecured bank loans of RMB150,000,000 (2007: RMB70,000,000), which carried effective interest at 7.227%–8.217% (2007: 5.580%–6.732%) per annum, are repayable within one year.

(c) Unsecured bank loan of RMB105,405,000 (2007: RMB Nil), which carried effective interest at 10.611% (2007: Nil) per annum, is repayable after one years but within five years.

24. Trade and Other Payables

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade payables	**126,195**	21,481	**—**	—
Bills payable	**70,000**	—	**—**	—
Accrued staff costs	**27,214**	10,309	**—**	—
Payables for acquisition of fixed assets	**28,479**	35,803	**—**	—
Other accrued expenses	**33,417**	20,875	**17,494**	6,264
Interest payables	**7,222**	388		
Other payables	**6,975**	2,097	**—**	—
Amounts due to subsidiaries	**—**	—	**348**	155
Financial liabilities measured at amortised cost	**299,502**	90,953	**17,842**	6,419
Other taxes payable	**19,827**	27,672	**—**	—
Deposits received	**1,570**	2,361	**—**	—
Receipts in advance	**26,612**	11,306	**—**	—
	347,511	132,292	**17,842**	6,419

Bills payable is secured by a charge over certain of the Group's land and buildings (see note 14 and 15)

The amounts due to subsidiaries are unsecured, non-interest bearing and have no fixed terms of repayment.

All of the trade and other payables are expected to be settled within one year.

24. Trade and Other Payables *(continued)*

An ageing analysis of trade payables is as follows:

	The Group	
	2008	2007
	RMB'000	RMB'000
Within 1 month	**64,950**	11,637
After 1 month but within 3 months	**44,724**	6,783
After 3 months but within 6 months	**4,748**	1,658
After 6 months	**11,773**	1,403
	126,195	21,481

25. Equity Settled Share-based Transactions

The Company has a share option scheme which became effective on 17 December 2004 whereby the directors of the Company are authorised, at their discretion, to invite employees of the Group, including directors of any company in the Group, to take up options at a nominal consideration of HK$1.00 to subscribe for shares of the Company. Share options granted are subject to a vesting scale in tranches of 20 per cent each per annum starting from the first anniversary and fully vested in the fifth anniversary of the date of grant, providing that the grantees remain employ of the Group. The vested share options are exercisable within 8.5 years of the grant date. Each option gives the holder the right to subscribe for one ordinary share in the Company.

(a) The terms and conditions of the grants that existed during the year are as follows, whereby all options are settled by physical delivery of shares:

	Number of instruments	**Vesting conditions**	**Contractual life of options**
Options granted to a director of the Company/employees of the Group:			
— on 25 May 2006	20,600,000	20% first anniversary of the date of grant; 20% second anniversary of the date of grant; 20% third anniversary of the date of grant; 20% fourth anniversary of the date of grant; and 20% fifth anniversary of the date of grant	8.51 years

25. Equity Settled Share-based Transactions (continued)

(b) The number and weighted average exercise prices of share options are as follows:

	2008 Weighted average exercise price	**2008** Number of options	2007 Weighted average exercise price	2007 Number of options
Outstanding at the beginning of the year	**HK$15.61**	**3,960,000**	—	—
Granted during the year	—	—	HK$15.61	20,600,000
Cancelled during the year	—	—	HK$15.61	(16,480,000)
Forfeited during the year	**HK$15.61**	**(480,000)**	HK$15.61	(160,000)
Exercised during the year	**HK$15.61**	**(320,000)**	—	—
Outstanding at the end of the year	**HK$15.61**	**3,160,000**	HK$15.61	3,960,000
Exercisable at the end of the year	**HK$15.61**	**472,000**	—	—

The weighted average share price at the date of exercise for share options exercised during the year was HK$26.61 (2007: not applicable).

The options outstanding at 31 March 2008 had an exercise price of HK$15.61 (2007: HK$15.61) and a weighted average remaining contractual life of 6.65 years (2007: 7.65 years).

(c) Fair value of share option and assumptions:

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on the Binomial Model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the Binomial Model.

Fair value of share options and assumptions

	2007
Fair value at measurement date	HK$6.58
Market price per share	HK$14.85
Exercise price per share	HK$15.61
Expected volatility (expressed as weighted average volatility used in the modelling under the Binominal Model)	54.06%
Option life (expressed as weighted average life used in the modelling under the Binominal Model)	8.51 years
Expected dividends	1.18%
Risk-free interest rate (based on the exchange fund notes issued by the Hong Kong Monetary Authority)	4.80%

25. Equity Settled Share-based Transactions *(continued)*

(c) Fair value of share option and assumptions: *(continued)*

The expected volatility is based on the historic volatility of the price return of the ordinary shares of the Company at measurement date. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the fair value measurement of the services received on the grant date. There were no market conditions associated with the share option grants.

(d) Terms of unexpired and unexercised share options at balance sheet date:

Exercise period	**Exercise price**	**Number**	
		2008	2007
25 May 2007 to 25 November 2014	HK$15.61	**3,160,000**	3,960,000

Each option entitles the holder to subscribe for one ordinary share in the Company. Further details of these options are set out above.

26. Income Tax in the Consolidated Balance Sheet

(a) Current income tax in the consolidated balance sheet represents:

	The Group	
	2008	2007
	RMB'000	RMB'000
At 1 April	**23,376**	22,126
Acquisition of subsidiaries	**980**	—
Provision for PRC income tax for the year	**49,459**	35,668
PRC income tax paid	**(35,185)**	(34,418)
At 31 March	**38,630**	23,376

(b) Deferred taxation

The Group had no material deferred taxation not provided for at 31 March 2008 and 2007.

27. Convertible Bonds

(a) Issue of HK$600,000,000 Zero Coupon convertible Bond due 2010 (the "JPM Bonds")

On 14 October 2005, the Company issued zero coupon convertible bonds (the "JPM Bonds") with an aggregate principal amount of HK$600,000,000 (equivalent to approximately RMB624,000,000) and a maturity date of 14 October 2010. The bondholders have the right to convert their bonds into the Company's new ordinary shares at any time during the period from 25 November 2005 to 30 September 2010 at an initial conversion price of HK$10.253 per ordinary share (subject to adjustment).

As a result of the declaration and payment of the interim dividend for the six months ended 30 September 2005 and the approval for the payment of the final dividend for the year ended 31 March 2007, the conversion price for the JPM Bonds was adjusted to HK$10.125 per ordinary share with effect from 15 August 2007.

The JPM Bonds that are not converted into ordinary shares will be redeemed at 132.769% of its principal amount on the maturity date. The JPM Bonds are unsecured.

During the year ended 31 March 2007, all of the JPM Bonds have been converted into the Company's new ordinary shares.

Interest expense on the JPM Bonds is calculated using the effective interest method by applying the effective interest rate of 6.547% per annum to the liability component.

(b) Issue of HK$1,000,000,000 Zero Coupon Convertible Bonds due 2009 (the "UBS Bonds")

On 9 November 2007, the Company issued another zero coupon convertible bonds (the "UBS Bonds") with an aggregate principal amount of HK$1,000,000,000 (equivalent to approximately RMB989,500,000). Each UBS Bond has a face value of HK$10,000 with a maturity date of 9 November 2009 and is unsecured.

The bondholders have the right to convert their bonds into the Company's new ordinary shares at any time during the period from 20 December 2006 and thereafter up to 25 October 2009 at an initial conversion price of HK$17.51 per ordinary share (subject to adjustment).

27. Convertible Bonds *(continued)*

(b) Issue of HK$1,000,000,000 Zero Coupon Convertible Bonds due 2009 (the "UBS Bonds") *(continued)*

As a result of the approval and the payment of the final dividend for the year ended 31 March 2007 and the declaration and payment of the interim dividend for the six months ended 30 September 2006 and 2007, the conversion price for the UBS Bonds was adjusted to HK$17.18 per ordinary share with effect from 18 January 2008.

The UBS Bonds, in respect of which conversion rights have not been exercised, will be redeemed at 118.549% of its principal amount on 9 November 2009.

During the year ended 31 March 2008, UBS Bonds with an aggregate principal amount of HK$538,000,000 (approximately equivalent to RMB484,684,000) were converted into the Company's new ordinary shares.

Interest expenses on the UBS Bonds is calculated using the effective interest method by applying the effective rate of 6.116% per annum to the liability component of UBS Bonds.

(c) Issue of RMB1,500,000,000 RMB Denominated HK$ Settled Zero Coupon Convertible Bonds due 2010 (the "Citi Bonds")

On 18 October 2007, the Company issued RMB denominated HK$ settled zero coupon bonds (the "Citi Bonds") with an aggregate principal amount of RMB1,500,000,000. Each Citi Bond has a face value of RMB100,000 with a maturity date of 18 October 2010 and is unsecured.

The bondholders have the right to convert their bonds into the Company's new ordinary shares at any time during the period from and including 28 November 2007 and thereafter up to 11 October 2010 at an initial conversion price of HK$32.825 per ordinary share at a fixed exchange rate HK$1.00 = RMB0.96893. (subject to adjustment).

The Citi Bond that are not converted into ordinary shares will be redeemed at 107.3399% of the principal amount on the maturity date.

Since the date of issue up to 31 March 2008, no Citi Bond was converted into the Company's new ordinary shares.

Interest expenses on the Citi Bond is calculated using the effective interest method by applying the effective rate of 5.392% per annum to the liability component of Citi Bond.

28. Capital and Reserves

(a) The Group

	Share capital RMB'000	Share premium RMB'000	Statutory reserve RMB'000	Capital reserve RMB'000	Merger reserve RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Total RMB'000	Minority interests RMB'000	Total equity RMB'000
At 1 April 2006	5,308	908,701	—	1,500	23,000	(565)	507,617	1,445,561	—	1,445,561
Equity component of convertible bonds issued	—	—	—	11,541	—	—	—	11,541	—	11,541
Equity settled share-based transactions	—	—	—	9,250	—	—	—	9,250	—	9,250
Share issued upon conversion of convertible bonds	78	82,101	—	(1,500)	—	—	—	80,679	—	80,679
Exchange difference on translation into presentation currency	—	—	—	—	—	(12,584)	—	(12,584)	—	(12,584)
Dividends approved in respect of the previous year	—	—	—	—	—	—	(38,848)	(38,848)	—	(38,848)
Dividends declared in respect of the current year	—	—	—	—	—	—	(51,300)	(51,300)	—	(51,300)
Transfer to statutory reserve	—	—	11,500	—	—	—	(11,500)	—	—	—
Profit for the year	—	—	—	—	—	—	348,087	348,087	—	348,087
At 31 March 2007	5,386	990,802	11,500	20,791	23,000	(13,149)	754,056	1,792,386	—	1,792,386
At 1 April 2007	5,386	990,802	11,500	20,791	23,000	(13,149)	754,056	1,792,386	—	1,792,386
Equity settled share-based transactions	—	—	—	5,762	—	—	—	5,762	—	5,762
Forfeiture of share options	—	—	—	(870)	—	—	870	—	—	—
Shares issued upon the exercise of share options	3	6,601	—	(1,662)	—	—	—	4,942	—	4,942
Equity component of convertible bonds issued	—	—	—	125,419	—	—	—	125,419	—	125,419
Shares issued upon conversion of convertible bonds	276	494,404	—	(6,209)	—	—	—	488,471	—	488,471
Exchange difference on translation into presentation currency	—	—	—	—	—	(21,449)	—	(21,449)	395	(21,054)
Acquisition of the subsidiaries	—	—	—	—	—	—	—	—	89,951	89,951
Dividends approved in respect of the previous year	—	—	—	—	—	—	(53,114)	(53,114)	—	(53,114)
Dividends declared in respect of the current year	—	—	—	—	—	—	(58,813)	(58,813)	—	(58,813)
Transfer to statutory reserve	—	—	75,560	—	—	—	(75,560)	—	—	—
Profit for the year	—	—	—	—	—	—	410,956	410,956	15,361	426,317
At 31 March 2008	5,665	1,491,807	87,060	143,231	23,000	(34,598)	978,395	2,694,560	105,707	2,800,267

28. Capital and Reserves *(continued)*

(b) The Company

	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 April 2006	5,308	908,701	1,500	(6,780)	36,726	945,455
Equity component of convertible bonds issued	—	—	11,541	—	—	11,541
Equity settled share-based transactions	—	—	9,250	—	—	9,250
Shares issued upon conversion of convertible bonds	78	82,101	(1,500)	—	—	80,679
Exchange difference on translation into presentation currency	—	—	—	(45,908)	—	(45,908)
Dividends approved in respect of the previous year	—	—	—	—	(38,848)	(38,848)
Dividends declared in respect of the current year	—	—	—	—	(51,300)	(51,300)
Profit for the year	—	—	—	—	115,449	115,449
At 31 March 2007	5,386	990,802	20,791	(52,688)	62,027	1,026,318
At 1 April 2007	5,386	990,802	20,791	(52,688)	62,027	1,026,318
Equity settled share-based transactions	—	—	5,762	—	—	5,762
Shares issued under the exercise of share options	3	6,601	(1,662)	—	—	4,942
Forfeiture of share options	—	—	(870)	—	870	—
Equity component of convertible bonds issued	—	—	125,419	—	—	125,419
Shares issued upon conversion of convertible bonds	276	494,404	(6,209)	—	—	488,471
Exchange difference on translation into presentation currency	—	—	—	(69,835)	—	(69,835)
Dividends approved in respect of the previous year	—	—	—	—	(53,114)	(53,114)
Dividends declared in respect of the current year	—	—	—	—	(58,813)	(58,813)
Profit for the year	—	—	—	—	167,233	167,233
At 31 March 2008	5,665	1,491,807	143,231	(122,523)	118,203	1,636,383

28. Capital and Reserves *(continued)*

(c) Share capital

Authorised and issued share capital

	2008 Number of shares	2008 RMB'000	2007 Number of shares	2007 RMB'000
Authorised:				
Ordinary shares of HK$0.01 each	**2,000,000,000**	**21,200**	2,000,000,000	21,200
Issued and fully paid:				
At 1 April	**510,251,463**	**5,386**	502,362,563	5,308
Shares issued under the exercise of share options	**320,000**	**3**	—	—
Shares issued upon conversion of convertible bonds	**30,725,293**	**276**	7,888,900	78
At 31 March	**541,296,756**	**5,665**	510,251,463	5,386

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per ordinary share at the shareholders' meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(d) Nature and purpose of reserves

(i) Share premium

Share premium represents the share premium of the Company, the application of which is governed by the Companies Law of the Cayman Islands. Under the Companies Law (Revised) of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of the business.

(ii) Capital reserve

The capital reserve comprises the following:

— the value of the unexercised equity component of convertible bonds issued by the Company recognised in accordance with the accounting policy adopted for convertible bonds in note 2(k); and

— the fair value of the actual or estimated number of unexercised share options granted to employees of the Company recognised in accordance with the accounting policy adopted for share based payments in note 2(o)(ii).

28. Capital and Reserves *(continued)*

(d) Nature and purpose of reserves *(continued)*

(iii) Merger reserve

Merger reserve of the Group represents the difference between the nominal value of shares of subsidiaries acquired over the nominal value of the shares issued by the Company in exchange thereof.

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statement of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 2(s).

(v) PRC statutory reserve

Transfers from retained earnings to statutory reserve fund were made in accordance with the relevant PRC rules and regulations and the articles of association of the Company's subsidiaries established in the PRC and were approved by the respective boards of directors.

Statutory reserve fund can be used to make good previous years' losses, if any, and may be converted into paid-up capital provided that the balance of the statutory reserve fund after such conversion is not less than 25% of their registered capital.

The Company's subsidiaries in the PRC are required to transfer a minimum of 10% of their net profits, as determined in accordance with the PRC accounting rules and regulations, to the statutory reserve fund until the reserve balance reaches 50% of the registered capital. The transfer to this fund must be made before distribution of dividends to equity holders.

(e) Distributable reserves

As at 31 March 2008, the aggregate amount of reserves available for distribution to equity shareholders of the Company was RMB1,487,487,000 (2007: RMB1,000,141,000) subject to the restrictions stated above. After the balance sheet date, the directors proposed a final dividend of HK12.6 cents per ordinary share (2007: HK10.4 cents per share), amounting to RMB61,444,000 (2007: RMB53,288,000). This dividend has not been recognised as a liability at the balance sheet date.

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

28. Capital and Reserves *(continued)*

(f) Capital management *(continued)*

Consistent with industry practice, the Group monitors its capital structure on the basis of a net debt-to-adjusted capital ratio. For this purpose the Group defines net debt as total debt (which includes interest-bearing loans and borrowings, trade and other payables and convertible bonds) plus unaccrued proposed dividends, less cash and cash equivalents. Adjusted capital comprises all components of equity and redeemable preference shares, other than amounts recognised in equity relating to cash flow hedges, less unaccrued proposed dividends.

During 2008, the Group's strategy, which was unchanged from 2007, was to maintain the net debt-to-adjusted capital ratio of no more than 100%. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

The net debt-to-adjusted capital ratio at 31 March 2008 and 2007 was as follows:

		The Group	
	Note	**2008**	2007
		RMB'000	RMB'000
Current liabilities:			
Trade and other payables	24	**347,511**	132,292
Bank loans	23	**269,000**	319,500
Non-current liabilities:			
Bank loans	23	**105,405**	—
Convertible bonds	27	**1,814,588**	977,335
Consideration payable for the acquisition of the subsidiaries	30	**341,880**	—
Total debt		**2,878,384**	1,429,127
Add: Proposed dividends	10(a)	**61,444**	53,288
Less: Cash and cash equivalents	22	**(957,430)**	(556,630)
Net debt		**1,982,398**	925,785
Total equity	28	**2,800,267**	1,792,386
Less: Proposed dividends	10(a)	**(61,444)**	(53,288)
Adjusted capital		**2,738,823**	1,739,098
Net debt-to-adjusted capital ratio		**72.4%**	53.2%

29. Financial Instruments

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. These risks are limited by the Group's financial management policies and practices described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management manages this risk as follows:

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and may take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 180 days from the date of billing. Debtors with balances that are more than 6 months overdue are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. At the balance sheet date, the Group does not have a significant concentration of credit risk.

The credit risk for bank deposits and bank balances exposed is considerated minimal as such amounts are placed with banks with good credit ratings.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the balance sheet after deducting any impairment allowance. The Group does not provide any guarantees which would expose the Group or the Company to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 20.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

29. Financial Instruments (continued)

(b) Liquidity risk (continued)

The following table details the remaining contractual maturities at the balance sheet date of the Group's and the Company's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group and the Company can be required to pay:

The Group

	2008					
	Carrying amount RMB'000	**Total contractual undiscounted cash flow RMB'000**	**Within 1 year or on demand RMB'000**	**More than 1 year but less than 2 years RMB'000**	**More than 2 years but less than 5 years RMB'000**	**More than 5 years RMB'000**
Bank loans	**374,405**	**429,517**	**274,990**	**—**	**154,527**	**—**
Convertible bonds						
— UBS Bond	**441,293**	**493,382**	**—**	**493,382**	**—**	**—**
— Citi Bond	**1,373,295**	**1,610,099**	**—**	**—**	**1,610,099**	**—**
Creditors and accrued charges	**347,511**	**347,511**	**347,511**	**—**	**—**	**—**
Consideration payable for acquisition of the subsidiaries	**341,880**	**362,718**	**—**	**362,718**	**—**	**—**
	2,878,384	**3,243,227**	**622,501**	**856,100**	**1,764,626**	**—**

	2007					
	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000
Bank loans	319,500	322,508	322,508	—	—	—
Convertible bond	977,335	1,172,953	—	—	1,172,953	—
Creditors and accrued charges	132,292	132,292	132,292	—	—	—
	1,429,127	1,627,753	454,800	—	1,172,953	—

29. Financial Instruments *(continued)*

(b) Liquidity risk *(continued)*

The Company

	2008					
	Carrying amount RMB'000	**Total contractual undiscounted cash flow RMB'000**	**Within 1 year or on demand RMB'000**	**More than 1 year but less than 2 years RMB'000**	**More than 2 years but less than 5 years RMB'000**	**More than 5 years RMB'000**
Bank loans	**105,405**	**154,527**	**—**	**—**	**154,527**	**—**
Convertible bonds						
— UBS Bond	**441,293**	**493,382**	**—**	**493,382**	**—**	**—**
— Citi Bond	**1,373,295**	**1,610,099**	**—**	**—**	**1,610,099**	**—**
Creditors and accrued charges	**17,494**	**17,494**	**17,494**	**—**	**—**	**—**
Amounts due to subsidiaries	**348**	**348**	**348**	**—**	**—**	**—**
Consideration payable for acquisition of the subsidiaries	**341,880**	**362,718**	**—**	**362,718**	**—**	**—**
	2,279,715	**2,638,568**	**17,842**	**856,100**	**1,764,626**	**—**

	2007					
	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000
Convertible bonds	977,335	1,172,953	—	—	1,172,953	—
Creditors and accrued charges	6,264	6,264	6,264	—	—	—
Amounts due to subsidiaries	155	155	155	—	—	—
	983,754	1,179,372	6,419	—	1,172,953	—

29. Financial Instruments *(continued)*

(c) Interest rate risk

The Company's interest rate risk arises primarily from long-term borrowings issued at variable rates that expose the Group and the Company to cash flow interest rate risk and at fixed rates that expose the Group to fair value interest rate risk. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's borrowings at the balance sheet date:

	2008 Effective interest rate %	**RMB'000**	2007 Effective interest rate %	RMB'000
Net fixed rate deposits/ (borrowings):				
— Pledged bank deposits	**0.35%–1.38%**	**129,159**	2.55%–5.0603%	262,544
— Bank deposits	**0.8%–8%**	**345,975**	3.57%–4.8%	126,658
— Bank loans	**6.723%–8.217%**	**(209,000)**	4.860%–6.732%	(269,500)
— Convertible bonds				
— UBS Bond	**6.116%**	**(441,293)**	6.116%	(977,335)
— Citi Bond	**5.392%**	**(1,373,295)**	—	—
		(1,548,454)		(857,633)
Variable rate deposits/ (borrowings):				
— Bank deposits	**0.01%–0.72%**	**602,682**	0.72%–2.5%	371,551
— Bank loans	**6.744%–10.611%**	**(165,405)**	5.722%	(50,000)
		437,277		321,551

(ii) Sensitivity analysis

The Group does not expect any significant changes in fixed interest rates which might materially affect the Group's result of operation.

At 31 March 2008, it is estimated that a general increase/decrease of 100 basis points in interest rates for variable rate borrowings, with all other variables held constant, would decrease/increase the Group's profit after tax and retained profits by approximately RMB4,373,000 (2007: RMB3,291,000). Other components of equity would not be affected (2007: $Nil) by the changes in interest rates.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2007.

29. Financial Instruments *(continued)*

(d) Foreign currency risk

Presently, there is no hedging policy with respect to the foreign exchange exposure. The Group's transactional currency is Renminbi as substantially all the turnover are in Renminbi. The Group's transactional foreign exchange exposure was insignificant.

The Group is exposed to currency risks primarily arising from convertible bonds and bank loans that are denominated in United States dollars ("USD") and Hong Kong dollars ("HKD"). In respect of convertible bonds and bank loans denominated in HKD and USD, the Group ensures that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

As all the Group's trade receivables and trade payables are denominated in Renminbi, management does not expect that there will be any significant currency risk associated with them.

(i) Exposure to currency risk

The following table details the Group's exposure at the balance sheet date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	2008						2007					
	RMB '000	**Euro '000**	**New Zealand Dollars '000**	**Australian Dollars '000**	**United States Dollars '000**	**Hong Kong Dollars '000**	RMB '000	Euro '000	New Zealand Dollars '000	Australian Dollars '000	United States Dollars '000	Hong Kong Dollars '000
Cash and cash equivalents	**—**	**6,176**	**11,301**	**10,216**	**10,316**	**188,749**	—	—	—	—	51,579	13,585
Pledged bank deposits	**—**	**—**	**—**	**—**	**—**	**—**	—	—	—	—	15,000	—
Bank loans	**—**	**—**	**—**	**—**	**(15,000)**	**—**	—	—	—	—	—	—
Convertible bonds	**(1,373,295)**	**—**	**—**	**—**	**—**	**—**	—	—	—	—	—	—
Net exposure to currency risk	**(1,373,295)**	**6,176**	**11,301**	**10,216**	**(4,684)**	**188,749**	—	—	—	—	66,579	13,585

29. Financial Instruments *(continued)*

(d) Foreign currency risk *(continued)*

(ii) Sensitivity analysis

The following table indicates the approximate change in the Group's profit after tax and retained profits in response to reasonably possible change in the foreign exchange rates to which the Group has significant exposure at the balance sheet date. Other components of equity would not be affected by changes in the foreign exchange rates.

	2008		2007	
	Increase (decrease) in foreign exchange rates	**Effect on profit after tax and retained profits RMB'000**	Increase (decrease) in foreign exchange rates	Effect on profit after tax and retained profits RMB'000
Renminbi	5%	(72,011)	—	—
	(5%)	72,011		
Hong Kong Dollars	5%	8,502	5%	672
	(5%)	(8,502)	(5%)	(672)
United States Dollars	5%	(1,646)	5%	25,693
	(5%)	1,646	(5%)	(25,693)
Australian Dollars	5%	3,268	—	—
	(5%)	(3,268)		
New Zealand Dollars	5%	3,114	—	—
	(5%)	(3,114)		
Euro	5%	3,425	—	—
	(5%)	(3,425)		

The sensitivity analysis above has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date and had been applied to the Group's exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant. The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual balance sheet date. In this respect, it is assumed that the pegged rate between the HKD and the USD would be materially unaffected by any changes in movement in value of the USD against other currencies. The analysis is performed on the same basis for 2007.

29. Financial Instruments *(continued)*

(e) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 March 2008 and 2007.

(f) Estimation of fair values

The following summarise the major methods and assumptions used in estimating the fair values of financial instruments.

(i) **Cash and cash equivalents, pledged deposits, trade and other receivables, and trade and other payables**
The carrying values of these financial assets and liabilities approximate fair value because of the short maturities of these instruments.

(ii) **Interest-bearing loans and borrowings**
The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

30. Acquisition of 60% of the issued share capital in Sky Charm Group Limited

(a) On 27 September 2007, the Company entered into a share purchase agreement (the "Share Purchase Agreement") with Ms. Zhou Li (the "Vendor"), pursuant to which the Company has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell, 60% of the entire issued share capital of Sky Charm Group Limited ("Sky Charm") for an aggregate purchase price to be determined based on Sky Charm's audited consolidated net profit for two consecutive 12-months periods from the date of completion, subject to a cap of HK$800,000,000 as described below:

The consideration for the acquisition is the lower of (i) HK$800,000,000 and (ii) the sum of Purchase Price I and Purchase Price II, where:

(i) "Purchase Price I" means an amount equal to (A) Sky Charm's audited consolidated net profit for Observation Period I, multiplied by (B) 8.0 (or 8.5, if such net profit is more than HK$99,000,000), multiplied by (C) 30%; and

(ii) "Purchase Price II" means an amount equal to (X) Sky Charm's audited consolidated net profit for the Observation Period II, multiplied by (Y) 8.0 (or 8.5, if such net profit is more than HK$148,500,000), multiplied by (Z) 30%.

"Observation Period I" means the 12-month period starting from the date of completion, provided that if a force majeure event (which includes without limitation war, severe natural disaster and wide-spread epidemic) results in material adverse effect to Sky Charm and its subsidiaries (collectively the "Sky Charm Group") in such period, the commencement date of "Observation Period I" shall be deferred by 12 months; and

30. Acquisition of 60% of the issued share capital in Sky Charm Group Limited *(continued)*

(a) *(continued)*

"Observation Period II" means the 12 month period starting from the date following Observation Period I, provided that if a force majeure event (which includes without limitation, war, serve natural disaster and wide-spread epidemic) results in material adverse effect to the Sky Charm Group in such period, the commencement date of "Observation Period II" shall be deferred by 12 months.

The acquisition was completed on 1 November 2007, upon which Sky Charm became a 60% non-wholly owned subsidiary of the Company.

(b) The net assets acquired in the transaction, and the goodwill arising, are as follows:

	Acquiree's carrying amount before combination	Fair Value Adjustment	Fair Value
Net assets acquired:			
Property, plant and equipment	77,264	—	77,264
Trademarks	—	164,900	164,900
Inventories	18,678	—	18,678
Trade and other receivables	11,975	—	11,975
Cash and cash equivalents	17,510	—	17,510
Trade and other payables	(64,470)	—	(64,470)
Income tax payable	(980)	—	(980)
	59,977	164,900	224,877
Minority interests			(89,951)
Goodwill (note 17)			382,888
			517,814
Total estimated consideration satisfied by:			
Cash			175,934
Consideration payable as classified under non-current liabilities in the balance sheets			341,880
Total consideration (see note below)			517,814
Net cash outflow arising on acquisition:			
Cash consideration paid			175,934
Cash and cash equivalents acquired			(17,510)
			158,424

30. Acquisition of 60% of the issued share capital in Sky Charm Group Limited *(continued)*

(b) The net assets acquired in the transaction, and the goodwill arising, are as follows: *(continued)*

The subsidiary acquired during the year ended 31 March 2008 contributed RMB191,431,000 to the Group's revenue and RMB23,041,000 to the Group's profit for the year.

If the acquisition had been completed on 1 April 2007, the Group's revenue for the year ended 31 March 2008 would have been RMB459,434,000, and profit for that year would have been RMB55,298,000. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2007, nor is it intended to be a projection of future results.

Note: The total consideration is estimated based on the audited profit of Sky Charm Group for the period from 1 November 2007 to 31 March 2008 and the present value of the profit forecast approved by management covering a period from 1 April 2008 to 31 October 2009, discounted at the original effective interest rate of Sky Charm Group.

31. Commitments

(a) Capital commitments in respect of construction and acquisition of property, plant and equipment outstanding at 31 March 2008 not provided for in the financial statements were as follows:

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Contracted for	**1,254,150**	753,700	**690**	—

(b) Capital commitments in respect of the capital contribution to its equity investments outstanding at 31 March not provided for in the financial statements were as follows:

	The Group	
	2008	2007
	RMB'000	RMB'000
Contracted for	**436,653**	622,097

31. Commitments *(continued)*

(c) At 31 March 2008, the total future minimum lease payments in respect of land and buildings under non-cancellable operating leases are payable as follows:

	The Group	
	2008	2007
	RMB'000	RMB'000
Within 1 year	**108,053**	54,029
After 1 year but within 5 years	**402,188**	167,495
After 5 years	**310,685**	124,205
	820,926	345,729

The Group leases a number of properties under operating leases. The leases typically run for an initial period of two to fourteen years, with an option to renew the lease when all terms are renegotiated. Lease payments are usually increased annually to reflect market rentals.

(d) At 31 March 2008, the Group contracted with tenants for the following total future minimum lease receivables:

	The Group	
	2008	2007
	RMB'000	RMB'000
Within 1 year	**926**	779
After 1 year but within 5 years	**1,606**	2,408
	2,532	3,187

32. Contingent Liabilities

(a) Uncharged tax arising from the difference between the statutory usual income tax rate and the preferential tax rate

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"), domestic private enterprises established in the Pudong, Shanghai are entitled to a preferential income tax rate of 15%.

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 and the Group's tax records, the Company's subsidiaries established in the Pudong, Shanghai ("Pudong Subsidiaries") are entitled to the preferential income tax rate of 15% and Pudong Subsidiaries had been reporting tax return in accordance with the relevant tax rules and there was no overdue tax and no previous record of punishment for violating national tax law.

Under the New Tax Law being effective from 1 January 2008 and in accordance with "Notification of the State Council on Carrying out the Transitional Preferential Policies concerning Enterprise Income Tax" (Guo Fa [2007] No. 39) promulgated by the State Council on 26 December 2007, an entity established before 16 March 2007 that was entitled to preferential tax treatment prior to the New Tax Law will be subject to a transitional tax rate beginning in period 2008 ("Transitional Tax Rate") before the new corporate income tax rate of 25% applies. For companies currently enjoying a reduced tax rate of 15%, the Transitional Tax Rate is 18%, 20%, 22%, 24% and 25% in 2008, 2009, 2010, 2011 and 2012 onwards respectively. The tax rate will transit to the standard tax rate of 25% for entities with current tax rate of 24% effective from 1 January 2008.

The directors of the Company are of the view that it is not unreasonable for Pudong Subsidiaries to pay the income tax at the preferential tax rate of 15% before 31 December 2007 and at the Transitional Tax Rate of 18% after 1 January 2008, respectively. Pudong Subsidiaries, by paying income tax at the preferential tax rate of 15% before 31 December 2007 and at the Transitional Tax Rate after 1 January 2008, have satisfied all its income tax obligation under the current tax regime.

However, should the relevant tax authorities in future decide that Pudong Subsidiaries should pay tax at the statutory income tax rate of 33% and new corporate income tax rate of 25% applicable to a wholly foreign-owned enterprise, Pudong Subsidiaries 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% before 31 December 2007, and the difference between the new corporate income tax rate of 25% and the Transitional Tax Rate of 18% after 1 January 2008, and will not subject to any penalty.

32. Contingent Liabilities *(continued)*

(a) Uncharged tax arising from the difference between the statutory usual income tax rate and the preferential tax rate *(continued)*

The contingent liabilities of the Group at 31 March 2008 is the 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% for the period from 1 April 2005 to 31 December 2007, and the difference between the new corporate income tax rate of 25% and the Transitional Tax Rate for the period after 1 January 2008. The amount of such contingent liabilities as at 31 March 2008 and for the year ended 31 March 2008 were approximately RMB57,054,000 (2007: RMB32,686,000) and RMB24,368,000 (2007: RMB11,023,000), respectively.

(b) Legal proceedings initiated by a third party against the Group for infringement of trademark

The Group is currently involved in legal proceedings initiated by a third party (the "plaintiff") in Nanjing, the PRC for infringement of trademark. The plaintiff, which has two restaurants in Jiangsu, registered the trademark "fu ji" (with the same Chinese characters but a different logo) in 2004, In December 2006, the plaintiff filed a lawsuit at the people's court in Nanjing, claiming RMB100,000,000 in damages for infringement of trademark. Both parties have applied to the court for extension of the relevant legal proceedings as both parties agreed to go to an arbitration process. However, no decision has been made as a result of such arbitration.

The Group has been advised by Yunnan Chuangtai Law Firm, Shanghai Branch ("Yannan Chuangtai"), its PRC legal counsel for the trademark litigation that the grounds of the claim are relatively weak because the plantiff has registered its trademark in an improper way. Based on the opinion issued by Yannan Chuangtai, the directors of the Company are of the view that provision for the claim is not required.

33. Material Related Party Transactions

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions:

Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Directors as disclosed in note 7 and certain of the highest paid employees as disclosed in note 8, is as follows.

	2008 **RMB'000**	2007 RMB'000
Short-term employee benefits	**8,988**	7,374
Post-employment benefits	**144**	133
Equity compensation benefits	**3,916**	6,447
	13,048	13,954

34. Non-adjusting Post Balance Sheet Events

After the balance sheet date, the Directors proposed a final dividend. Further details are disclosed in note 10.

35. Comparative Figures

As a result of adopting HKFRS 7 "Financial instruments: Disclosures" and the amendments to HKAS 1 "Presentation of financial statements: Capital disclosures, certain comparative figures have been adjusted to conform with changes in disclosures in the current year and to show separately comparative amounts in respect of items disclosed for the first time in 2007. Further details of these developments are disclosed in note 3.

36. Accounting Estimates and Judgements

The method, estimates and judgements the management use in applying the Group's accounting policies have a significant impact on the Group's financial position and operating results. Some of the accounting policies require the Group to apply estimates and judgements, on matters that are inherently uncertain. Certain critical accounting judgements in applying the Group's accounting policies are described below.

(a) Depreciation and amortisation

Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual values, if any. The management reviews annually the estimated useful lives of the assets and their residual values (if any) in order to determine the amount of depreciation and amortisation expenses to be recorded during any reporting period. The useful lives and residual values are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation and amortisation expenses for future periods are adjusted if there are significant changes from previous estimates.

36. Accounting Estimates and Judgements *(continued)*

(b) Valuation of inventories

Inventories are stated at the lower of cost and net realisable value at the balance sheet date. Net realisable value is determined on the basis of the estimated selling price less the estimated costs necessary to make the sale. The management estimates the net realisable value for inventories based primarily on the latest invoice prices and current market conditions. In addition, the management performs an inventory review on a product-by-product basis at each year end date and assess the need for write down of inventories.

(c) Impairments

If circumstances indicate that the carrying value of fixed assets, except in the case of goodwill, may not be recoverable, the assets may be considered "impaired", and an impairment loss may be recognised in accordance with HKAS 36 "Impairment of Assets". The carrying amounts of fixed assets and intangible assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. For goodwill, the recoverable amount is estimated annually to assess if the carrying amounts may not be recoverable whether or not there is any indication of impairment. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amounts of fixed assets and intangible assets are the greater of the net selling price and the value in use. It is difficult to precisely estimate selling price because quoted market prices for the Group's asset are not readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sale volume, selling price and amount of operating costs. The management uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sale volume, expected changes to selling prices and operating costs, and discount rate.

Impairment losses for bad and doubtful debts are assessed and provided based on the management's regular review of ageing analysis and evaluation of collectibility. A considerable level of judgement is exercised by the management when assessing the credit worthiness and past collection history of each individual customer.

Any increase or decrease in the above impairment losses would affect the net profit in future years.

37. Possible Impact of Amendments, New Standards and Interpretations Issued but not yet Effective for the Year Ended 31 March 2008

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 March 2008 and which have not been adopted in these financial statements.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

In addition, HKFRS 8 "Operating Segments", which is effective for annual periods beginning on or after 1 January 2009, may result in new or amended disclosures in the financial statements.