FU JI Food and Catering Services Holdings Limited
(Provisional Liquidators Appointed)
福記食品服務控股有限公司
（已委任臨時清盤人）
(Incorporated in the Cayman Islands with limited liability)
(Stock Code : 1175)

Annual Report 2009

Contents

Corporate Information

BOARD OF DIRECTORS

Executive

Chin Chang Keng Raymond

Independent Non-executive

Chung Wai Man

AUDITOR

ANDA CPA Limited
21st Floor
Max Share Centre
373 King's Road, North Point
Hong Kong

JOINT AND SEVERAL PROVISIONAL LIQUIDATORS

Lai Kar Yan Derek,
Yeung Lui Ming Edmund and
Darach E. Haughey
35th Floor, One Pacific Place
88 Queensway, Hong Kong

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 2703-08, 27th Floor
Shui On Centre,
6-8 Harbour Road, Wanchai
Hong Kong

Financial Summary

For the year ended 31 March 2009

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out below:

	Year ended 31 March				
	2005 RMB'000	2006 RMB'000	2007 RMB'000	2008 RMB'000	**2009** **RMB'000**
RESULTS					
Turnover	454,695	796,750	1,199,415	1,915,594	**177,902**
Profit/(loss) before tax	196,787	285,053	383,755	475,776	**(4,347,097)**
Income tax	(31,370)	(33,667)	(35,668)	(49,459)	**(1,151)**
Profit/(loss) for the year	165,417	251,386	348,087	426,317	**(4,348,248)**
Attributable to:					
Equity holders of the Company	165,417	251,386	348,087	410,956	**(4,348,248)**
Minority interests	–	–	–	15,361	**–**
	165,417	251,386	348,087	426,317	**(4,348,248)**

	As at 31 March				
	2005 RMB'000	2006 RMB'000	2007 RMB'000	2008 RMB'000	**2009** **RMB'000**
ASSETS AND LIABILITIES					
Non-current assets	551,283	1,366,217	2,320,788	4,287,770	**36,860**
Current assets	346,299	472,768	924,101	1,429,511	**1,142,615**
Current liabilities	(184,657)	(252,527)	(475,168)	(655,141)	**(1,579,613)**
Non-current liabilities	(33,072)	(140,897)	(977,335)	(2,261,873)	**(1,462,978)**
Net assets/(liabilities)	679,853	1,445,561	1,792,386	2,800,267	**(1,863,116)**
Attributable to:					
Equity holders of the Company	679,853	1,445,561	1,792,386	2,694,560	**(1,863,116)**
Minority interests	–	–	–	105,707	**–**
Total equity	679,853	1,445,561	1,792,386	2,800,267	**(1,863,116)**

Directors' Report

The directors (the "Directors") of FU JI Food and Catering Services Holdings Limited (Provisional Liquidators Appointed) (the "Company") are pleased to present their report and the audited consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2009.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the principal activities of its subsidiaries are the provision of Catering Services and the operation of Chinese Restaurants in the People's Republic of China (the "PRC").

BUSINESS REVIEW

For the year ended 31 March 2009, the Group continued to engage in the provision of Catering Services and the operation of Chinese Restaurant in the PRC.

In early 2008, the Group trail-implemented a more advanced and mega-sized centralized processing centre (the "central factory model") which could produce semi-processed food products. Due to financial crisis in 2008 and huge financial debts, the central factory model was suspended in early 2009.

The Company's auditor for the year, ANDA CPA Limited, concluded that due to certain subsidiaries of the Company were deconsolidated from the Group since 1 April 2008, no sufficient evidence had been provided to satisfy themselves as to whether the Company had lost control of the aforesaid subsidiaries during the year. Adjustments were made to the financial statements of the year to reflect the financial position of the Group.

RESULTS AND APPROPRIATIONS

Revenue and gross profit

When compared with the prior year, the turnover of the Group was approximately RMB177.90 million (2008: approximately RMB1,915.59 million), representing a decrease of approximately 90.71% from the last financial year. On the other hand, gross profit for the year decreased from approximately RMB1,127.82 million to RMB47.47 million, representing a decrease of approximately 95.79% from the last financial year. The decrement in revenue and gross profit were mainly due to certain operating subsidiaries were deconsolidated from the Group since 1 April 2008. In addition, the Group experienced high employee turnover, especially the resignation of senior management level which significantly affected the Group's operations. The results of the Group for the year ended 31 March 2009 are set out in the consolidated income statement on page 24.

Staff costs

Staff costs decreased from approximately RMB194.95 million to approximately RMB52.41 million, representing a decrease of approximately 73.12% from the last financial year due to high employee turnover and the resignation of senior management during the year.

Depreciation and amortisation

Depreciation and amortisation decreased from approximately RMB154.49 million to RMB9.6 million during the year. The decrement was mainly due to certain operating subsidiaries were deconsolidated from the Group since 1 April 2008 where significant amount of property, plant and equipment were detached from the Group since 1 April 2008.

Loss on deconsolidation of subsidiaries and impairments on due from deconsolidated subsidiaries

The control over certain subsidiaries has been lost since 1 April 2008. Loss on deconsolidation of subsidiaries and impairments on due from deconsolidated subsidiaries of approximately RMB241.47 million and RMB3,639.49 million were recognised during the year.

Loss for the year attributable to equity holders

The loss for the year attributable to equity holders of the Company amounted to approximately RMB4,348.25 million for the year ended 31 March 2009 (2008: profit of approximately RMB410.96 million). Loss per share was approximately RMB8.03 as compared with earnings per share of approximately RMB0.77 for the preceding year. The loss for the year attributable to equity holders of the Company was mainly due to the loss on deconsolidation of subsidiaries and impairments on due from deconsolidated subsidiaries

The Directors do not recommend the payment of any dividend for the year ended 31 March 2009 (2008: declared an interim dividend of HK cents 11.5 per share, approximately equivalent to RMB cents 10.865 per share, and proposed a final dividend of HK cents 12.6 per share, approximately equivalent to RMB cents 11.351 per share).

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

Bank and cash balances as at 31 March 2009 was approximately RMB79.64 million (2008: approximately RMB957.43 million). The Group's debt-to-capital ratio measured on the basis of the Group's total liabilities net of bank and cash balances related to the total equity is not applicable as the Group had a net deficiency in capital as at 31 March 2009 (2008: 68.6%).

CAPITAL STRUCTURE

Details of the capital structure of the Company are set out in notes 33 and 34 to the financial statements.

WINDING-UP PETITION AND APPOINTMENT OF PROVISIONAL LIQUIDATORS

On 7 October 2009, the Company engaged Deloitte Touche Tohmatsu as an independent financial adviser (the "IFA") (i) to assist the Group with the finalization of its financial statements for the year ended 31 March 2009 and (ii) to conduct independent analysis on the Group's financial position with a view to addressing concerns raised by stakeholders of the Company resulting from the delay in the publication of the Company's annual results.

In the course of reviewing the Group's affairs, the IFA identified circumstances that indicated the Group had experienced significant financial challenges, particularly in connection with its catering business operations, the financial position and outlook of which had been deteriorating quite rapidly.

After receiving and discussing the IFA's preliminary findings, on 19 October 2009, the Board of Directors of the Company presented to the High Court of the Hong Kong SAR (the "High Court") a petition (the "Petition") to wind up the Company. On the same day, Messrs Edmund Yeung Lui Ming, Derek Lai Kar Yan and Darach E. Haughey of Deloitte Touche Tohmatsu were appointed as joint and several provisional liquidators of the Company (the "Provisional Liquidators") by the Hong Kong Court.

The Provisional Liquidators are empowered, inter alia, to take possession of the assets of the Group, to close or cease or operate all or any part of the business operations of the Group, to take control of such of the subsidiaries of the Company, joint ventures, associated companies or other entities in which the Company or any of its subsidiaries holds an interest and to consider if thought to be in the best interests of creditors of the Company, to enter into discussions and negotiations for and on behalf of the Company for the purpose of, but not limited to, restructuring of the Company's business, operations, or indebtedness or to Implement a scheme of arrangement between the Company and its creditors and/or shareholders for such restructuring.

The hearing of the Petition against the Company was originally scheduled on 23 December 2009 and the Court adjourned the hearing of the Petition against the Company to 8 February 2012. It is expected that the Petition against the Company will be withdrawn upon the successful implementation of the restructuring of the Company as referred to in the section headed "Restructuring of the Group" below.

RESTRUCTURING OF THE GROUP

On 30 November 2009, the Provisional Liquidators published advertisements in relation to the proposed sale of the Group's assets and business as a going concern and sought expression of interest in relation to such sale. Further to such advertisement, the Provisional Liquidators received expressions of interest from various parties, including companies in the catering and food and beverage industry and other industries as well as various financial investors.

In December 2009, the Provisional Liquidators issued a tender process memorandum and guidance note to those parties who had registered their interest in the proposal sale of the Group's assets and businesses as a going concern and executed confidentiality and non-disclosure agreements with such parties.

On 5 February 2010, the Provisional Liquidators received proposals from potential investors for the sale of the Group's assets and businesses as a going concern. After careful consideration, the Provisional Liquidators considered that the proposal received from Marvel Light Holdings Limited ("Investor") represented the best option available to the Company and its shareholders at that time.

On 16 March 2010, the Company, the Investor and the Provisional Liquidators entered into the Heads of Terms, which are legally binding and set out the agreement of the parties in respect of major provisions of the reorganization proposal and are subject to the execution of definitive documentation. Details of the Heads of Terms are set out in the Company's announcement dated 26 May 2010.

On 29 June 2010, the Company, Fortune Guard Holdings Limited (the "Purchaser", a company wholly-owned by the Investor), the Investor, the Provisional Liquidators and certain members of the Group entered into a sale and purchase agreement which involved the disposal of certain subsidiaries of the Company to the Investor in order to strengthen the remaining Group (the "Phase I Disposal"). Details of the Phase I Disposal are set out in the Company's announcement dated 7 July 2010.

On 17 August 2010, the Provisional Liquidators published advertisements seeking expressions of interest from parties interested in relation to the sale of the remaining non-core assets under the Heads of Terms (the "Nominated Excluded Assets"), which comprise mainly land and buildings in the PRC.

On 30 August 2010, the Provisional Liquidators issued a tender process memorandum and guidance note to those parties who had registered their interest in the Nominated Excluded Assets and executed confidentiality and non-disclosure agreements with such parties.

On 13 January 2011, the Company, the Purchaser, the Investor, the Provisional Liquidators and certain members of the Group entered into a sale and purchase agreement for the disposal of the restaurants business, certain idle food processing centres and certain subsidiaries of the Group which operated as investment vehicles. Details of such disposal are set out in the Company's announcement dated 26 May 2011.

On 31 January 2011, the Provisional Liquidators received a proposal from an interested person for the purchase of the Nominated Excluded Assets. Pursuant to the Heads of Terms, the Investor was granted a Right of First Refusal ("ROFR") to acquire the Nominated Excluded Asset at no less favorable terms than those offered by any interested person. Subsequently on 14 February 2011, the Investor elected to exercise the ROFR to acquire the Nominated Excluded Assets. (The terms of the related sale and purchase agreement was under negotiation by the Company, the Investor, the Purchaser, the Provisional Liquidators and certain members of the Group).

On 11 March 2011, the Hong Kong Court directed that a meeting of Scheme Creditors (as defined in the Scheme) be convened for the purpose of considering and, if thought fit, approving (with or without modification) a scheme of arrangement pursuant to section 166 of the Companies Ordinance (Cap. 32) proposed to be made between the Company and the Scheme Creditors.

At the Scheme Creditors' Meeting held on 29 April 2011, the Scheme of Arrangement was approved by the requisite majority of Scheme Creditors and on 17 May 2011 the Hong Kong Court sanctioned the Scheme. On 9 August 2011, the Provisional Liquidators, on behalf of the Company, issued a completion notice notifying the Scheme Creditors that following the satisfaction or waiver of all the conditions as detailed in the Scheme document, the Scheme has become effective on 9 August 2011.

The principal elements of the proposed restructuring of the Group are, inter alia, as follows:

a) **Capital Restructuring**

The Company will undergo, inter alia, a capital restructuring, involving the capital reduction, the capital cancellation, the capital consolidation and the capital increase.

b) **Share Subscription**

The Company will raise new funds by way of an open offer to all the existing shareholders, and the issuance of ordinary shares and preference shares to the Investor.

c) **Scheme and Debt Restructuring**

The Provisional Liquidators will implement a Scheme of Arrangement to settle the debts owed to the Scheme Creditors by payment of cash and, where applicable, the issue and allotment of new shares in the agreed percentage to Scheme Creditors, to be distributed in accordance with the terms of the Scheme of Arrangement.

The Investor would become a controlling shareholder of the Company upon completion of the proposed restructuring of the Group (the "Completion") as contemplated under the Heads of Terms.

PROSPECTS

On 30 July 2010, the Company was placed in the second stage of the delisting procedures pursuant to Practice Note 17 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "HKSE") (the "Listing Rules") and that the Company was required to submit a viable resumption proposal which demonstrates its compliance with the requirement stipulated under Rule 13.24 of the Listing Rules.

On 14 January 2011, a resumption proposal was submitted by the Company to the HKSE to demonstrate to the HKSE that when the resumption proposal is successfully implemented, the Group will have in place suitable structures and have a sufficient level of operations and tangible assets of sufficient value and will be able to fully comply with Rule 13.24 of the Listing Rules.

On 13 June 2011, the Company submitted a reply/clarification in relation to the queries from the Stock Exchange on the Resumption Proposal received on 31 January 2011. Subsequently, the Company received a second round of queries from the Stock Exchange on 25 July 2011 and is preparing the reply to the queries accordingly.

The Company is confident that, with strong financial support from Investor, the Group will be able to regain dominant in its business and maintain a substantial level of operations after the resumption of trading in the Company's shares on the HKSE.

It is anticipated that the financial position of the Group will be substantially improved upon the Completion as all the liabilities arising from the creditors of the Company will be compromised and discharged through the proposed scheme of arrangement and liabilities of the Group will be assumed by the Investor through assets disposal.

Upon the Completion, the Company's shares will resume trading on the HKSE subject to the approval of the HKSE.

WARNING STATEMENT

Shareholders and potential investors of the Company should note that, (1) the principal elements of the Restructuring of the Group may be subject to further changes; (2) the resumption proposal may or may not be approved by the HKSE.

EMPLOYMENT

As at 31 March 2009, the Group had 1,320 (2008: 7,050) full-time employees, most of whom were working in the Company's subsidiaries in the PRC. During the year under review, the total employees' costs including the Directors' remuneration were approximately RMB52,413,000 (2008: RMB194,945,000). It is the Group's policy that remuneration of the employees is in line with the market and commensurate with the level of pay for similar responsibilities within the industry. Discretionary year-end bonuses are payable to the employees based on individual performance. Other benefits to the employees included medical insurance, retirement schemes, training programs and education subsidies.

CHARGES ON GROUP'S ASSETS

As at 31 March 2009, save as the pledged bank deposits disclosed in note 28 to the financial statements, there were no other charges on the Group's assets.

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 existing shareholders.

CONVERTIBLE BONDS

Details of the convertible bonds are set out in note 32 to the financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Up to the date of this annual report, the trading in the shares of the Company remains in suspension, the sufficiency of public float as required by the Listing Rules is not applicable.

REVIEW BY THE AUDIT COMMITTEE

By the time the financial statements for the year ended 31 March 2009 of the Group were prepared, no audit committee had been established owing to the current insufficient number of Independent Non-executive Directors in accordance with Rule 3.21 of the Listing Rules. Appropriate personnel will be appointed as members of audit committee before the resumption of the trading in the shares of the Company on the HKSE.

Since the audit committee has yet to be established, the annual report for the financial year ended 31 March 2009 (the "Annual Report") has not been reviewed by an audit committee.

DELAY IN DISPATCH OF ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2009

Due to suspension of trading in the Company's shares on the HKSE and most of the responsible officers had left the Group, the Company has not been able to dispatch the Annual Report to its members within the due date as required by the Listing Rules.

The delay in the dispatch of the Annual Report constitutes a breach of Rule 13.46(2) of the Listing Rules by the Company.

NON-COMPLIANCE OF APPENDIX 16 "DISCLOSURE OF FINANCIAL INFORMATION" OF THE LISTING RULES

Due to the failure to get access to the books and records of certain subsidiaries, the resignation of the major management personnel, Independent Non-executive Directors and all Executive Directors, the Directors do not have sufficient data available to compile the Annual Report so as to comply with Appendix 16 "Disclosure of Financial Information" of the Listing Rules. A separate Corporate Governance Report contained the information required under Appendix 23 of the Listing Rules has been omitted from this Annual Report.

SHARE CAPITAL AND SHARE OPTIONS

Movements in share capital of the Company and details of share option scheme of the Company are set out in notes 33 and 34 to the financial statements.

INFORMATION ON SHARE OPTION SCHEME

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% 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 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 in number of the outstanding share options granted under the Scheme for the year ended 31 March 2009 are as follows:

Name or Category of participant	Balance as at 1 April 2008	Forfeited during the year	Outstanding as at 31 March 2009	Date of grant	Exercisable period	Exercise price per share (HK$)
Director:						
Ms. Ku Wang *(Resigned on 1 January 2010)*	80,000	–	80,000	25 May 2006	25 May 2007 to 24 November 2014	15.61
Employees:						
In aggregate	3,080,000	(480,000)	2,600,000	25 May 2006	25 May 2007 to 24 November 2014	15.61
Total	3,160,000	(480,000)	2,680,000			

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2009.

CONTINGENT LIABILITIES

The Directors were not aware of any significant contingent liabilities of the Group at the balance sheet date.

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the five largest customers of the Group accounted for approximately 88% of the Group's total turnover for the year. In particular, sales to the largest customer of the group accounted for approximately 61% of the Group's total turnover for the year.

Purchases from the five largest suppliers of the Group accounted for approximately 48% of the Group's total purchases for the year. In particular, purchases from the Group's largest supplier accounted for approximately 14% of the Group's total purchases for the year.

As far as the Director is aware, neither the Director nor any of his associates nor any shareholders (which, to the best knowledge of the Director, own more than 5% of the Company's issued share capital) had any beneficial interests in any of the Group's five largest customers or five largest suppliers.

DIRECTORS

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

Executive Directors

Mr. Wei Dong (Chairman) *(resigned on 9 March 2010)*
Ms. Yao Juan *(resigned on 9 March 2010)*
Mr. Tung Fai *(resigned on 1 May 2010)*
Ms. Ku Wang *(resigned on 1 January 2010)*
Mr. Chin Chang Keng Raymond *(appointed on 1 June 2011)*

Non-executive Director

Ms. Josephine Price *(resigned on 31 July 2008)*

Independent Non-executive Directors

Dr. Tsui Wai Ling Carlye *(resigned on 30 September 2009)*
Mr. Wong Chi Keung *(resigned on 24 June 2011)*
Ms. Yang Liu *(resigned on 2 November 2009)*
Mr. Su Gang Bing *(resigned on 13 April 2010)*
Mr. Chung Wai Man *(appointed on 1 June 2011)*

As at the date of this Annual Report, the number of Independent Non-executive Directors falls below the minimum number required under Rule 3.10(1) of the Listing Rules.

DIRECTOR'S SERVICE CONTRACTS

No Directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensations).

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

As at 31 March 2009, 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)* *(resigned on 9 March 2010)*	Beneficial	286,185,000	Long	52.87%
Ms. Yao Juan *(Note 2)* *(resigned on 9 March 2010)*	Beneficial	286,185,000	Long	52.87%

(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)* *(resigned on 9 March 2010)*	Controlled Corporation	100%

Notes:

1. 210,000,000 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, he is deemed to be interested in all of the shares held by Ms. Yao Juan, Million Decade Limited and Top Ample Limited under the SFO.

2. 75,000,000 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, she is deemed to be interested in all of the shares held by Mr. Wei Dong, 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 2009
Ms. Ku Wang *(Resigned on 1 January 2010)*	25 May 2006	HK$15.61	25 May 2007 to 24 November 2014	Long	80,000

Save as disclosed above, as at 31 March 2009, 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 2009, 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	38,502,000	Long	7.11%
Janus Capital Management LLC	Investment manager	32,918,000	Long	6.08%
UBS AG	Beneficial owner	4,650,103	Long	0.86%
	Person having a security interest in shares	22,857,000	Long	4.22%
	Interest of controlled corporation	437,000	Long	0.08%

Short Position in Shares

Name of Corporation	**Number of Shares**	**Approximate Percentage of the Company's Issued Share Capital**
UBS AG	892,000	0.16%

Save as disclosed herein, there was no person known to any directors or chief executives of the Company, who, as at 31 March 2009, 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 options" in this report, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable any 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.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity and note 35(b) to the financial statements.

SUBSIDIARIES

Details of the Company's subsidiaries as at 31 March 2009 are set out in note 22 to the financial statements.

BANK AND OTHER BORROWINGS

Details of the Group's bank and other borrowings as at 31 March 2009 are set out in notes 30 to 32 to the financial statements.

NON-COMPLIANCE WITH RULES 3.10 AND 3.21 OF THE LISTING RULES

As at the date of this Annual Report, the Company has only one Executive Director and one Independent Non-executive Director. The Company has been identifying suitable candidates for appointment of sufficient number of Executive Directors and Independent Non-executive Directors and reconstitution of the audit committee in order to meet the requirements under Rules 3.10(1), 3.10(2) and 3.21 of the Listing Rules.

CODE ON CORPORATE GOVERNANCE PRACTICES

Mr. Chin Chang Keng Raymond was appointed as Executive Director on 1 June 2011 and Mr. Chung Wai Man was appointed as Independent Non-executive Director on the same day. Consequently, they are unable to comment as to whether the Company has complied with the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules throughout the year ended 31 March 2009.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Director of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Each of Mr. Chin Chang Keng Raymond, the Executive Director and Mr. Chung Wai Man, the Independent Non-executive Director, who were appointed on 1 June 2011, has confirmed that he complied with the required standards as set out in the Model Code during the year ended 31 March 2009. But the Board makes no representations as to whether the other then Directors had complied with the required standards set out in the model code throughout the year ended 31 March 2009.

AUDITOR

CCIF CPA Limited resigned as the auditor of the Company on 17 March 2010. ANDA CPA Limited was appointed on 7 April 2010 by the Provisional Liquidators of the Company to fill the casual vacancy so arising. Save as disclosed herein, there have been no other changes of auditor of the Company in the past three years. A resolution for re-appointment of ANDA CPA Limited as the auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board
FU JI Food and Catering Services Holdings Limited
(Provisional Liquidators Appointed)
Chin Chang Keng Raymond
Director

Hong Kong, 10 August 2011

EXECUTIVE DIRECTOR

Mr. Chin Chang Keng Raymond ("Mr. Chin") aged 56, graduated from the Faculty of Accountancy of the Baptist College (currently known as the Hong Kong Baptist University) and holds a diploma in accountancy. He has over 30 years of experience in security, real estate industries and non-performing loan disposal.

Mr. Chin is currently an executive director of Ocean Grand Holdings Limited (Provisional Liquidators Appointed) (stock code: 1220). He was also an executive director of Hong Kong Resources Holdings Company Limited (stock code: 2882) (formerly known as Ocean Grand Chemicals Holdings Limited) from 14 August 2008 to 6 October 2008.

As at the date of this report, Mr. Chin does not have any interest in shares or underlying shares of the Company within the meaning of Part XV of the SFO nor does he have any relationship with any director, senior management, chief executive or substantial or controlling shareholder of the Company. Saved as disclosed above, Mr. Chin did not hold any directorships in other listed companies in the past three years.

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Chung Wai Man ("Mr. Chung"), aged 52, holds a Diploma in Business Management and a Certificate of Bank of China Banking Course. He started working in The Kwangtung Provincial Bank in 1976, and his last position before leaving the bank in 1996 was a manager in charge of the Tai Po branch. After leaving The Kwangtung Provincial Bank, Mr. Chung established "Raymond Chung Company", a finance and business consulting firm for corporations in Hong Kong and China. In 2004, he set up another consulting firm, Excel Linker Capital (Asia) Limited, which focuses on providing financial services to corporations in China.

Mr. Chung is currently an independent non-executive director of U-Right International Holdings Limited (Provisional Liquidators Appointed) (stock code: 0627). He was an independent non-executive director of United Gene High-Tech Group Limited (stock code: 0399) (formerly known as Far East Pharmaceutical Technology Company Limited) from 23 March 2007 to 13 May 2009.

As at the date of this report, Mr. Chung does not have any interest in shares or underlying shares of the Company within the meaning of Part XV of the SFO nor does he have any relationship with any director, senior management, chief executive or substantial or controlling shareholder of the Company. Saved as disclosed above, Mr. Chung did not hold any directorships in other listed companies in the past three years.

CONFIRMATION OF INDEPENDENCE

Pursuant to Rule 3.13 of the Listing Rules, the Independent Non-executive Director has confirmed with the Company in writing his independence from the Company in accordance with the relevant guidelines. The Company therefore considers that the Independent Non-executive Director to be independent.

On behalf of the Board
FU JI Food and Catering Services Holdings Limited
(Provisional Liquidators Appointed)
Chin Chang Keng Raymond
Director

Hong Kong, 10 August 2011

Independent Auditor's Report

ANDA
CPA Limited
安達會計師事務所有限公司

TO THE SHAREHOLDERS OF
FU JI FOOD AND CATERING SERVICES HOLDINGS LIMITED
(Provisional Liquidators Appointed)
(Incorporated in the Cayman Islands with limited liability)

We were engaged to audit the consolidated financial statements of FU JI Food and Catering Services Holdings Limited (Provisional Liquidators Appointed) (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 24 to 88, which comprise the consolidated and Company balance sheets as at 31 March 2009, and the consolidated income statement, 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 CONSOLIDATED 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 (the "HKICPA") 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 the consolidated 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 and to report our opinion 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. Except for the limitations in the scope of our work as described in the basis for disclaimer of opinion paragraphs and the material uncertainty relating to going concern basis as explained below, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. 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. However, because of the matters described in the basis for disclaimer of opinion paragraphs, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

BASIS FOR DISCLAIMER OF OPINION

1. Opening balances and corresponding figures

The consolidated financial statements of the Company for the year ended 31 March 2008 which form the basis for the corresponding figures presented in the current year's consolidated financial statements were not audited by us. There were no satisfactory audit procedures for us to ascertain the existence, accuracy, presentation and completeness of the opening balances and corresponding figures shown in the current year's consolidated financial statements.

2. Deconsolidation of subsidiaries and impairments on due from deconsolidated subsidiaries

As explained in note 2 to the consolidated financial statements, certain subsidiaries of the Company were deconsolidated from the Group since 1 April 2008. No sufficient evidence had been provided to satisfy ourselves as to whether the Company had lost control of the aforesaid subsidiaries on 1 April 2008 and throughout the year ended 31 March 2009. In addition, no sufficient evidence had been provided to satisfy ourselves as to the net assets amount of the subsidiaries deconsolidated on 1 April 2008. Furthermore, no sufficient evidence had been provided to satisfy ourselves as to the loss on deconsolidation of the subsidiaries of approximately RMB241,472,000 and the impairments on due from deconsolidated subsidiaries of approximately RMB3,639,489,000 for the year ended 31 March 2009 as disclosed in note 10 to the consolidated financial statements.

Accordingly, no sufficient evidence has been provided to satisfy ourselves, in relation to these deconsolidated subsidiaries, as to the completeness of the transactions of the Group for the year ended 31 March 2009 and the Group's financial position as at that date.

3. Property, plant and equipment

No sufficient evidence has been provided to satisfy ourselves as to the movements of property, plant and equipment for the year ended 31 March 2009, and the existence and completeness of balances as at that date. In particular, we were unable to assess as to whether the following items were free from material misstatements:

(i) the carrying amount of approximately RMB36,860,000 in the consolidated balance sheet as at 31 March 2009;

(ii) the loss on disposals of the property, plant and equipment of approximately RMB201,833,000 shown in the consolidated income statement for the year ended 31 March 2009 and note 13 to the consolidated financial statements; and

(iii) the accuracy and completeness of the related disclosures in relation to the additions, disposals, balances released on deconsolidation of subsidiaries, depreciation and impairment losses of the property, plant and equipment as disclosed in notes 9, 10, 13 and 18 to the consolidated financial statements.

4. Impairment of assets

No sufficient evidence has been received by us up to the date of this report in respect of whether the impairment of deposits for acquisition of property, plant and equipment of approximately RMB1,941,000 and impairment of prepayments, deposits and other receivables of approximately RMB22,059,000 should be recognised in the consolidated income statement for the year ended 31 March 2009.

5. Inventories

We were initially appointed as auditor of the Company subsequent to the balance sheet date of 31 March 2009. In consequence, we were unable to attend the physical count of the Group's inventories as at that date. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves as to the existence, quantities, conditions and valuation of these inventories of approximately RMB5,274,000 appeared in the consolidated balance sheet as at 31 March 2009.

6. Pledged bank deposits

We were unable to obtain sufficient evidence to satisfy ourselves as to the recoverability of the pledged bank deposits of approximately RMB119,104,000 as at 31 March 2009. There are no other satisfactory audit procedures that we could adopt to determine whether any allowance for non-recovery of the amount should be made in the consolidated financial statements.

7. Accruals and other payables

No sufficient evidence has been received by us up to the date of this report in respect of the accruals and other payables of approximately RMB2,300,000 as included in the accruals and other payables of approximately RMB25,793,000 in the consolidated balance sheet as at 31 March 2009.

8. Due to deconsolidated subsidiaries

No direct confirmation and other sufficient evidence have been received by us up to the date of this report in respect of the amounts due to deconsolidated subsidiaries of RMB645,074,000 and RMB341,000 shown in the consolidated and Company balance sheets respectively as at 31 March 2009.

9. Commitments and contingent liabilities

No sufficient evidence has been provided to satisfy ourselves as to the existence and completeness of the disclosures of commitments and contingent liabilities as at 31 March 2009.

10. Related party transactions and balances

No sufficient evidence has been provided to satisfy ourselves as to the existence and completeness of the disclosures of the related party transactions for the year ended 31 March 2009 and the balances as at that date as required by Hong Kong Accounting Standard 24 "Related Party Disclosures".

Any adjustments to the figures as described from points 1 to 10 above might have a significant consequential effect on the Group's results and cash flows for the two years ended 31 March 2009 and 2008 and the financial positions of the Group and of the Company as at 31 March 2009 and 2008, and the related disclosures thereof in the consolidated financial statements.

MATERIAL UNCERTAINTY RELATING TO THE GOING CONCERN BASIS

In forming our opinion, we have considered the adequacy of the disclosures made in note 2 to the consolidated financial statements which explains that the Investor has decided to pursue a restructuring of the Company.

The consolidated financial statements have been prepared on a going concern basis on the assumption that the proposed restructuring of the Company will be successfully completed and that, following the restructuring, the Group will continue to meet in full its financial obligations as they fall due in the foreseeable future. The consolidated financial statements do not include any adjustments that would result from a failure to complete the restructuring. We consider that the disclosures are adequate. However, in view of the extent of the material uncertainty relating to the completion of the restructuring, we disclaim our opinion in respect of the material uncertainty relating to the going concern basis.

DISCLAIMER OF OPINION

Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs and the material uncertainty relating to the going concern basis as described above, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2009 and of the Group's results and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

ANDA CPA Limited
Certified Public Accountants
Sze Lin Tang
Practising Certificate Number P03614

Hong Kong, 10 August 2011

Consolidated Income Statement

For the year ended 31 March 2009

	Notes	**2009 RMB'000**	2008 RMB'000
Turnover	7	**177,902**	1,915,594
Cost of materials consumed		**(130,431)**	(787,773)
Gross profit		**47,471**	1,127,821
Other income	8	**7,684**	66,680
Staff costs		**(52,413)**	(194,945)
Operating lease rentals		**(9,953)**	(81,165)
Depreciation and amortisation		**(9,645)**	(154,485)
Fuel and utility costs		**(15,338)**	(53,796)
Consumable stores		**(3,841)**	(41,238)
Other operating expenses		**(61,161)**	(82,797)
Loss on deconsolidation of subsidiaries and impairments on due from deconsolidated subsidiaries	10	**(3,880,961)**	–
Loss on disposals of property, plant and equipment	13	**(201,833)**	(4,800)
Impairment of assets	13	**(31,762)**	(98)
(Loss)/profit from operations		**(4,211,752)**	581,177
Finance costs	11	**(135,345)**	(105,401)
(Loss)/profit before tax		**(4,347,097)**	475,776
Income tax	12	**(1,151)**	(49,459)
(Loss)/profit for the year	13	**(4,348,248)**	426,317
Attributable to:			
Equity holders of the Company	15	**(4,348,248)**	410,956
Minority interests		**–**	15,361
		(4,348,248)	426,317
(Loss)/earnings per share	17		
Basic (RMB cents per share)		**(803)**	77
Diluted (RMB cents per share)		**N/A**	77

Consolidated Balance Sheet

At 31 March 2009

	Notes	2009 RMB'000	2008 RMB'000
Non-current assets			
Property, plant and equipment	18	**36,860**	3,190,914
Prepaid land leases payments	19	**–**	241,153
Intangible assets	20	**–**	161,465
Goodwill	21	**–**	393,188
Deposits for acquisition of leasehold land		**–**	5,800
Deposit for construction of a processing centre		**–**	189,100
Deposits for leasehold improvements of theme restaurants		**–**	39,193
Deposits for acquisition of property, plant and equipment		**–**	54,957
Deposit for acquisition of a subsidiary		**–**	12,000
		36,860	4,287,770
Current assets			
Inventories	23	**5,274**	88,705
Trade receivables	24	**18,849**	53,790
Available-for-sale financial asset	25	**492,412**	–
Due from deconsolidated subsidiaries	26	**423,028**	–
Prepayments, deposits and other receivables	27	**4,303**	193,148
Pledged bank deposits	28	**119,109**	136,438
Bank and cash balances	28	**79,640**	957,430
		1,142,615	1,429,511
Current liabilities			
Trade and bills payables	29	**25,123**	196,195
Accruals and other payables		**25,793**	151,316
Due to deconsolidated subsidiaries	26	**645,074**	–
Bank borrowings	30	**103,159**	269,000
Consideration payable for acquisition of subsidiaries	31	**317,412**	–
Convertible bonds	32	**463,052**	–
Current tax liabilities		**–**	38,630
		1,579,613	655,141
Net current (liabilities)/assets		**(436,998)**	774,370
Total assets less current liabilities		**(400,138)**	5,062,140

Consolidated Balance Sheet

At 31 March 2009

	Notes	2009 RMB'000	2008 RMB'000
Non-current liabilities			
Bank borrowings	30	**–**	105,405
Consideration payable for acquisition of subsidiaries	31	**–**	341,880
Convertible bonds	32	**1,462,978**	1,814,588
		1,462,978	2,261,873
NET (LIABILITIES)/ASSETS		**(1,863,116)**	2,800,267
Capital and reserves			
Share capital	33	**5,665**	5,665
Reserves	35(a)	**(1,868,781)**	2,688,895
Equity attributable to equity holders of the Company		**(1,863,116)**	2,694,560
Minority interests		**–**	105,707
TOTAL EQUITY		**(1,863,116)**	2,800,267

Approved by:

Chin Chang Keng Raymond
Director

Chung Wai Man
Director

Balance Sheet

At 31 March 2009

	Notes	2009 RMB'000	2008 RMB'000
Non-current assets			
Investments in subsidiaries	22	**3**	517,819
Current assets			
Available-for-sale financial asset	25	**492,412**	–
Prepayments, deposits and other receivables		**556**	2,944
Due from deconsolidated subsidiaries	26	**423,028**	–
Due from subsidiaries	22	**–**	3,127,696
Pledged bank deposits		**–**	7,279
Bank balances		**9,162**	260,360
		925,158	3,398,279
Current liabilities			
Accruals and other payables		**16,994**	17,494
Due to subsidiaries	22	**–**	348
Due to deconsolidated subsidiaries	26	**341**	–
Bank borrowings	30	**103,159**	–
Consideration payable for acquisition of subsidiaries	31	**317,412**	–
Convertible bonds	32	**463,052**	–
		900,958	17,842
Net current assets		**24,200**	3,380,437
Total assets less current liabilities		**24,203**	3,898,256

Balance Sheet

At 31 March 2009

	Notes	2009 RMB'000	2008 RMB'000
Non-current liabilities			
Bank borrowings	30	**–**	105,405
Consideration payable for acquisition of subsidiaries	31	**–**	341,880
Convertible bonds	32	**1,462,978**	1,814,588
		1,462,978	2,261,873
NET (LIABILITIES)/ASSETS		**(1,438,775)**	1,636,383
Capital and reserves			
Share capital	33	**5,665**	5,665
Reserves	35(b)	**(1,444,440)**	1,630,718
TOTAL EQUITY		**(1,438,775)**	1,636,383

Approved by:

Chin Chang Keng Raymond
Director

Chung Wai Man
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2009

	Attributable to equity holders of the Company									
	Share capital RMB'000	Share premium RMB'000	Statutory reserve RMB'000	Capital reserve RMB'000	Merger reserve RMB'000	Foreign currency translation reserve RMB'000	Retained profits/ (accumulated losses) RMB'000	Total RMB'000	Minority interests RMB'000	Total RMB'000
At 1 April 2007	5,386	990,802	11,500	20,791	23,000	(13,149)	754,056	1,792,386	–	1,792,386
Exchange differences on translation into presentation currency	–	–	–	–	–	(21,449)	–	(21,449)	395	(21,054)
Total income and expense for the year recognised directly in equity	–	–	–	–	–	(21,449)	–	(21,449)	395	(21,054)
Profit for the year	–	–	–	–	–	–	410,956	410,956	15,361	426,317
Total recognised income and expense for the year	–	–	–	–	–	(21,449)	410,956	389,507	15,756	405,263
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
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	89,951	89,951
Final 2006/2007 dividend declared	–	–	–	–	–	–	(53,114)	(53,114)	–	(53,114)
Interim 2007/2008 dividend	–	–	–	–	–	–	(58,813)	(58,813)	–	(58,813)
Transfer to statutory reserve	–	–	75,560	–	–	–	(75,560)	–	–	–
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
At 1 April 2008	5,665	1,491,807	87,060	143,231	23,000	(34,598)	978,395	2,694,560	105,707	2,800,267
Exchange differences on translation into presentation currency	–	–	–	–	–	(41,530)	–	(41,530)	–	(41,530)
Total income and expense for the year recognised directly in equity	–	–	–	–	–	(41,530)	–	(41,530)	–	(41,530)
Loss for the year	–	–	–	–	–	–	(4,348,248)	(4,348,248)	–	(4,348,248)
Total recognised income and expense for the year	–	–	–	–	–	(41,530)	(4,348,248)	(4,389,778)	–	(4,389,778)
Equity settled share-based transactions	–	–	–	2,928	–	–	–	2,928	–	2,928
Forfeiture of share options	–	–	–	(1,686)	–	–	1,686	–	–	–
Final 2007/2008 dividend declared	–	–	–	–	–	–	(60,135)	(60,135)	–	(60,135)
Deconsolidation of subsidiaries	–	–	(79,560)	–	(23,000)	(110,691)	102,560	(110,691)	(105,707)	(216,398)
At 31 March 2009	5,665	1,491,807	7,500	144,473	–	(186,819)	(3,325,742)	(1,863,116)	–	(1,863,116)

Consolidated Cash Flow Statement

For the year ended 31 March 2009

	Notes	2009 RMB'000	2008 RMB'000
Cash flows from operating activities			
(Loss)/profit before tax		**(4,347,097)**	475,776
Adjustments for:			
Depreciation and amortisation		**9,645**	154,485
Interest income		**(7,525)**	(27,818)
Loss on disposals of property, plant and equipment		**201,833**	4,800
Finance costs		**135,345**	105,401
Inventories written off		**–**	782
Equity settled share-based payment expenses		**2,928**	6,043
Reversal of impairment loss for trade receivables		**–**	(747)
Loss on deconsolidation of subsidiaries	10	**241,472**	–
Impairments on due from deconsolidated subsidiaries	10	**3,639,489**	–
Impairment of property, plant and equipment		**7,762**	–
Impairment of deposit for acquisition of property, plant and equipment		**1,941**	–
Impairment of prepayments, deposits and other receivables		**22,059**	98
Foreign exchange loss/(gain)		**31,383**	(25,446)
Operating cash flows before working capital changes		**(60,765)**	693,374
Change in inventories		**1,605**	(42,962)
Change in prepayments, deposits and other receivables		**(14,917)**	(141,930)
Change in trade receivables		**3,873**	(22,696)
Change in trade and bills payables		**3,432**	244,714
Change in accruals and other payables		**(8,867)**	(101,709)
Change in due to deconsolidated subsidiaries		**(95,909)**	–
Cash (used in)/generated from operations		**(171,548)**	628,791
Tax paid		**(1,151)**	(35,185)
Net cash (used in)/generated from operating activities		**(172,699)**	593,606

Consolidated Cash Flow Statement

For the year ended 31 March 2009

	Notes	2009 RMB'000	2008 RMB'000
Cash flows from investing activities			
Interest received		**7,525**	30,634
Net cash outflow arising on acquisition of subsidiaries	31	**–**	(158,424)
Net cash outflow arising on deconsolidation of subsidiaries	10	**(532,997)**	–
Purchase of property, plant and equipment		**(142,543)**	(1,226,120)
Additions in land leases payments		**–**	(4,888)
Payments of deposits for purchase of non-current assets		**–**	(273,576)
Proceeds from disposal of property, plant and equipment		**–**	5,030
Decrease in pledged bank deposits		**17,329**	102,598
Net cash used in investing activities		**(650,686)**	(1,524,746)
Cash flows from financing activities			
Interest paid		**(6,461)**	(30,960)
Dividend paid		**(60,135)**	(111,927)
Proceeds from issue of convertible bonds		**–**	1,459,324
Proceeds from issue of shares		**–**	4,500
Repayment of bank loans		**–**	(352,000)
New bank loans raised		**–**	406,905
Net cash (used in)/generated from financing activities		**(66,596)**	1,375,842
Net (decrease)/increase in cash and cash equivalents		**(889,981)**	444,702
Effect of foreign exchange rate changes		**12,191**	(43,902)
Cash and cash equivalents at beginning of year		**957,430**	556,630
Cash and cash equivalents at end of year		**79,640**	957,430
Analysis of cash and cash equivalents			
Bank and cash balances		**79,640**	957,430

1. GENERAL INFORMATION

FU JI Food and Catering Services Holdings Limited (Provisional Liquidators Appointed) was incorporated in the Cayman Islands on 8 April 2004 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office and principal place of business are disclosed in the corporate information section of the annual report. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the trading in shares of the Company has been suspended since 29 July 2009.

The Company is an investment holding company. The Company and its subsidiaries (collectively "the Group") were principally engaged in the provision of Catering Services and the operation of Chinese Restaurants business in the People's Republic of China (the "PRC"). During the year, the Group's Restaurant business had been peeled out from the Group upon deconsolidation of the Company's certain subsidiaries as further explained in note 2 below. The principal activities of the Company's remaining subsidiaries are set out in note 22 to the consolidated financial statements.

2. BASIS OF PREPARATION

Winding-up petition and appointment of the provisional liquidators

On 29 July 2009, 26 August 2009 and 22 September 2009, the Company announced that there shall be certain delay in the publication of annual results announcement and dispatch of the annual report of the Company for the year ended 31 March 2009 (the "Delay").

On 7 October 2009, the Company engaged Deloitte Touche Tohmatsu as an independent financial adviser (the "IFA") (i) to assist the Group with the finalisation of its financial statements for the year ended 31 March 2009 and (ii) to conduct independent analysis on the Group's financial position with a view to addressing concerns raised by the stakeholders of the Company resulting from the Delay. During the course of IFA's reviewing on the Group's affairs, the IFA identified circumstances that indicated the Group had experienced significant financial challenges, particularly in connection with business operation of the Group's catering services business, the financial position and outlook of which had been deteriorating quite rapidly.

On 19 October 2009, the Company petitioned to the High Court of the Hong Kong Special Administrative Region (the "High Court") for the winding-up of the Company (the "Petition"). On the same day, Messrs. Edmund Yeung Lui Ming, Derek Lai Kar Yan and Darach E. Haughey of Deloitte Touche Tohmatsu were appointed as joint and several provisional liquidators (the "Provisional Liquidators") of the Company by the High Court. The Provisional Liquidators are empowered, inter alia, to take possession of the assets of the Company and its subsidiaries and, if thought to be in the best interests of creditors of the Company, to enter into any agreements necessary or desirable to effectively restructure the affairs of the Company.

The hearing of the Petition against the Company was originally scheduled on 23 December 2009 and the High Court adjourned the hearing of the Petition against the Company to 8 February 2012. It is expected that the Petition against the Company will be withdrawn upon the successful implementation of the restructuring of the Company as referred to in the section headed "Proposed restructuring of the Group" below.

2. BASIS OF PREPARATION *(continued)*

Suspension of trading in shares of the Company

At the request of the Company, trading in shares of the Company has been suspended since 29 July 2009. By a letter dated 28 January 2010, the Stock Exchange informed the Provisional Liquidators that the Company was placed in the first stage of the delisting procedures under Practice Note 17 ("PN 17") to the Listing Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), and the Company was required to submit a viable resumption proposal by 27 July 2010.

Upon the expiry of the first delisting stage, the Company was unable to submit the resumption proposal. On 30 July 2010, the Company was placed in the second stage of the delisting procedures pursuant to PN 17 of the Listing Rules and that the Company was still required to submit a viable resumption proposal to the Stock Exchange fulfilling certain requirements set out by the Stock Exchange therein including but not limited to the following:

(i) demonstrate sufficient operations or assets under Rule 13.24 of the Listing Rules;

(ii) publish outstanding financial results and address any audit qualifications;

(iii) demonstrate that the Company has an adequate financial reporting system and internal control procedures to meet its obligations under the Listing Rules; and

(iv) withdraw or dismise the winding-up petition presented against the Company, and discharge the Provisional Liquidators.

If the Company fails to submit a viable resumption proposal to address the above conditions to the Stock Exchange at least 10 business days before 29 January 2011, the Stock Exchange might consider to proceed to place the Company in the third stage of the delisting procedures pursuant to PN 17 to the Listing Rules. In response to the requests from the Stock Exchange, on 14 January 2011, the Provisional Liquidators, on behalf of the Company, submitted a resumption proposal (the "Resumption Proposal") to the Stock Exchange. On 13 June 2011, the Provisional Liquidators, on behalf of the Company, submitted their reply/clarification in relation to the queries from the Stock Exchange on the Resumption Proposal received on 31 January 2011 and is preparing replies to the second round of queries from the Stock Exchange received on 25 July 2011.

2. BASIS OF PREPARATION *(continued)*

Proposed restructuring of the Group

On 16 March 2010, Marvel Light Holdings Limited (the "Investor"), the Company and the Provisional Liquidators entered into the heads of terms (the "Heads of Terms") setting out the agreement of the parties in respect of major provisions of the reorganisation proposal on the Company (the "Reorganisation Proposal"). Further details of the Reorganisation Proposal are described in the Company's announcements dated 26 May 2010 and 7 July 2010 (the "Announcements"). Unless otherwise specified, capitalised terms used herein shall have the same meanings as in the Announcements. As set out in the Heads of Terms, the Reorganisation Proposal will mainly involve the execution of the following transactions, as the case may be:

(i) the intra-group transfer of the Catering and Restaurant Business including the relevant business contracts, assets and/or employees of the Group which the Provisional Liquidators consider necessary for the continuation of the Catering and Restaurant Business by the Group;

(ii) the transfer and disposal of such right, title and interest in certain assets of the Group to the Investor;

(iii) the execution of a management agreement between the Company and the Investor pursuant to which the Investor shall provide management services to the Catering and Restaurant Business for a fee;

(iv) the debt restructuring and the capital reorganisation of the Company;

(v) the submission of the resumption proposal to the Stock Exchange for the purpose of seeking the resumption of the trading of the Shares on the Stock Exchange;

(vi) the subscription of the new Shares and preference share of the Company by the Investor; and

(vii) the disposal of assets of the Group by way of Scheme of Arrangement to fully compromise and discharge all indebtedness due from the Group to the Scheme Creditors by creating a trust to hold certain assets of the Group for the purpose of payment and distribution to the Scheme Creditors.

On 11 March 2011, the High Court directed that a meeting of Scheme Creditors (as defined in the Scheme) be convened for the purpose of considering and, if thought fit, approving (with or without modification) a scheme of arrangement pursuant to section 166 of the Companies Ordinance (Cap. 32) proposed to be made between the Company and the Scheme Creditors.

At the Scheme Creditors' Meeting held on 29 April 2011, the Scheme of Arrangement was approved by the requisite majority of Scheme Creditors and on 17 May 2011, the High Court sanctioned the Scheme. On 9 August 2011, the Provisional Liquidators, on behalf of the Company, issued a completion notice notifying the Scheme Creditors that following the satisfaction or waiver of all the conditions as detailed in the Scheme document, the Scheme has become effective on 9 August 2011.

2. BASIS OF PREPARATION *(continued)*

Deconsolidation of subsidiaries

The consolidated financial statements have been prepared based on the books and records maintained by the Group. However, the directors of the Company ("the Directors") considered that the control over the following subsidiaries had been lost from 1 April 2008. The results, assets, liabilities and cash flows of these subsidiaries were deconsolidated from the financial statements of the Group from 1 April 2008.

(1) Excelwit Group Limited

(2) Famous Sea Group Limited

(3) Inborn Investment Limited

(4) Perfect Future Investment Limited

(5) Prosper State International Limited

(6) Rich Line Investment Limited

(7) 澳特萊(山東)農產品開發有限公司
(Auterlan (Shandong) Agricultural Products Developing Company Limited)*

(8) 福記名肴會(上海)餐飲有限公司
(FUJI Famous Delicacies Club (Shanghai) Catering Company Limited)*

(9) 福記聯合(上海)餐飲有限公司
(FUJI United (Shanghai) Catering Limited)*

(10) 上海福記聯合嘉定餐飲管理有限公司
(Shanghai Fu Ji United Jiading Catering Management Limited)*

(11) 廣西美通食品有限公司
(Guangxi Meitong Foods Company Limited)*

(12) 山東澳特萊實業有限公司
(Shandong Auterlan Industrial Company Limited)*

(13) 上海多鮮樂食品工業有限公司
(Shanghai Daily Fresh Food Industry Company Limited)*

(14) 上海東鋭餐飲配送服務有限公司
(Shanghai Dongrui Catering Services Limited)*

(15) 上海東偉餐飲管理有限公司
(前稱上海東偉餐飲服務有限公司)
(Shanghai Dongwei Catering Management Limited)*
(Formerly known as Shanghai Dongwei Catering Services Limited)*

(16) 上海多鮮樂食品銷售有限公司
(Shanghai Duo Xianle Food Sales Company Limited)*

(17) 上海可前物流有限公司
(Shanghai Ke Qian Logistics Company Limited)*

(18) 上海興邦餐飲管理有限公司
(前稱上海興邦餐飲服務有限公司)
(Shanghai Xingbang Catering Management Company Limited)*
(Formerly known as Shanghai Xingbang Catering Services Company Limited)*

(19) 蘇州市味吉送餐系統服務有限公司
(Suzhou Weiji Catering System Services Limited)*

2. BASIS OF PREPARATION *(continued)*

Deconsolidation of subsidiaries *(continued)*

(20) 無錫美通食品科技有限公司
(Wuxi Meitong Food Technology Company Limited)*
(21) 上海味福餐飲管理有限公司
（前稱上海味福餐飲服務有限公司）
(Shanghai Weifu Catering Management Limited)*
(Formerly known as Shanghai Weifu Catering Services Limited)*
(22) 上海家廚多鮮樂食品銷售有限公司
(Shanghai Jiachu Daily Fresh Food Sales Company Limited)*
(23) 上海福記聯合御花園餐飲有限公司
(Fu Ji United (Shanghai) Yuhuayuan Catering Company Limited)*
(24) 上海靜安多鮮樂食品銷售有限公司
(Shanghai Jingan Daily Fresh Food Sales Company Limited)*
(25) 合肥味鮮達餐飲服務有限公司
(Hefei Weixianda Catering Services Limited)*
(26) 山東澳特萊畜禽養殖有限公司
(Shandong Auterlan Poultry & Livestock Breeding Company Limited)*
(27) 多鮮樂（青島）餐飲管理有限公司
(Daily Fresh (Qingdao) Catering Management Company Limited)*
(28) 杭州味吉送餐服務有限公司
(Hangzhou Weiji Catering Services Limited)*
(29) 青陽美通農業發展有限公司
(Qingyang Meitong Agricultural Development Company Limited)*
(30) 寧波澳特萊海產品開發有限公司
(Ningbo Auterlan Aquatic Products Development Company Limited)*
(31) 澳特萊（北京）食品工業有限公司
(Auterlan (Beijing) Food Industry Company Limited)*
(32) 蕪湖味鮮達餐飲有限公司
(Wuhu Weixianda Catering Limited)*
(33) 鹽城味鮮達餐飲服務有限公司
(Yancheng Weixianda Catering Services Limited)*
(34) 福記聯合（蘇州）餐飲有限公司
(FUJI United (Suzhou) Catering Limited)*
(35) 北京堯都餐飲有限公司
(Beijing Yaodu Catering Company Limited)*
(36) 上海興東餐飲服務有限公司
(Shanghai Xingdong Catering Services Limited)*
(37) 蘇州福記聯合御花園餐飲有限公司
(Fu Ji United (Suzhou) Yuhuayuan Catering Company Limited)*
(38) Sky Charm Group Limited

* *The English name is for identification purpose only*

Going concern

The Group incurred a loss attributable to equity holders of the Company of approximately RMB4,348,248,000 for the year ended 31 March 2009 (2008: a profit of approximately RMB410,956,000) and as at that date, the Group had net current liabilities of approximately RMB436,998,000 (2008: net current assets of approximately RMB774,370,000) and net liabilities of approximately RMB1,863,116,000 (2008: net assets of approximately RMB2,800,267,000) respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

2. BASIS OF PREPARATION *(continued)*

Going concern *(continued)*

The consolidated financial statements have been prepared on a going concern basis on the assumption that the proposed restructuring of the Company will be successfully completed, and that, following the financial restructuring, the Group will continue to meet in full its financial obligations as they fall due in the foreseeable future.

Should the Group be unable to achieve a successful restructuring and to continue its business as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 April 2008. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the current and prior years.

The Group has early adopted the HKAS 27 (Revised) "Consolidated and Separate Financial Statements" that has been in issue at the date of this report but not yet effective for the financial year ended 31 March 2009. Under the revised HKAS 27, when the disposal of a subsidiary results in a loss of control, the consideration of the sale and any investment retained in that subsidiary are required to be measured at their fair values. The previous HKAS 27 does not have specific requirements for such fair value measurements.

The Group has not applied other new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of those new and revised HKFRSs but is not yet in a position to state whether those new and revised HKFRSs would have a material impact on its results of operations and financial position.

4. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These financial statements have been prepared in accordance with HKFRSs, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Listing Rules and by the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention, as modified by available-for-sale financial asset which is carried at fair value. 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 purpose of presenting the consolidated financial statements, the Group adopted Renminbi as its presentation currency.

The preparation of financial statements in conformity with HKFRSs requires the use of key assumptions and estimates. It also requires management to exercise its judgments in the process of applying the accounting policies. The areas involving critical judgments and areas where assumptions and estimates are significant to these financial statements, are disclosed in note 5 to the financial statements.

The significant accounting policies applied in the preparation of these financial statements are set out below.

Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March. Subsidiaries are entities over which the Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill relating to the subsidiary which was not previously charged or recognised in the consolidated income statement and also any related accumulated foreign currency translation reserve.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Consolidation *(continued)*

Inter-company transactions, balances and unrealised profits on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests represent the interests of minority shareholders in the operating results and net assets of subsidiaries. Minority interests are presented in the consolidated balance sheet and consolidated statement of changes in equity within equity. Minority interests are presented in the consolidated income statement as an allocation of profit or loss for the year between minority and shareholders of the Company. Losses applicable to the minority in excess of the minority's interests in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. If the subsidiary subsequently reports profits, such profits are allocated to the interests of the Group until the minority's share of losses previously absorbed by the Group has been recovered.

Business combination and goodwill

The purchase method is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets, liabilities and contingent liabilities of the subsidiary in an acquisition are measured at their fair values at the acquisition date.

The excess of the cost of acquisition over the Group's share of the net fair value of the subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised in consolidated profit or loss.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy below. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The interests of minority shareholders in the subsidiary is initially measured at the minority's proportion of the net fair value of the subsidiary's identifiable assets, liabilities and contingent liabilities at the acquisition date.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

(b) *Transactions and balances in each entity's financial statements*

Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the rates ruling on the balance sheet date. Profits and losses resulting from this translation policy are included in the income statement.

Translation differences on non-monetary items, such as equity instruments classified as financial assets at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equity instruments classified as available-for-sale financial assets, are included in the investment revaluation reserve in equity.

(c) *Translation on consolidation*

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

– Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

– Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

– All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. On disposal of an foreign operation, such exchange differences are recognised in the consolidated income statement as part of the profit or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment

Buildings held for own use which are situated on leasehold land are carried at cost less subsequent depreciation and impairment losses. All other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal useful lives are as follows:

Buildings	Shorter of unexpired lease terms and the estimated useful lives not more than 50 years
Leasehold improvements	Over the lease terms
Furniture and equipment	3 to 10 years
Motor vehicles	5 to 7 years

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each balance sheet date.

Construction in progress represents buildings under construction and plant and machinery pending for installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

Prepaid land lease payment

Prepaid land lease payment represents interest in land held under operating lease arrangements and is amortised on a straight-line basis over the lease terms.

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipments. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Operating leases

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

Trademarks

Trademarks are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over their estimated useful lives of 20 years.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. 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.

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the balance sheet when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in the income statement.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in the income statement.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets not classified as trade and other receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Available-for-sale financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised directly in equity, until the investments are disposed of or are determined to be impaired, at which time the cumulative gains or losses previously recognised in equity are included in the income statement.

Impairment losses recognised in income statement for equity investments classified as available-for-sale financial assets are not subsequently reversed through the income statement. Impairment losses recognised in the income statement for debt instruments classified as available-for-sale financial assets are subsequently reversed and recognised in the income statement if an increase in the fair value of the instruments can be objectively related to an event occurring after the recognition of the impairment loss.

Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the carrying amount of the receivables and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in the income statement.

Impairment losses are reversed in subsequent periods and recognised in the income statement when an increase in the recoverable amount of the receivables can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Borrowing

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Convertible bonds

Convertible bonds which entitle the holder to convert the loans into a fixed number of equity instruments at a fixed conversion price are regarded as compound instruments consist of a liability and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible bonds and the fair value assigned to the liability component, representing the embedded option for the holder to convert the loans into equity of the Group, is included in equity as capital reserve. The liability component is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption.

Transaction costs are apportioned between the liability and equity components of the convertible bonds based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly to equity.

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.

Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

(a) 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.

(b) 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.

(c) Interest income is recognised on a time-proportion basis using the effective interest method.

(d) 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.

(e) 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.

(f) Transportation income is recognised when transportation services are rendered.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits

(a) Short term employee benefits and 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 payments or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(b) Equity settled 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 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 expenses 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).

(c) 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 capitalised 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 capitalisation of borrowing costs as part 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. Capitalisation 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.

Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Related parties

A party is related to the Group if:

(a) directly or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Group; has an interest in the Group that gives it significant influence over the Group; or has joint control over the Group;

(b) the party is an associate;

(c) the party is a joint venture;

(d) the party is a member of the key management personnel of the Company or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products and 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, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

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 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.

Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets other than goodwill, inventories, receivables, and investments to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell 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 the time value of money and the risks specific to the asset.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of assets *(continued)*

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present 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 expenditures 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 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 is remote.

Events after the balance sheet date

Events after the balance sheet date that provide additional information about the Group's position at the balance sheet date or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the balance sheet date that are not adjusting events are disclosed in the notes to the financial statements when material.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below).

(a) Going concern basis

These financial statements have been prepared on a going concern basis, the validity of which depends upon the successful implementation of the Group's Reorganisation Proposal and continuance of its business. Details are explained in note 2 to the financial statements.

(b) Deconsolidation of subsidiaries

The consolidated financial statements have been prepared based on the books and records maintained by the Group. However, the Directors considered that the control over certain subsidiaries had been lost from 1 April 2008. The results, assets and liabilities and cash flows of these subsidiaries were deconsolidated from the financial statements of the Group.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Impairment of assets

The Group has to exercise judgement in determining whether an asset is impaired or the event previously causing the asset impairment no longer exists, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(continued)*

Key sources of estimation uncertainty *(continued)*

(b) Property, plant and equipment and depreciation

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

(c) Income tax

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(d) Impairment loss for bad and doubtful debts

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed. If the financial conditions of the debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

(e) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expense. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions. The Group will reassess the estimates by the end of each reporting period.

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group's entities operating in the PRC have minimal exposures to foreign currency risk as most of their business transactions, assets and liabilities are principally denominated in Renminbi ("RMB"), the functional currencies of those entities.

The Group's is exposed to currency risks primarily arising from the RMB denominated convertible bonds issued by the Company, as the functional currency of the Company is Hong Kong dollars ("HK$"). At the balance sheet date, if HKD had strengthened or weakened by 5% (2008: 5%) against RMB, with all other variables held constant, the Group's loss (2008: profit) before tax for the year would have been approximately RMB73,149,000 lower or higher (2008: RMB72,011,000 higher or lower), mainly as a result of foreign exchange gains or losses on translation of RMB-denominated convertible bonds.

The Group currently does not have a foreign currency hedging policy in respect of foreign currency assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(b) Credit risk

The Group's maximum exposure to credit risk in the event that counterparties fail to perform their obligations at 31 March 2009 in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the consolidated balance sheet. The Group's credit risk is primarily attributable to its trade receivable, available-for-sale financial assets, amounts due from deconsolidated subsidiaries and bank balances. In order to minimise credit risk, the Directors review the recoverable amount of each individual receivable regularly to ensure that adequate impairment losses are recognised for irrecoverable receivable. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

At the balance sheet date, the Group had certain concentration of credit risk as approximately 35% (2008: 23%) and 84% (2008: 38%) of the Group's trade receivables were due from the Group's largest customer and the five largest customers, respectively.

6. FINANCIAL RISK MANAGEMENT *(continued)*

(c) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its current obligations when they fall due.

The Group's had a net current liabilities and net liabilities at the balance sheet date. The Directors have given careful consideration on the measures currently undertaken in respect of the Group's liquidity position. The Directors believe that the Group will be able to meet in full its financial obligations as they fall due upon the completion of the Reorganisation Proposal as further explained in note 2 to these financial statements.

The following table details the remaining contractual maturities of the Group's financial liabilities at the balance sheet date, 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 can be required to pay.

	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	Total contractual undiscounted cash flow RMB'000	Carrying amounts RMB'000
At 31 March 2009:				
Trade payables	25,123	–	25,123	25,123
Accruals and other payables	25,793	–	25,793	25,793
Due to deconsolidated subsidiaries	645,074	–	645,074	645,074
Consideration payable for acquisition of subsidiaries	317,412	–	317,412	317,412
Bank borrowings	116,312	–	116,312	103,159
Convertible bonds	490,876	1,556,912	2,047,788	1,926,030
	1,620,590	1,556,912	3,177,502	3,042,591

6. FINANCIAL RISK MANAGEMENT *(continued)*

(c) Liquidity risk *(continued)*

	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	Total contractual undiscounted cash flow RMB'000	Carrying amounts RMB'000
At 31 March 2008:					
Trade and bills payables	196,195	–	–	196,195	196,195
Accruals and other payables	151,316	–	–	151,316	151,316
Consideration payable for acquisition of subsidiaries	–	362,718	–	362,718	341,880
Bank borrowings	274,990	–	154,527	429,517	374,405
Convertible bonds	–	493,382	1,610,099	2,103,481	1,814,588
	622,501	856,100	1,764,626	3,243,227	2,878,384

(d) Interest rate risk

The Group's exposure to interest-rate risk arises from its bank deposits. These deposits bear interests at variable rates varied with the then prevailing market condition.

At the balance sheet date, if interest rates had been increased or decreased by 1% (2008: 1%) and all other variables were held constant, the consolidated loss (2008: profit) before tax of the Group would decrease or increase by approximately RMB191,000 (2008: increase or decrease by approximately RMB1,085,000) mainly as a result of higher or lower interest income or expenses on floating rate bank deposits.

(e) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated balance sheet approximate their respective fair values.

7. TURNOVER

The Group's turnover is analysed as follows:

	2009 **RMB'000**	2008 RMB'000
Catering Services business	**177,711**	1,383,213
Chinese Restaurants business	**191**	275,033
Theme Restaurants business	**–**	191,431
Convenience Food and related business	**–**	65,917
	177,902	1,915,594

8. OTHER INCOME

	2009 **RMB'000**	2008 RMB'000
Interest income	**7,525**	27,818
Government grants	**–**	33,212
Rental income from sub-letting	**–**	1,805
Transportation income	**–**	1,976
Others	**159**	1,869
	7,684	66,680

9. SEGMENT INFORMATION

Segment information is presented in respect of the Group's business segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting. During the year ended 31 March 2009, the Group's revenue are derived from Catering Services business and the operation of Chinese Restaurants business based in the PRC and accordingly, no analysis of the Group's geographical segments is disclosed. Revenue derived from two customers of the Group's catering services segment represents approximately RMB115,125,000 and RMB26,626,000 of the Group's total revenue respectively.

9. SEGMENT INFORMATION *(continued)*

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

Year ended 31 March 2009:

	Catering Services RMB'000	Chinese Restaurants RMB'000	Total RMB'000
Turnover	177,711	191	177,902
Segment results	(268,114)	119	(267,995)
Unallocated operating income and expenses, net			(62,796)
Loss on deconsolidation of subsidiaries and impairments on due from deconsolidated subsidiaries			(3,880,961)
Loss from operations			(4,211,752)
Finance costs			(135,345)
Income tax			(1,151)
Loss for the year			(4,348,248)
Segment assets	63,497	51	63,548
Corporate and unallocated assets			1,111,322
Consolidated total assets			1,179,475
Segment liabilities	678,333	53	678,386
Corporate and unallocated liabilities			2,364,205
Consolidated total liabilities			3,042,591
Capital expenditures	138,904	3,639	142,543
Depreciation	9,645	–	9,645

9. SEGMENT INFORMATION *(continued)*

Year ended 31 March 2008:

	Catering Services RMB'000	Chinese Restaurants RMB'000	Theme Restaurant RMB'000	Convenience Food and related business RMB'000	Total RMB'000
Turnover	1,383,213	275,033	191,431	65,917	1,915,594
Segment results	459,145	50,410	40,896	(15,756)	534,695
Unallocated operating income and expenses, net					46,482
Profit from operations					581,177
Finance costs					(105,401)
Income tax					(49,459)
Profit for the year					426,317
Segment assets	3,242,091	397,293	737,303	104,431	4,481,118
Corporate and unallocated assets					1,236,163
Consolidated total assets					5,717,281
Segment liabilities	179,224	30,779	359,717	10,517	580,237
Corporate and unallocated liabilities					2,336,777
Consolidated total liabilities					2,917,014
Capital expenditures	1,177,537	167,837	574,042	85,103	2,004,519
Depreciation and amortisation	98,560	35,399	9,604	8,379	151,942

10. LOSS ON DECONSOLIDATION OF SUBSIDIARIES AND IMPAIRMENTS ON DUE FROM DECONSOLIDATED SUBSIDIARIES

	2009 RMB'000	2008 RMB'000
Loss on deconsolidation of subsidiaries	**241,472**	–
Impairments on due from deconsolidated subsidiaries	**3,639,489**	–
	3,880,961	–

10. LOSS ON DECONSOLIDATION OF SUBSIDIARIES AND IMPAIRMENTS ON DUE FROM DECONSOLIDATED SUBSIDIARIES *(continued)*

As disclosed in note 2 to these financial statements, the Directors considered that the control over certain subsidiaries had been lost from 1 April 2008. The results, assets, liabilities and cash flows of these subsidiaries were deconsolidated from the financial statements of the Group from 1 April 2008.

Net assets of these subsidiaries as at the date of loss of control were as follows:

	RMB'000
Property, plant and equipment	**3,077,357**
Prepaid land leases payments	**241,153**
Intangible assets	**161,465**
Goodwill	**393,188**
Deposits for acquisition of leasehold land	**5,800**
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	**53,016**
Deposit for acquisition of a subsidiary	**12,000**
Inventories	**81,826**
Trade receivables	**31,067**
Prepayments, deposits and other receivables	**181,702**
Bank and cash balances	**532,997**
Trade and bills payables	**(174,504)**
Accruals and other payables	**(124,692)**
Bank borrowings	**(269,000)**
Current tax liabilities	**(38,630)**
Net amounts due to the Group	**(3,442,756)**
Net assets deconsolidated	**950,282**
Less: Release of foreign currency translation reserve	**(110,691)**
Minority interests	**(105,707)**
Amounts recoverable from a deconsolidated subsidiary *(note 25)*	**(492,412)**
Loss on deconsolidation of subsidiaries	**241,472**
Net cash outflow arising on deconsolidation of subsidiaries:	
Cash and cash equivalents of subsidiaries deconsolidated	**532,997**

11. FINANCE COSTS

	2009 RMB'000	2008 RMB'000
Interest expenses on borrowings wholly repayable within five years:		
Bank borrowings	**14,498**	23,934
Convertible bonds	**120,847**	81,276
Others	**–**	191
	135,345	105,401

12. INCOME TAX

	2009 RMB'000	2008 RMB'000
Current tax – Provision for the PRC income tax	**1,151**	49,459

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 2009 and 2008.

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

The reconciliation between the income tax and the (loss)/profit before tax is as follows:

	2009 RMB'000	2008 RMB'000
(Loss)/profit before tax	**(4,347,097)**	475,776
Tax on (loss)/profit before tax, calculated at the PRC statutory rate	**(1,086,774)**	73,868
Effect of different tax rates in other tax jurisdictions	**28,594**	(47,824)
Tax effect of non-deductible expenses	**1,059,883**	42,609
Tax effect of additional tax deductions	**–**	(53,614)
Tax effect of non-taxable income	**(1,703)**	(18,316)
Tax effect of unused tax losses not recognised	**1,151**	52,736
	1,151	49,459

The Group had no significant deferred tax for each of the years ended 31 March 2009 and 2008.

13. (LOSS)/PROFIT FOR THE YEAR

The Group's (loss)/profit for the year is stated after charging/(crediting) the following:

	2009 RMB'000	2008 RMB'000
Auditor's remuneration	1,058	5,102
Cost of materials consumed	130,431	787,773
Depreciation	9,645	144,533
Amortisation of prepaid land leases payments	–	6,517
Amortisation of intangible asset	–	3,435
Inventories written off	–	782
Reversal of impairment loss for trade receivables	–	(747)
Minimum lease payments under operating leases in respect of land and buildings	9,953	81,165
Net foreign exchange loss/(gain)	33,777	(11,468)
Staff costs (including directors' remuneration – *note 14*)		
Salaries, bonus and allowances	47,875	186,057
Retirement benefits scheme contributions	1,610	2,845
Equity settled share-based payments	2,928	6,043
	52,413	194,945
Impairment of assets:		
Impairment of property, plant and equipment	7,762	–
Impairment of deposits for acquisition of property, plant and equipment	1,941	–
Impairment of prepayments, deposits and other receivables	22,059	98
	31,762	98
Loss on disposals of property, plant and equipment	201,833	4,800

14. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUAL EMOLUMENTS

The emoluments of each Director were as follows:

	Fee RMB'000	Salaries and allowances RMB'000	Share-based payments RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Executive Directors					
Mr. Wei Dong *(Resigned on 9 March 2010)*	–	882	–	–	882
Ms. Yao Juan *(Resigned on 9 March 2010)*	–	706	–	–	706
Mr. Tung Fai *(Resigned on 1 May 2010)*	–	518	–	12	530
Ms. Ku Wang *(Resigned on 1 January 2010)*	–	159	106	12	277
Non-executive Director					
Ms. Josephine Price *(Resigned on 31 July 2008)*	37	–	–	–	37
Independent Non-executive Directors					
Ms. Tsui Wai Ling, Carlye *(Resigned on 30 September 2009)*	110	–	–	–	110
Mr. Wong Chi Keung *(Resigned on 24 June 2011)*	110	–	–	–	110
Ms. Yang Liu *(Resigned on 2 November 2009)*	110	–	–	–	110
Mr. Su Gang Bing *(Resigned on 13 April 2010)*	110	–	–	–	110
Total for 2009	477	2,265	106	24	2,872

14. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUAL EMOLUMENTS *(continued)*

	Fee RMB'000	Salaries and allowances RMB'000	Share-based payments RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Executive Directors					
Mr. Wei Dong	–	1,185	–	–	1,185
Ms. Yao Juan	–	996	–	13	1,009
Mr. Tung Fai	–	556	–	11	567
Ms. Ku Wang	–	443	177	11	631
Non-executive Director					
Ms. Josephine Price	118	–	–	–	118
Independent Non-executive Directors					
Ms. Tsui Wai Ling, Carlye	118	–	–	–	118
Mr. Wong Chi Keung	118	–	–	–	118
Ms. Yang Liu	118	–	–	–	118
Mr. Su Gang Bing	118	–	–	–	118
Total for 2008	590	3,180	177	35	3,982

14. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUAL EMOLUMENTS *(continued)*

The five highest paid individuals in the Group during the year included 3 (2008: 1) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining 2 (2008: 4) individuals are set out below:

	2009 **RMB'000**	2008 RMB'000
Basic salaries and allowances	**1,124**	2,282
Retirement benefit scheme contributions	**–**	56
Equity compensation benefits	**–**	3,368
	1,124	5,706

The emoluments of the individuals fell within the following bands:

	Number of individuals **2009**	2008
Nil – HK$1,000,000	**2**	–
HK$1,000,001 – HK$1,500,000	**–**	2
HK$1,500,001 – HK$2,000,000	**–**	1
HK$2,000,001 – HK$2,500,000	**–**	1
	2	4

During the year, no emoluments were paid by the Group to any of the Directors as an inducement to join or upon joining the Group or as compensation for loss of office.

15. (LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The (loss)/profit for the year attributable to equity holders of the Company included a loss of approximately RMB2,949,575,000 (2008: a profit of approximately RMB167,233,000) which has been dealt with in the financial statements of the Company.

16. DIVIDENDS

The Directors do not recommend the payment of any dividend in respect of the year ended 31 March 2009. During the prior year, the Directors had declared an interim dividend of HK11.5 cents (approximately RMB10.865 cents) per ordinary share totalling approximately RMB58,813,000 and proposed a final dividend of HK12.6 cents (approximately RMB11.351 cents) per ordinary share totalling approximately RMB61,444,000.

As the proposed final dividend for the prior year was made after the balance sheet date at 31 March 2008, which was subject to the approval of the Company's shareholders at the forthcoming annual general meeting, it had not been recognised as a liability at 31 March 2008.

17. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share

The calculation of basic loss (2008: earnings) per share attributable to equity holders of the Company is based on the loss for the year attributable to equity holders of the Company of approximately RMB4,348,248,000 (2008: profit of approximately RMB410,956,000) and the weighted average number of 541,296,756 (2008: 532,573,184) ordinary shares in issue during the year.

Diluted (loss)/earnings per share

As the exercise of the Company's outstanding convertible bonds for the year ended 31 March 2009 would be anti-dilutive and there was no dilutive potential ordinary shares of the Company's outstanding options, no diluted loss per share was presented this year.

The calculation of diluted earnings per share for the year ended 31 March 2008 attributable to equity holders of the Company is based on the profit for the year attributable to equity holders of the Company of approximately RMB410,956,000 and the weighted average number of 532,601,040 ordinary shares, being the weighted average number of 532,573,184 ordinary shares in issue during the year used in the basic earnings per share calculation plus the weighted average number of 27,856 ordinary shares assumed to have been issued at no consideration on the deemed exercise of the share options outstanding at the balance sheet date. Because the diluted earnings per share was increased when taking the convertible bonds into account, the convertible bonds were anti-dilutive and were ignored in the calculation of diluted earnings per shares for the prior year.

18. PROPERTY, PLANT AND EQUIPMENT

	Group					
	Building RMB'000	**Leasehold improvements** RMB'000	**Furniture and equipment** RMB'000	**Motor vehicles** RMB'000	**Construction in progress** RMB'000	**Total** RMB'000
Cost						
At 1 April 2007	97,250	573,999	274,423	28,100	1,263,944	2,237,716
Acquisition of subsidiaries	–	40,377	36,061	708	118	77,264
Additions	–	55,193	66,858	3,386	1,100,686	1,226,123
Transfers	–	390,806	–	–	(390,806)	–
Disposals	–	(13,382)	(158)	(237)	–	(13,777)
At 31 March 2008 and 1 April 2008	97,250	1,046,993	377,184	31,957	1,973,942	3,527,326
Additions	–	111,715	30,802	26	–	142,543
Disposals	–	(153,604)	(39,136)	(3,224)	(21,294)	(217,258)
Deconsolidation of subsidiaries	(97,250)	(1,005,104)	(309,775)	(28,759)	(1,952,648)	(3,393,536)
At 31 March 2009	–	–	59,075	–	–	59,075
Accumulated depreciation and impairment						
At 1 April 2007	2,753	118,210	67,655	6,508	–	195,126
Charge for the year	2,379	88,605	49,131	4,418	–	144,533
Disposals	–	(3,122)	(57)	(68)	–	(3,247)
At 31 March 2008 and 1 April 2008	5,132	203,693	116,729	10,858	–	336,412
Charge for the year	–	–	9,645	–	–	9,645
Disposals	–	(8,185)	(6,206)	(1,034)	–	(15,425)
Impairment loss	–	–	7,762	–	–	7,762
Deconsolidation of subsidiaries	(5,132)	(195,508)	(105,715)	(9,824)	–	(316,179)
At 31 March 2009	–	–	22,215	–	–	22,215
Carrying amounts						
At 31 March 2009	–	–	36,860	–	–	36,860
At 31 March 2008	92,118	843,300	260,455	21,099	1,973,942	3,190,914

19. PREPAID LAND LEASES PAYMENTS

	Group
	RMB'000
Cost	
At 1 April 2007	189,846
Additions during the year	60,506
At 31 March 2008 and 1 April 2008	250,352
Deconsolidation of subsidiaries	(250,352)
At 31 March 2009	–
Accumulated amortisation	
At 1 April 2007	2,682
Charge for the year	6,517
At 31 March 2008 and 1 April 2008	9,199
Deconsolidation of subsidiaries	(9,199)
At 31 March 2009	–
Carrying amount	
At 31 March 2009	–
At 31 March 2008	241,153

20. INTANGIBLE ASSETS

	Group
	RMB'000
Cost	
At 31 March 2008 and 1 April 2008	164,900
Deconsolidation of subsidiaries	(164,900)
At 31 March 2009	–
Accumulated amortisation	
At 31 March 2008 and 1 April 2008	3,435
Deconsolidation of subsidiaries	(3,435)
At 31 March 2009	–
Carrying amount	
At 31 March 2009	–
At 31 March 2008	161,465

21. GOODWILL

	Group	
	2009	2008
	RMB'000	RMB'000
At beginning of year	**393,188**	10,300
Acquisition of subsidiaries	**–**	382,888
Deconsolidation of subsidiaries	**(393,188)**	–
At 31 March	**–**	393,188

In respect of the total carrying amount of goodwill of approximately RMB393,188,000 attributable to deconsolidated subsidiaries at 31 March 2008, approximately RMB10,300,000 was allocated to the Group's cash-generating units engaged in development, manufacturing, and sales of food products within catering service business, and approximately RMB382,888,000 was allocated to the Group's Theme restaurants business.

22. INVESTMENTS IN SUBSIDIARIES

	Company	
	2009	2008
	RMB'000	RMB'000
Unlisted investments:		
At beginning of year	**517,819**	517,819
Less: impairments	**(517,816)**	–
At 31 March	**3**	517,819
Due from subsidiaries	**2,869,288**	3,127,696
Less: impairments	**(2,869,288)**	–
	–	3,127,696
Due to subsidiaries	**–**	348

Note: The balances with subsidiaries were unsecured, interest-free and had no fixed term of repayment.

22. INVESTMENTS IN SUBSIDIARIES *(continued)*

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration	Issued/ paid-up capital	Percentage of ownership interest Direct	Percentage of ownership interest Indirect	Principal activities
Sky Achieve Limited	British Virgin Islands	200 ordinary shares of US$1 each	100%	–	Investment holding
FU JI Management Limited	Hong Kong	100 ordinary shares of HK$1 each	–	100%	Provision of administrative services to group companies
Genius Star International Limited	British Virgin Islands	100 ordinary shares of US$1 each	100%	–	Investment holding
Fully Peace Limited	Hong Kong	1 ordinary share of HK$1 each	100%	–	Investment holding
青島味鮮達餐飲服務有限公司# (Qing Dao Wei Xian Da Catering Services Limited)*	The PRC	HK$150,000,000	–	100%	Provision of catering services
福堯名肴會(上海)餐飲有限公司# (Fuyao Famous Delicacies Club (Shanghai) Catering Company Limited)*	The PRC	HK$25,000,000	–	100%	Operation of Chinese restaurants
深圳市福記標準送餐服務系統有限公司 (Shenzhen Fu Ji Standard Catering Services System Limited)*	The PRC	RMB10,000,000	–	100%	Provision of catering services
上海味碩餐飲配送服務有限公司 (Shanghai Weishuo Catering Services Limited)*	The PRC	RMB10,000,000	–	100%	Provision of catering services
上海隆廚餐飲管理有限公司 (前稱上海隆廚餐飲服務有限公司) Shanghai Rongchu Catering Management Limited (Formerly known as Shanghai Rongchu Catering Services Limited)*	The PRC	RMB300,000	–	100%	Operation of Chinese restaurants
武漢市味華康餐飲服務有限公司 (Wuhan Weihuakang Catering Services Limited)*	The PRC	RMB1,000,000	–	100%	Provision of catering services
無錫多鮮樂貿易有限公司 (Wuxi Daily Fresh Trading Company Limited)*	The PRC	RMB5,000,000	–	100%	Provision of catering services

* *The English name is for identification purpose only*

\# *Wholly-foreign-owned enterprises*

23. INVENTORIES

	Group 2009 RMB'000	2008 RMB'000
Raw materials and consumable stores	**5,274**	81,311
Goods for resale	**–**	7,394
	5,274	88,705

24. TRADE RECEIVABLES

Other than cash and credit card sales, invoices are normally payable within 30 days of issuance, except for certain well-established customers where the terms are extended up to 90 days. Trade receivables are recognised and carried at their original invoiced amounts less allowance for impairment when collection of the full amount is no longer probable. Bad debts are written off as incurred.

An aging analysis of the trade receivables at the balance sheet date, based on invoice dates, is as follows:

	Group 2009 RMB'000	2008 RMB'000
30 days or less	**9,571**	28,464
31 to 90 days	**8,105**	16,827
91 to 180 days	**651**	3,985
Over 180 days	**522**	7,011
Less: impairments	**–**	(2,497)
	18,849	53,790

24. TRADE RECEIVABLES *(continued)*

Impairment of trade receivables

Impairment losses in respect of trade receivables 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.

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

	Group	
	2009	2008
	RMB'000	RMB'000
At beginning of year	**2,497**	3,244
Reversal of impairments	**–**	(747)
Deconsolidation of subsidiaries	**(2,497)**	–
At 31 March	**–**	2,497

Trade receivables that are not impaired

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

	Group	
	2009	2008
	RMB'000	RMB'000
Neither past due nor impaired	**17,676**	34,945
Less than 90 days past due	**651**	13,629
Over 90 days past due	**522**	5,022
	18,849	53,596

25. AVAILABLE-FOR-SALE FINANCIAL ASSET

	Group and Company	
	2009	2008
	RMB'000	RMB'000
Unlisted investment, at fair value	**492,412**	–

The amount represented the unlisted investment in a deconsolidated subsidiary, Sky Charm Group Limited ("Sky Charm"). The estimated fair value of the available-for-sale asset was determined by reference to its recoverable amounts based on the agreed consideration on disposal of the Group's interests in Sky Charm and dividend receivables subsequent to the balance sheet date.

At 31 March 2009, the carrying amounts of the Group's interests in Sky Charm exceed 10% of total assets of the Company and the Group.

Name	Place of incorporation	Issued capital	Percentage of direct ownership interest	Principal activities
Sky Charm Group Limited	British Virgin Islands	US$50,000	60%	Investment holding of subsidiaries operating theme restaurants

26. BALANCES WITH DECONSOLIDATED SUBSIDIARIES

The balances with deconsolidated subsidiaries were unsecured, interest-free and had no fixed term of repayment.

27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group	
	2009	2008
	RMB'000	RMB'000
Prepayments	**6,821**	28,093
Deposits	**2,180**	44,186
Other receivables	**17,361**	120,967
	26,362	193,246
Less: impairments	**(22,059)**	(98)
	4,303	193,148

Included in the impairments recognised in respect of prepayments, deposits and other receivables were individually impaired deposits and other receivables with the aggregate amounts of approximately RMB22,059,000 with the equivalent gross amounts at 31 March 2009. The individually impaired amounts relate to counterparties that were in default of repayment. The Group did not hold any collateral or other credit enhancements over these balances.

28. PLEDGED BANK DEPOSITS AND BANK AND CASH BALANCES

	Group	
	2009	2008
	RMB'000	RMB'000
Pledged bank deposits at the balance sheet date were used to secure for:		
– Bank borrowings *(Note)*	**119,109**	128,813
– Corporate card facility	**–**	346
– Catering service contracts	**–**	7,279
	119,109	136,438

Note: These bank deposits were pledged to banks to secure for general banking facilities granted to certain deconsolidated subsidiaries.

At the balance sheet date, the bank and cash balances of the Group denominated in Renminbi ("RMB") amounted to approximately RMB4,605,000 (2008: approximately RMB518,815,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

29. TRADE AND BILLS PAYABLES

	Group	
	2009	2008
	RMB'000	RMB'000
Trade payables	**25,123**	126,195
Bills payables	**–**	70,000
	25,123	196,195

An aging analysis of the trade payables at the balance sheet date, based on invoice dates, is as follows:

	Group	
	2009	2008
	RMB'000	RMB'000
30 days or less	**6,423**	64,950
31 to 90 days	**7,037**	44,724
91 to 180 days	**11,092**	4,748
Over 180 days	**571**	11,773
	25,123	126,195

30. BANK BORROWINGS

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Secured *(note)*	**–**	119,000	**–**	–
Unsecured	**103,159**	255,405	**103,159**	105,405
	103,159	374,405	**103,159**	105,405

Note: At 31 March 2008, the secured loans of approximately RMB119,000,000 were secured by the Group's pledged bank deposits, and approximately RMB150,000,000 of the unsecured loans were guaranteed by corporate guarantees given by certain deconsolidated subsidiaries.

30. BANK BORROWINGS *(continued)*

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Amounts repayable:				
On demand or within one year	**103,159**	269,000	**103,159**	–
In the second to fifth years	**–**	105,405	**–**	105,405
	103,159	374,405	**103,159**	105,405
Less: current portion	**(103,159)**	(269,000)	**(103,159)**	–
Non-current portion	**–**	105,405	**–**	105,405

The carrying amounts of the Group's borrowings were denominated in the following currencies:

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB	**–**	269,000	**–**	–
US$	**103,159**	105,405	**103,159**	105,405
	103,159	374,405	**103,159**	105,405

At the balance sheet date, the Group and the Company's unsecured bank loan of RMB103,159,000 (2008: RMB255,405,000) carried effective interest rate at 12.75% (2008: 7.2%-10.61%) per annum. At 31 March 2008, the Group's secured bank loans of RMB119,000,000 carried effective interest rate at 6.7% per annum.

31. CONSIDERATION PAYABLE FOR ACQUISITION OF SUBSIDIARIES

At the balance sheet date, the amount represented balance of the estimated amounts payable for the acquisition of 60% of the entire issued share capital of Sky Charm for an aggregate purchase price to be determined based on Sky Charm's audited consolidated net profit for two consecutive 12-month periods from the date of completion on 1 November 2007, subject to a cap of HK$800,000,000 (approximately RMB720,720,000) as described below:

The consideration for the acquisition is determined at 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 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%; and

"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

"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, severe natural disaster and wide-spread epidemic) results in material adverse effect to Sky Charm Group in such period, the commencement date of "Observation Period II" shall be deferred by 12 months.

31. CONSIDERATION PAYABLE FOR ACQUISITION OF SUBSIDIARIES *(continued)*

The net assets acquired in transaction, and the goodwill arising, were as follows:

	Acquiree's carrying amount before combination RMB'000	**Fair Value Adjustment** RMB'000	**Fair Value** RMB'000
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 21)*			382,888
			517,814
Consideration satisfied by:			
Cash			175,934
Consideration payable			341,880
Total consideration			517,814
Net cash outflow arising on acquisition:			
Cash consideration paid			175,934
Cash and cash equivalents acquired			(17,510)
			158,424

31. CONSIDERATION PAYABLE FOR ACQUISITION OF SUBSIDIARIES *(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 that year.

32. CONVERTIBLE BONDS

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

On 9 November 2006, the Company issued the zero coupon convertible bonds (the "UBS Bonds") with an aggregate principal amount of HK$1,000,000,000 (approximately equivalent to 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).

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 5.990% per annum to the liability component of UBS Bonds.

32. CONVERTIBLE BONDS *(continued)*

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 the 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.

The values of the liability component and the equity conversion component were determined at issuance of the bond. The fair value of the liability component was calculated using a market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of the equity conversion option, is included in shareholders' equity in capital reserves, net of income taxes.

The liability component of the convertible bonds recognised in the balance sheet is analysed as follows:

	Group and Company	
	2009	2008
	RMB'000	RMB'000
At beginning of year	**1,814,588**	977,335
Recognition at the issuance date	**–**	1,335,383
Interest charged at effective interest rates	**120,847**	81,276
Conversion into shares	**–**	(488,471)
Exchange differences	**(9,405)**	(90,935)
At 31 March	**1,926,030**	1,814,588
Less: current portion	**(463,052)**	–
Non-current portion	**1,462,978**	1,814,588

33. SHARE CAPITAL

	Company Number of ordinary shares HK$0.01 each	RMB'000
Authorised:		
At 31 March 2009 and 2008	2,000,000,000	21,200
Issued and fully paid:		
At 1 April 2007	510,251,463	5,386
Share issued upon the exercise of share options	320,000	3
Share issued upon conversion of convertible bonds	30,725,293	276
At 31 March 2009 and 2008	541,296,756	5,665

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 revises 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.

Consistent with industry practice, the Group monitors its capital structure on the basis of a net debt-to-capital ratio. For this purpose, the Group defined net debt as total debt (which includes interest-bearing loans and borrowings, trade and other payables and convertible bonds) less cash and cash equivalents.

During the current year, the Group's strategy, which was unchanged from last year, was aimed to maintain the net debt-to-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 debts.

33. SHARE CAPITAL *(continued)*

The net debt-to-capital ratio at 31 March 2009 and 2008 was as follows:

	Group	
	2009	2008
	RMB'000	RMB'000
Total liabilities		
Trade and other payables	**695,990**	347,511
Bank borrowings	**103,159**	374,405
Convertible bonds	**1,926,030**	1,814,588
Consideration payable for acquisition of subsidiaries	**317,412**	341,880
	3,042,591	2,878,384
Less: Cash and cash equivalents	**(79,640)**	(957,430)
Net debt	**2,962,951**	1,920,954
Total equity	**(1,863,116)**	2,800,267
Net debt-to-capital ratio	**N/A#**	68.6%

\# *As the Group had a net deficiency in capital at 31 March 2009, the Group's gearing ratio as at that date was not applicable. The Directors have given careful consideration on the measures currently undertaken in respect of the Group's liquidity position. The Directors believe that the Group will be able to meet in full its financial obligations as they fall due upon the completion of the Reorganisation Proposal, as further explained in note 2 to these financial statements.*

34. SHARE OPTION SCHEME

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% 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.

34. SHARE OPTION SCHEME *(continued)*

Share options granted to a connected person (as defined in 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 associate, 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 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 10 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 Stock Exchange closing price of the Company's shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the 5 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 shareholder's meetings.

Details of the movements in number of the outstanding share options granted under the Scheme during the year are summarised as follows:

	Number of share options		**Weighted average exercise price**
	2009	2008	HK$
At beginning of year	**3,160,000**	3,960,000	15.61
Exercised during the year	**–**	(320,000)	15.61
Forfeited during the year	**(480,000)**	(480,000)	15.61
At 31 March	**2,680,000**	3,160,000	15.61
Exercisable at 31 March	**1,024,000**	472,000	15.61

35. RESERVES

(a) The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of changes in equity.

(b) Reserves of the Company

	Share premium RMB'000	Capital reserve RMB'000	Exchange reserve RMB'000	Retained profits/ (accumulated losses) RMB'000	Total RMB'000
At 1 April 2007	990,802	20,791	(52,688)	62,027	1,020,932
Equity settled share-based transactions	–	5,762	–	–	5,762
Shares issued under the exercise of share options	6,601	(1,662)	–	–	4,939
Forfeiture of share options	–	(870)	–	870	–
Equity component of convertible bonds issued	–	125,419	–	–	125,419
Shares issued upon conversion of convertible bonds	494,404	(6,209)	–	–	488,195
Exchange differences on translation into presentation currency	–	–	(69,835)	–	(69,835)
Final 2006/2007 dividend declared	–	–	–	(53,114)	(53,114)
Interim 2007/2008 dividend	–	–	–	(58,813)	(58,813)
Profit for the year	–	–	–	167,233	167,233
At 31 March 2008 and 1 April 2008	1,491,807	143,231	(122,523)	118,203	1,630,718
Exchange differences on translation into presentation currency	–	–	(68,376)	–	(68,376)
Final 2007/2008 dividend declared	–	–	–	(60,135)	(60,135)
Equity settled share-based transactions	–	2,928	–	–	2,928
Forfeiture of share options	–	(1,686)	–	1,686	–
Loss for the year	–	–	–	(2,949,575)	(2,949,575)
At 31 March 2009	1,491,807	144,473	(190,899)	(2,889,821)	(1,444,440)

35. RESERVES *(continued)*

(c) Nature and purpose of reserves of the Group

(i) Share premium account

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 4; and

- the fair value of the 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 4.

(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) Foreign currency translation reserve

The exchange reserve comprise 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 4.

35. RESERVES *(continued)*

(c) Nature and purpose of reserves of the Group *(continued)*

(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.

36. CONTINGENT LIABILITIES

The Directors were not aware of any significant contingent liabilities of the Group at the balance sheet date.

37. CAPITAL COMMITMENTS

The Group's capital commitments at the balance sheet date are as follows:

	Group	
	2009	2008
	RMB'000	RMB'000
Capital commitments contracted but not provided for in respect of		
– Construction and acquisition of property plant and equipment	**–**	1,254,150
– Capital contribution to its equity investments	**–**	436,653
	–	1,690,803

38. 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 14, is as follows.

	Group	
	2009	2008
	RMB'000	RMB'000
Short-term employee benefits	**5,632**	8,988
Post-employment benefits	**24**	144
Equity settled share-based payments	**1,989**	3,916
	7,645	13,048

39. LEASE COMMITMENTS

At the balance sheet date, the total future minimum lease payments under non-cancellable operating leases in respect of land and buildings are analysed as follows:

	Group	
	2009	2008
	RMB'000	RMB'000
Within one year	**5,467**	108,053
In the second to fifth year inclusive	**9,432**	402,188
Over five years	**4,309**	310,658
	19,208	820,899

40. EVENTS AFTER BALANCE SHEET DATE

Subsequent to the balance sheet date, there are certain progress in respect of the business and financial restructuring of the Group, and further details of which are stated in note 2 to the financial statements.

41. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 10 August 2011.