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Making Life's Sweet Delights

徐福記國際集團

Hsu Fu Chi International Limited

http://www.hsufuchifoods.com

Hsu Fu Chi International Limited
Annual Report 2008

Annual Report 2008

Making Life's Sweet Delights

*Hsu Fu Chi has always
delighted its consumers
with the best,
original-tasting
confectionery.
It has sought to remain
the market leader,
offering more sophisticated
choices to consumers
while providing
healthier delights.*

Contents

Corporate Profile

Background

Hsu Fu Chi, registered in People's Republic of China ("China") in 1992, was founded by four Hsu brothers from Taiwan. Backed by 16 years of sales experience (1976 – 1992), they forged new ground and paved the way for Hsu Fu Chi to grow by leaps and bounds.

In 1997, Singapore's Transpac Industrial invested in the company and introduced new ideas and thinking. Thus, Hsu Fu Chi Holdings Ltd was incorporated in the British Virgin Island and Dongguan Hsu Chi was established as its subsidiary to oversee the development of the Hsu Fu Chi brand in China's confectionery market.

In 2000, the Group subscribed to modern management methods, which entrenched Hsu Fu Chi's foundation to enter China's retail market. Becoming public listed in December 2006 was a new milestone for the Group as it strives towards becoming a leading global brand.

Production

Currently, Hsu Fu Chi's four core production bases are in Dongguan. With a combined floor area exceeding 500,000 sqm, there are 36 large-scale automated production workshops, over 165 state-of-the-art production lines and 380 high speed automated packaging belts. Being one of the largest producers of confectionery products in China, the facilities produce three main product categories - Candy, Cake and Cookie, and Sachima.

According to The National Bureau Of Statistics Of China, annual studies showed Hsu Fu Chi's candy products had topped the sales for this product category for ten consecutive years from 1998 to 2007.

Business

Over 98% of the Group's confectionery products are sold in China. As of the end of financial year 2008, there are, under the Group in China, 87 sales offices; over 6,000 sales personnel in sales teams that manage a mix of modern and traditional sales channels consisting of more than 13,700 direct retail points; and among which 2,250 specialty counters staffed by dedicated promoters are deployed in hypermarkets and supermarkets.

Awards and Accolades

Hsu Fu Chi's products have been repeatedly chosen by consumers as their preferred confectionery products brand because of its consistent quality, food safety and great taste. According to the National Bureau of Statistics of China, annual studies showed Hsu Fu Chi's Candy Products had topped the sales for this product category for ten consecutive years from 1998 to 2007. It was conferred the accolade of "China Top Brand" for its candy products in 2004 and for its biscuits products in 2006.

Message from Chairman

Dear Shareholders,

On behalf of the Board of Hsu Fu Chi International Limited ("the Company") and its subsidiaries (collectively, "the Group"), I am pleased to present the annual report for the financial year ended 30 June 2008 ("FY2008").

Review of Operations

In our second year as a public-listed company, the Group has achieved satisfactory growth with revenue hitting a historical high record. Group revenue increased by 25% to RMB3.39 billion in FY2008 compared to RMB2.71 billion in FY2007. The increase was supported by the expansion in the Group's production capacity, launch of new products, as well as effective marketing strategy.

Despite various challenges in 2008, including the adverse impact of the Sichuan earthquake and the snow storm in China, the global trend of rising costs of raw materials together with the high Consumer Price Index and inflation rate, the Group recorded a higher gross profit of RMB1.4 billion. Group's gross profit margin also increased by 2.1% from 39.2% to 41.3%. Net profit attributable to shareholders registered a 35% increase to RMB0.34 billion.

Outlook

The Group will continue to focus on its core business of confectionery products, developing and delivering new products based on an in-depth understanding of consumer preferences and demands. Having had launched Hsu Fu Chi New Year Candy years ago to target the traditional Chinese New Year market, the Group successfully introduced "New Year Candy Culture" trend among consumers. Armed with this marketing philosophy, the Group makes ongoing efforts to tie the sales of confectionary products together with the unique Chinese festival culture

Looking ahead, the group will continue to focus on its core business of confectionery products, developing and delivering new products based on an in-depth understanding of consumer preferences and demands.

and customs. The Group plans to gradually launch a new range of products known as Hsu Fu Chi Xitang in 2009 to create a new trend of wedding candy culture among Chinese consumers. This will enable the Group to expand its market share and to establish its presence across a wider range of consumers.

Although the Group has always maintained a high standard of quality and production procedures, the recent tainted milk incident has unfortunately affected two of our products. As a leader in the industry, we will undertake more stringent measures including continuously upgrading our testing facilities with appropriate advance inspection technology enabling highest food safety at all stages of our production process.

Dividend

The Board of Directors is pleased to propose a first and final dividend of RMB0.15 per share for approval by the shareholders at the forthcoming Annual General Meeting. This is to demonstrate our appreciation to the shareholders for your loyalty, understanding, support and confidence in the Group.

Appreciation

On behalf of the Board of the Group, I would like to take this opportunity to express my sincere appreciation to all shareholders, customers and business associates for their continued support and help. I would also like to express my heartfelt thanks to my fellow Board members for their expertise and guidance and to all our staff for their contributions and dedications to the Group.

Hsu Chen
Chairman

Operations Review

Group revenue registered a new high record of RMB 3.39 billion, with 98% contributed by the China mainland market. Revenue for each of the three key products categories similarly achieved historic highs and grew 25.0% on average. Specifically, revenue from Cake and Cookie products grew 41.2%, which is the highest among all three products categories; candy products grew 19.8% and Sachima products increased by 16.0% compared to the previous year. The improved performance was due to an increase in the Group's production capacity, launch of new products as well as effective marketing strategies.

With the additional and new facilities at the Dongguan plant commencing production, the total production capacity for FY2008 increased by 17.7% to register 273,000 tonnes. Higher costs of production due to increasingly high inflation rate and Consumer Price Index as well as rising cost of raw materials worldwide had posed more challenges to our business than the past three years. However, with strong brand equity and consumer loyalty built over the years as well as a broad product mix, the Group has been able to gradually pass the increasing cost pressure to the market. Group gross profit for FY2008 remained healthy at RMB1.4 billion. Gross Profit margin saw an increase of 2.1% from 39.2% in FY2007 to 41.3% in FY2008. Net Profit attributable to shareholders also increased 35% to RMB 0.34 billion.

For FY2008, sales offices under the Group in China increase by 30% from 67 to 87. Due to the effective implementation of new marketing strategy and control system, retail points under direct operational control adjusted to 13,700; whereas specialty counters grew 12.5% to 2,250 counters. In product development, the Group produced more than 35 new products, which brought the total number of product items under the Group's three key categories to over 450 items.

The Group developed a range of new biscuit products under the 麦巧伯 brand, which brought the total number of products under the 麦巧伯 brand to over 20 items. The Group also introduced new Sachima

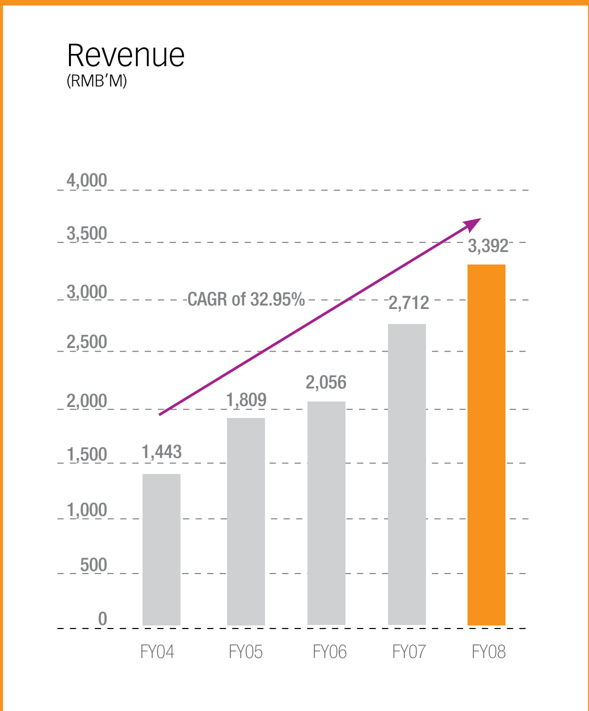
By introducing high quality Hsu Fu Chi cake and cookie products to the market, we bring a whole new level of delight and enjoyment to consumers. With a commitment to our new brand promise "Taste New Cookies Every Day, Each Time and Enjoy Life"

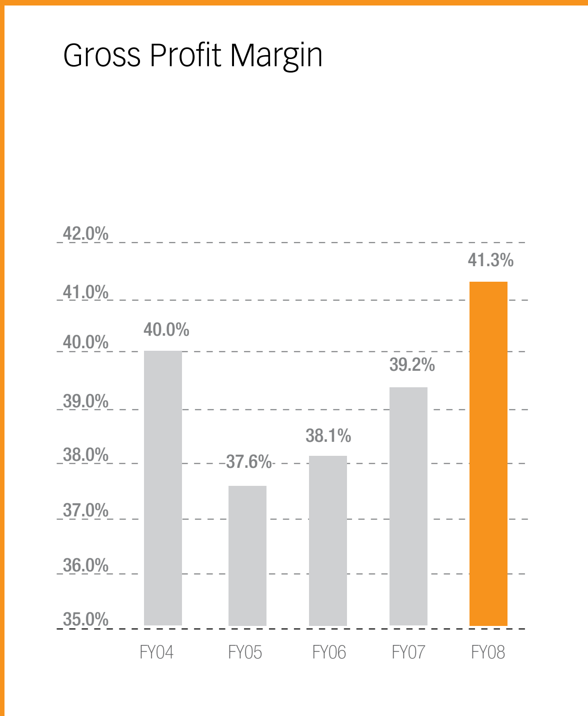
products packaged in bulk into the market, which received good response from consumers.

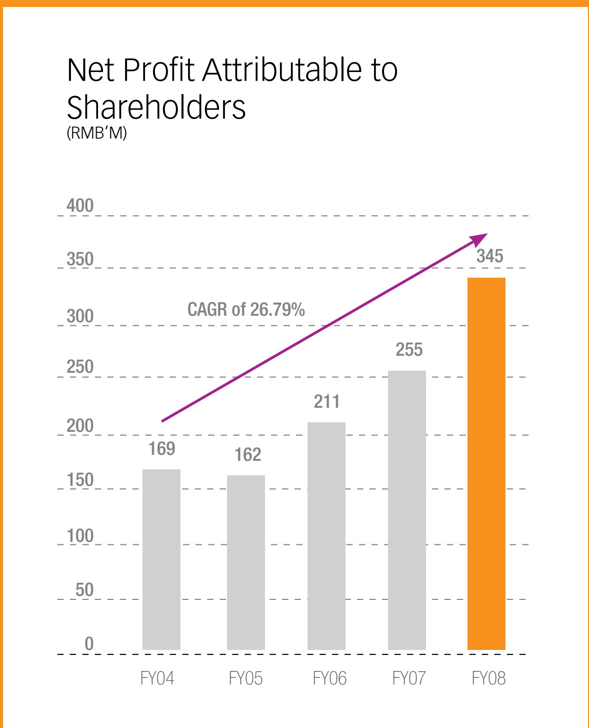
With over 100 products under Cake and Cookie products category, the Group provides consumers with a wide range of selections to meet their diverse preferences and needs. By introducing high quality Hsu Fu Chi cake and cookie products to the market, we bring a whole new level of delight and enjoyment to consumers. With a commitment to our new brand promise "Taste new cookies every day, each time and enjoy life", we continued to lead the trend of quality lifestyle cake and cookie products consumption in China and recorded a stellar performance in FY2008 with a revenue growth beyond 40% in this category.

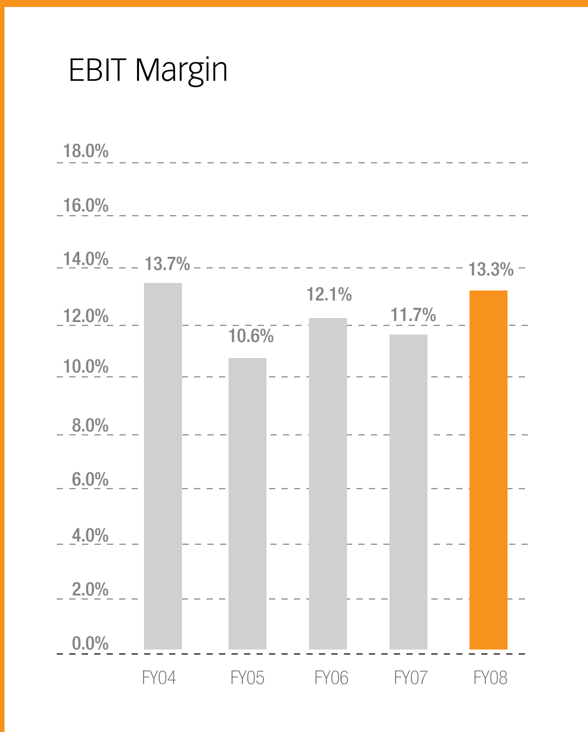
For FY2008, the Group's Candy products maintained its position as the top seller in the candy market. According to the National Bureau of Statistics of China, Hsu Fu Chi's candy has topped the sales in China for ten consecutive years since 1998.

Financial Highlights

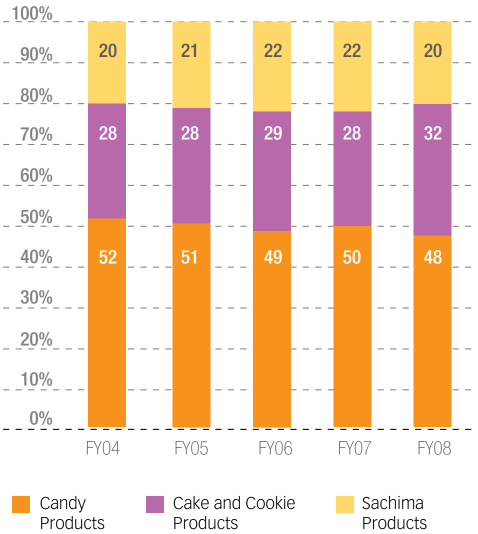




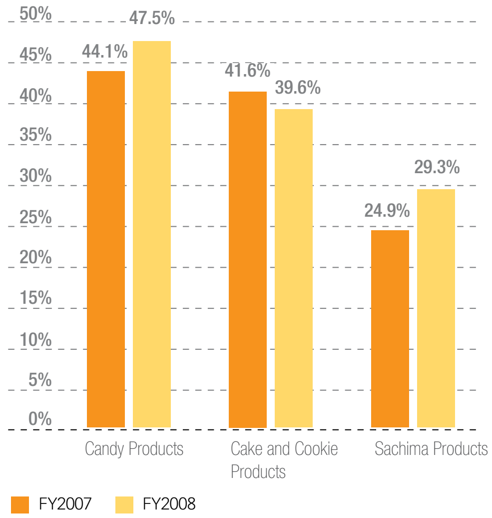




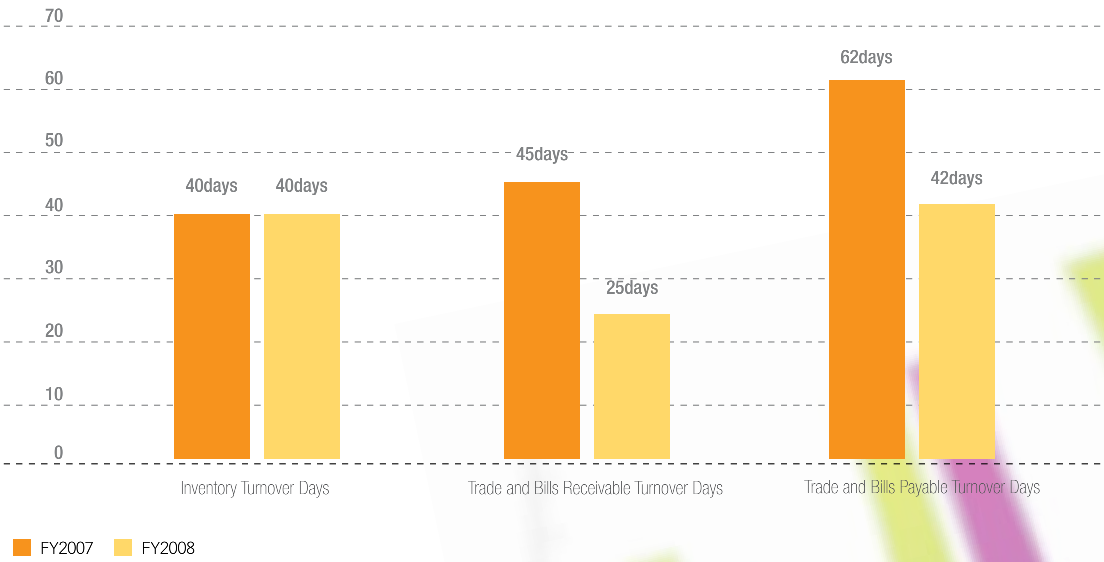
Percentage of Total Revenue by Product Categories



Gross Profit Margin by Product Categories



Working Capital Efficency



Corporate Structure

Hsu Fu Chi International Limited

Hsu Fu Chi Holdings Ltd.
(formerly known as Billion Win Assets Limited)

- 100% **Hsu Fu Chi Foods Pte.Ltd.**
- 100% **Top Ocean Trading Limited**
- 100% **Hsu Fu Chi (Hong Kong) Trading Company Limited**
- 100% **Dongguan Hsu Fu Chi Food Co. Ltd.**
- 100% **Dongguan Hsu Chi Food Co. Ltd.**
- 100% **Dongguan Ruihuashi Biotechnology Ltd.**
- 100% **Dongguan Andegu Plastic Packaging Material Ltd.**
- 100% **Chengdu Hsu Chi Food Co., Ltd.**
- 100% **Huzhou Hsu Chi Food Co. Ltd.**
- 100% **Huzhou Hsu Fu Chi Food Co. Ltd.**
- 100% **Henan Hsu Fu Chi Foods Co. Ltd.**
- 100% **Henan Hua Tai Xin Foodstuff and Commodity Limited**
- 100% **Henan Zhongyuan Madian Foodstuff and Commodity Limited**

Corporate Sales Network

By FY2008, the Group has established more than 87 sales offices as below:

Beijing, Shanghai, Guangzhou, Dongguan, Nanjing, Hangzhou, Suzhou, Qingdao, Shenzhen, Fuzhou, Changsha, Shenyang, Xi'an, Wuhan, Kunming, Chengdu, Hefei, Nanchang, Zhengzhou, Tianjin, Chongqing, Nanning, Taiyuan, Guiyang, Shijiazhuang, Zhuhai, Harbin, Dalian, Guannan, Huangshi, Jiangmen, Lanzhou, Xiamen, Jingzhou, Changchun, Xiangfan, Jinjiang, Jinhua, Zigong, Ningbo, Jinan, Fenggang, Foshan, Shantau, Nanchong, Wenzhou, Qingyuan, Xinjiang, Huizhou, Changde, Hengyang, Zhanjiang, Haikou, Linyi, Changan, Tangshan, Wuxi, Liuzhou, Shaoxing, Zhumadian, Huzhou, Jiaxing, Huangpu, Wuhu, Yantai, Zibo, Huhehaote, Xinxiang, Baiyun, Bengbu, Puling, Zhaoqing, Haifeng, Nantong, Xiaogan, Yangzhou, Jinzhou, Ganzhou, Yichang, Nanping, Zhangzhou, Taizhou, Xiangtan, Luoyang, Xinyang, Linfen, Jingdezhen.

Board of Directors

Hsu Chen

Executive Director

Mr Hsu Chen is the Executive Chairman and one of the founders of the Group. He oversees the Sales Department, Marketing Department and Product Development Department. He is also currently the director of certain subsidiaries of the Company. He was appointed a Director on 8 October 2006. Mr Hsu Chen has extensive experience in the confectionery and snack food industry. Prior to the founding of the Group in 1992, Mr Hsu Chen was the general manager of Hsu Chi (Taiwan) Foods Co., Ltd., a company in the business of processing candies, dried bean curd, preserved fruits, melon seeds, peanuts and barbecued pork, from 1976 to 1992. He was also the general manager of Taiwan An Gu Foods (Marketing) Industrial Co. Ltd, which was involved in the import, marketing and sales of the products of Hsu Chi (Taiwan) Foods Co. Ltd. during the same period. From 1991 to 1995, Mr Hsu Chen was the general manager of Hsu Chi (Indonesia) Food (Manufacturing) Company and was responsible for its overall operations. He was also the general manager of Thailand Hua Tai Liang He Company (a company in the business of production and trading of preserved fruits) from 1985 to 1995. Mr Hsu Chen attended, but did not finish his studies at, the Ming Hsin Institute of Industrial Technology from 1969 to 1970.

Hu Chia-Hsun

Executive Director

Mr Hu Chia-Hsun is the President and was appointed a Director on 25 October 2006. From 1986 to 1990, Mr Hu Chia-Hsun was a senior consultant at Technomic Consultants Co., a marketing research company, and was responsible for the co-ordination and control of its business administration. He had founded Central Human-Resource & Management Co., Ltd. and ITAI Engineering & Construction Co. Ltd. in 1991 and 1997 respectively, and operated the two companies succcssfully. Mr Hu Chia-Hsun holds a Bachelor of Science Degree from Tamkang University, Taiwan and a Master's degree in Business Administration from Andrews University, United States.

Hsu Hang

Executive Director

Mr Hsu Hang is the Chief Operating Officer and was appointed a Director on 18 October 2006. He is also one of the founders of the Group and is responsible for the Company's administrative operations. He is currently the director of certain subsidiaries of the Company. He is currently the Vice-president of Dongguan Taiwan Investment Enterprise Association. He was the President of the Dongcheng Branch of Dongguan Taiwan Investment Enterprise Association from 1999 to 2001. Prior to founding the Group in 1992, Mr Hsu Hang was a sales director of Taiwan An Gu Foods (Marketing) Industrial Co., Ltd., from 1981 to 1992, a company in the business of selling and distributing snack food products. Mr Hsu Hang has completed the course and received an Executive Masters degree in Business Administration at Pacific Western University in the United States. He holds a diploma from the institute of World's Journalism.

Hsu Keng

Executive Director

Mr Hsu Keng is the Chief Technology Officer and was appointed a Director on 25 October 2006. He is also one of the founders of the Group and is responsible for the Company's production and equipment technology. He is currently the director of certain subsidiaries of the Company. Prior to founding the Group in 1992, Mr Hsu Keng was responsible for the sales and logistics of Taiwan An Gu Foods (Marketing) Industrial Co., Ltd. from 1984 to 1992. He holds a diploma from the Institute of World's Journalism.

Hsu Pu

Non-executive Director

Mr Hsu Pu is one of the founders of the Group. He was appointed as the Non-executive Director on 26 October 2007. He is currently the director of certain subsidiaries of the Company, and also the Executive Director of Hong Kong Kalitex Industrial Limited and Strong Power International Enterprise Limited. Prior to that, Mr Hsu Pu was the director of Taiwan An Gu Foods (Marketing) Industrial Co., Ltd. and Taiwan Hsu Chi Food from 1976 to 1992. He had studied in Taiwan's National Cheng-Chi University between 1974 and 1975.

Cheong Kok Yew

Non-executive Director

Mr Cheong is the Senior Vice President and Partner at Transpac Capital Pte Ltd. Transpac Capital is one of the established private equity fund managers in Asia, headquartered in Singapore with office in Hong Kong. The funds currently under management exceeds US$300 million.

Mr Cheong, being in the Private Equity space for more than 17 years, sits on many of the boards of the current and past portfolio companies that are in various industries including Biotech, Manufacturing, Services, High Technology and Healthcare sectors. He is a director on 2 listed Companies in the Singapore Stock Exchange. His current and past portfolio companies span across Asia, Australia, Israel and the United States. He has nurtured a number of the projects from the early stages to their commercial maturity.

Mr Cheong is also the Executive Director of the Regional Investment Company Limited, a venture capital fund that was jointly managed with Singapore Economic Development Board. The objective of the fund is not only to accelerate the growth of Singapore businesses but also to nurture more entrepreneurs in Singapore.

He holds a Bachelor of Engineering in Electrical and Electronics engineering from the Swinburne Institute of Technology, Australia and a Master of Business Administration from the National University of Singapore.

John Lim Kok Min

Independent Director

Mr John Lim Kok Min was appointed a Director on 25 October 2006. He is currently the Executive Deputy Chairman of LMA International NV and Chairman of Senoko Power Limited. He is a member of the Governing Council of the Singapore Institute of Management and immediate past Chairman of Building & Construction Authority. He was the former Group Managing Director of Pan-United Corporation Limited, MPH Ltd and Chief Executive Officer of Cold Storage Holdings Ltd. He now sits on the Boards and audit committees of several listed and private companies including being Audit Chairman of NTUC Fairprice Co-operative Ltd, Pan-United Marine Ltd and Boustead Singapore Ltd. He is the President of the Singapore Institute of Directors, a member of the Securities Industry Council, Senate Member of the Marketing Institute of Singapore, and a former director/Council Member of both the Singapore International Chamber of Commerce and the Singapore Confederation of Industries. An Economics Honours graduate from the University of Malaya, Mr Lim has more than 40 years of extensive senior management experience in the Asia-Pacific region.

Lim Hock San

Independent Director

Mr Lim Hock San was appointed a Director on 25 October 2006. He is presently the President and Chief Executive Officer of United Industrial Corporation Limited as well as Singapore Land Limited. He currently serves on the Board of Keppel Corporation Limited, Interra Resources Limited, Ascendas Pte Ltd, and Gallant Venture Ltd. He is a fellow of the Institute of Certified Public Accountants of Singapore and the Chartered Institute of Management Accountants in the United Kingdom. Mr Lim was awarded the Meritorious Service Award by the National Trades Union Congress ("NTUC") in 1992. He was also awarded the Public Administration Medal (Gold) , the Public Service Medal, and the Meritorious Medal by the Singapore Government. Mr Lim holds a Bachelor of Accountancy degree from the then University of Singapore and a Master of Science in Management from the Massachusetts Institute of Technology.

Lam Khin Khui

Independent Director

Mr Lam Khin Khui was appointed a Director on 25 October 2006. He currently serves on the Board of Directors of Rotary Engineering Limited., and Egon Zehnder International Pte Ltd. He is currently a partner at Egon Zehnder International, a management consulting firm. Prior to that, he was a senior manager at Temasek Holdings (Private) Limited from 1980 to 1987 and was the Company Secretary of Temasek Holdings (Private) Limited from 1988 to 1989. Mr. Lam holds a Bachelor of Engineering from the University of Melbourne and a Diploma in Business Administration from The University of Singapore.

Senior Management

Peng Wu Tsai

Mr Peng Wu Tsai joined the Group in March 2007. He was re-designated as the Director of the Group's Operation Department on 13 May 2008. He is responsible for supervising financial and tax functions of all the sales offices. Prior to joining the Group, he was Assistant to General Manager of Feipeng Industry Co.Ltd., Finance Director of Hangzhou Tingyi Food Co. Ltd., Deputy Finance Director of Viet-Nam Manufacturing & Export Co. Ltd.. Mr Peng graduated from The Accounting Department of Fu-Jen Catholic University in Taiwan in1983. He has over 20 years experience in finance operation and management.

Guo Qiang

Mr Guo is the Head of Production Department and is responsible for the production operations of the Company. Mr Guo joined Dongguan Hsu Chi in 2004. Prior to that, Mr Guo was the head of the quality control department in Qing Dao Beer Limited from 1999 to 2004 and was responsible for the quality control of its products. From 1996 to 1999, Mr Guo was the deputy factory manager in a factory owned by Hai Hou Qing Dao Enterprise Bureau and was responsible for the production, quality control and technology management of the factory. From 1983 to 1996, Mr Guo was a supervisor of Technology and Quality Control Department at Qing Dao Soft Drinks Factory, a state-owned factory and was responsible for the technology management and development of the factory. Mr Guo holds a degree from South China University of Technology.

Ma Hao

Mr Ma Hao is the Head of Quality Control Department and is responsible for quality control of Group's products and the safety and hygiene of the Group's products. Mr Ma has over 20 years of experience in quality control of certain food products. He is currently a Member and Vice Secretary-General of National Technical Committee on Candy and Chocolate of Standardization Administration of China. He is also a Member of Expert Committee of China National Food Industry Association. Mr Ma joined Dongguan Hsu Chi in 1997 and was in charge of quality control, safety and hygiene of the Group's products. Prior to joining Dongguan Hsu Chi, Mr Ma was the Deputy Factory Manager of Dongguan Hao Le Ice-cream Factory from 1988 to 1997 and was responsible for quality control of its products and technology. Mr Ma holds a Bachelor degree in food engineering from the South China University of Technology in 1988.

Yang Kun-Ti

Mr Yang Kun-Ti is the Deputy Head of Sales Department and is responsible for sales management and receivable collection managements in the Sales Department. Mr Yang joined Dongguan Hsu Chi in 2004. Prior to that, he was the general manager of Wen Dan Tang Food Co., Ltd., a company in the business of

food products and was responsible for its management and sales, from 1996 to 2004. Mr Yang was the Division Chief of Taiwan An Gu Foods (Marketing) Industrial Co., Ltd, a company in the business of selling and distributing snack food products, from 1986 to 1992 and was responsible for the sales of the company's products. Mr Yang attended, but did not complete his studies, at the National Open University.

Cheng Yuh-Ming

Ms Cheng Yuh-Ming was appointed as the Financial Vice President of the Group on 13 May 2008. She is responsible for the Company's overall financial and accounting functions. Prior to joining the Group, she was the Chief Financial Officer of Wintex Knitwear Corp. and United Raw Material Solutions, Inc., Finance Manager of Geo Corporation and Ting Hsin Group. Ms Cheng holds a Master degree in Business Administrative of Sciences from Iowa State University, Ames, U.S.A. She has over 20 years of experiences with manufacturing and trading companies in China, Taiwan and other Asia countries.

Kuo Hong Chen

Mr Kuo Hong Chen joined the Group in October 2007 as the Vice General Manager – Production. Mr Kuo Hong Chen is responsible for supervising and coordinating functions of production, R&D, and QA, and ensuring effective operation for these three departments. Mr Kuo holds a Master Degree in Food Manufacturing from Taiwan University. Prior to joining the Group, he had worked in a few reputable food companies in Hong Kong, Taiwan, and Chinese mainland. He has over 30 years experience in the development and production of dairy produce and various food products.

Liu Jyun Long

Mr Liu Jyun Long joined Dongguan Hsu Chi in 2008. He is responsible for managing the Administration Department. Between 2001 to 2008, he had held various posts in Ningbo Asia Plastics Technology Co. Ltd. and Asia Food & Property Co. Ltd., China Packaging Business Unit, was responsible for the general administration functions. Mr Liu has 15 years working experience in China and other areas.

Lee Kok Lee

Mr Lee Kok Lee joined Dongguan Hsu Chi in 2007 as the General Manager of the Retail Sales Department. He is currently responsible for planning and establishing the retail store operations which is a new sales channel for the Company. Prior to joining the Group, he was the General Manager of Singapore Tiangu Ltd Hong Kong office from 1996 to 2000, and between 2000 to 2005, he was the General Manager of Shanghai Niufu Food Industrial Ltd.

Corporate Information

BOARD OF DIRECTORS

Executive
Hsu Chen (Chairman)
Hu Chia-Hsun
Hsu Hang
Hsu Keng

Non-Executive
Hsu Tien (Non-Independent)
(Resigned on 26 October 2007)
Hsu Pu (Non-Independent)
(Appointed on 26 October 2007)
Cheong Kok Yew (Non-Independent)
John Lim Kok Min (Independent)
Lim Hock San (Independent)
Lam Khin Khui (Independent)

AUDIT COMMITTEE

Lim Hock San (Chairman)
John Lim Kok Min
Cheong Kok Yew

NOMINATING COMMITTEE

John Lim Kok Min (Chairman)
Lam Khin Khui
Cheong Kok Yew

REMUNERATION COMMITTEE

Lam Khin Khui (Chairman)
Lim Hock San
Cheong Kok Yew

COMPANY SECRETARIES

Hazel Chia Luang Chew, FCIS
Toh Lei Mui, ACIS

CORPORATE COUNSEL

Loo & Partners LLP
88 Amoy Street Level Three
Singapore 069907

ASSISTANT SECRETARY

Codan Trust Company (Cayman) limited

REGISTERED OFFICE

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Cayman Islands

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PRC
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Fax: 86-769-22264864
Website: http://www.hsufuchifoods.com

SINGAPORE SHARE TRANSFER AGENT

Boardroom Corporate & Advisory Services Pte. Ltd.
3 Church Street #08-01
Samsung Hub
Singapore 049483

CAYMAN ISLANDS SHARE REGISTRAR

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Grand Cayman KY1-1111
Cayman Islands

AUDITORS

Ernst & Young LLP
One Raffles Quay
North Tower, Level 18
Singapore 048583

AUDIT PARTNER-IN-CHARGE

Max Loh Khum Whai
Appointed wef financial year 30 June 2007

Corporate Governance Report

The Board is committed to maintaining high standards of corporate governance within the Group. This report describes the Company's corporate governance practices with specific reference to the principles of the Code of Corporate Governance 2005 ("the Code"). The Company confirms that it has adhered to the principles and guidelines as set out in the Code, where applicable, and has specified and explained the areas of non-compliance.

BOARD MATTERS

Principle 1: Board's Conduct of its Affairs

The Board of Directors (the "Board") oversees the business and corporate affairs of the Group and is collectively responsible for its success.

The Board comprises:

Executive Directors

Hsu Chen (Executive Chairman)
Hu Chia-Hsun
Hsu Hang
Hsu Keng

Non-Executive Directors

Hsu Pu (Non-independent)
Cheong Kok Yew (Non-independent)
Lim Hock San (Independent)
John Lim Kok Min (Independent)
Lam Khin Khui (Independent)

The Board currently has a total of nine directors, one-third of whom are independent directors. The Board comprises members with a wealth of knowledge, expertise and experience. The Directors contribute valuable direction and insight, drawing from their vast experience such as accounting or finance, business and management.

The Board's role includes:

(i) reviews and approval of strategic plans, major objectives, investing activities;
(ii) ensures effective leadership and management; and
(iii) reviews and monitors the Group's performance

The Board objectively makes decisions in the interests of the Company. To assist in the execution of its responsibilities, the Board has established an Audit Committee, a Remuneration Committee ("RC") and a Nominating Committee ("NC"). All committees have been constituted with clear written terms of reference.

The Board will meet quarterly in a year to review the strategic policies of the Group, significant business transactions, performance of the business and approve the release of the Group's quarterly and year-end results. As and when required, additional Board meetings are also held to address significant transactions or issues that arise.

The Company's articles provide for meetings to be held via telephone and video-conferencing through which all persons participating in the meetings can communicate with each other simultaneously and instantaneously.

To support the Company's businesses and strategies, the Board deliberates on key issues and the strategic direction of the Company, significant acquisitions, disposals, the review of the Company's performance and the approval for the release of the quarterly, half-year and full year financial results. The Audit Committee is empowered by the Board to review financial results.

Details of Board and Board committee meetings held during the financial year ended 30 June 2008 are summarized in the table below:

Meeting	Board	Audit Committee	Nominating Committee	Remuneration Committee
Total held in FY2008	4	4	2	2
Hsu Chen	4	NA	NA	NA
Hu Chia-Hsun	4	NA	NA	NA
Hsu Hang	4	NA	NA	NA
Hsu Keng	2	NA	NA	NA
Hsu Tien [1]	NA	NA	NA	NA
Hsu Pu [2]	3	NA	NA	NA
John Lim Kok Min	1	1	2	NA
Lim Hock San	4	4	NA	2
Lam Khin Khui	4	NA	2	2
Cheong Kok Yew	4	4	2	2

Notes:

1. Hsu Tien, had resigned as a non-executive Director of the Company on 26 October 2007.
2. Hsu Pu was appointed as a non-executive Director of the Company on 26 October 2007.

Directors are kept informed of the relevant new laws, regulations and changing commercial risks, from time to time. Newly appointed directors would be provided with information on the Group's business operations and policies.

Principle 2: Board Composition and Guidance

The Nominating Committee reviews the independence of directors on an annual basis, adopts the Code of what constitutes an independent director and guidance as to relationships the existence of which would deem a director not to be independent. The Nominating Committee also deems a director who is directly associated with a substantial shareholder as non-independent, although such a relationship has not been expressly adopted in the Code as one that would deem a director not to be independent.

Mr Cheong Kok Yew, who is a non-executive director and by virtue of his nomination was made by a substantial shareholder of the Company, is therefore deemed non-independent by the Committee.

Corporate Governance Report

The non-executive Directors contribute to the Board process by monitoring and reviewing Management's performance against goals and objectives. Their views and opinions provide alternative perspectives to the Group's business. When challenging Management's proposals or, decisions, they bring independent judgment to bear on business activities and transactions involving conflicts of interest and other complexities.

The Articles of Association of the Company provide that each director should retire at least once every three years. Also, all newly appointed directors during the year will hold office only until the next Annual General Meeting ("AGM") and will be eligible for re-election.

Mr Hu Chia-Hsun, Mr Hsu Hang and Mr Lim Hock San will be retiring by rotation at the forthcoming AGM.

The NC had also nominated Mr Hu Chia-Hsun, Mr Hsu Hang and Mr Lim Hock San for re-appointment at the forthcoming AGM.

Each member of the NC shall abstain from voting on any resolutions and making any recommendations and/or participating in respect of his re-nomination as director.

Principle 3: Chairman and Chief Executive Officer

The Company's Executive Director, Mr Hsu Chen, is the Chairman and Chief Executive Officer of the Company. The Board is of the view that it is in the best interests of the Company to continue to have an Executive Chairman on the Board, who is knowledgeable about the businesses of the Company and ensure that the Board is properly briefed in a timely manner on pertinent issues and development.

As the Group's Executive Chairman and Chief Executive Officer of the Company, Mr Hsu Chen, is responsible for business strategy and direction, formulation of the Company's corporate plans and policies and executive decision-making. He also ensures that the Directors are kept updated and informed of the Group's business.

The Chairman is also responsible for ensuring that Board meetings are held when necessary. He also ensures that stipulated corporate policies are properly complied with.

The Company Secretaries assist the Chairman in scheduling Board meetings and Board Committee meetings respectively. The Company Secretaries also prepare agenda papers for Board and Board Committee meetings in consultation with the Chairman.

Principles 4 & 5 : Board Membership & Performance

The NC, regulated by a set of written terms of reference, comprises mainly independent directors. The Chairman is Mr John Lim Kok Min, an independent non-executive director, who is not, or who is not directly associated with, a substantial shareholder. The members of the NC are as follows:

John Lim Kok Min (Chairman)
Lam Khin Khui
Cheong Kok Yew

The principal functions of the NC are:

- review nominations for the appointment and re-appointment to the Board;
- ensure that all directors submit themselves for re-nomination and re-election at regular intervals;
- evaluate the performance of the Board as a whole;
- review and evaluate whether or not a director is able to and has been adequately carrying out his/her duties as a director of the Company, particularly when he/she has multiple Board representations;
- review on an annual basis the independence of directors.

The NC has adopted a process for selecting and appointing of new directors. In selecting potential new directors, the NC will seek to identify the competencies required to enable the Board to fulfill its responsibilities. The Curriculum Vitae and other particulars/documents of the nominee or candidate will be reviewed by the NC. The NC will evaluate the suitability of the nominee or candidate based on his qualifications, business and related experience, commitment, ability to contribute to the Board process and such other qualities and attributes that may be required by the Board. The new Director would be issued with a letter of appointment, setting out the terms and conditions of his appointment.

For the year under review, the NC had adopted a Board evaluation format to assess the effectiveness of the Board as a whole which will examine factors such as Board composition, information flow to the Board, Board procedures, Board accountability, and standards of conduct of the Board members. The evaluation process will be carried out by the NC on an annual basis.

Key information regarding the directors is provided below on page 12 of the Annual Report.

Principle 6: Access to Information

The Board has independent and separate access to the senior management and Company Secretaries at all time. Requests for information from the Board are dealt with promptly by management. In order to ensure that the Board is able to fulfill its responsibilities, the Management is required to provide adequate and timely information to the Board and updates on initiatives and developments for the Group's business whenever possible.

The Company Secretary attends all Board meetings and meetings of the committees and ensures that the meetings are conducted in accordance with the Memorandum and Articles of Association of the Company and applicable rules and regulations are complied with. When necessary, the Board may seek independent professional advice at the expense of the Company.

Corporate Governance Report

REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies

The RC, regulated by a set of written terms of reference, comprises entirely the following non-executive directors:

– Lam Khin Khui (Chairman)
– Lim Hock San
– Cheong Kok Yew

The RC is responsible for recommending to the Board a framework of remuneration for the Directors and senior management, and determines the remuneration package for the CEO. The recommendations of the RC will be submitted to the entire Board for approval. All aspects of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses, options and benefits in kind shall be covered by the RC. Each member of the RC shall abstain from voting on any resolutions and making recommendations and/or participating in any deliberations of the RC in respect of his remuneration.

Principle 8: Level and Mix of Remuneration

Each director is paid a basic fee. Directors' fees are recommended by the Board for approval at the Company's AGM. The remuneration for the executive directors and the key senior executives comprises a basic salary component and a variable component, an annual bonus, based on the performance of the Group as well as their individual performance.

The service contract entered into with the Chairman took effect from 20 November 2006 for an initial period of three years. Upon the expiry of the initial period, the service agreement between the Company and the Chairman shall be renewed annually.

The annual review of the Chairman and senior management's remuneration packages are carried out by the RC to ensure that their remuneration commensurate with their performance, giving due regard to the financial and commercial health and business needs of the Group.

Principle 9: Disclosure on Remuneration

The level and mix of each individual director's remuneration band for the year ended 30 June 2008 is as follows:

	Directors' fees	Salary	Bonus	Benefits	Total
Above S$250,000 up to S$500,000					
Hsu Chen [1]	18.7%	39.3%	42.0%	–	100%
Below S$250,000					
Hu Chia-Hsun	19.9%	58.8%	21.3%	–	100%
Hsu Hang [1]	26.4%	38.3%	35.3%	–	100%
Hsu Keng [1]	20.6%	41.2%	38.2%	–	100%
Hsu Pu [1]	100%	–	–	–	100%
Cheong Kok Yew	100%	–	–	–	100%
John Lim Kok Min	100%	–	–	–	100%
Lim Hock San	100%	–	–	–	100%
Lam Khin Khui	100%	–	–	–	100%

Note:

1. Hsu Chen, Hsu Hang, Hsu Keng and Hsu Pu are brothers.

Directors' fees are subject to approval by shareholders at the Company's forthcoming AGM.

For the financial year ended 30 June 2008, the remuneration of top 8 executives of the Group is as follows:

	Salary	Bonus	Benefits	Total
Below S$250,000				
Peng Wu Tsai	91.9%	8.1%	–	100%
Guo Qiang	66.4%	33.6%	–	100%
Ma Hao	75.1%	24.9%	–	100%
Cheng Yuh-Ming	94.7%	5.3%	–	100%
Yang Kun-Ti	65.4%	34.6%	–	100%
Kuo Hong Chen	96.3%	3.7%	–	100%
Lee Kok Lee	93.2%	6.8%	–	100%
Liu Jyun Long	100.0%	–	–	100%

There is an employee of the Group whose annual remuneration does not exceed S$150,000. He is the son of Hsu Pu and the nephew of Hsu Chen, Hsu Hang and Hsu Keng.

Other than disclosed above, there are no employees of the Group who are immediate family members of a director or the CEO and whose remuneration exceeds S$150,000 during the year.

The Company does not have a long-term incentive or share option scheme in place.

Corporate Governance Report

ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

The Management is accountable to the Board and presents to the Board the quarterly and full-year results and the Audit Committee reports on the results for review and approval. The Board approved the results and authorized the release of results to the SGX-ST and the public via SGXNET.

The Company ensures that price sensitive information is publicly released, either before the Company meets any group of investors or analysts or simultaneously with such meetings. Financial results and annual reports are announced or issued within the mandatory period.

In presenting the annual financial statements and quarterly announcements to shareholders, the Board ensures that there are detailed analyses, explanation and assessment of the Group's financial position and prospects.

Principle 11: Audit Committee ("AC")

The AC comprises three members, all of whom are non-executive directors:

Lim Hock San (Chairman)
John Lim Kok Min
Cheong Kok Yew

The AC members have numerous years of experience in senior management positions and have sufficient financial management expertise to discharge their responsibilities.

The AC held four meetings during the year.

The AC has reviewed the overall scope of both internal and external audits and the assistance given by the Company's officers to the auditors. It met with the Company's internal and external auditors to discuss the results of their respective examinations and their evaluation of the Company's internal accounting controls. The AC had also met with the internal and external auditors, without the presence of Management.

The AC assists the Board in discharging its responsibility to safeguard the Group's assets, maintain adequate accounting records, and develop and maintain effective systems of internal control, with the overall objective of ensuring that the management creates and maintains an effective control environment in the Group.

The AC's functions are as follows:

(a) review with the external auditors the audit plan, their evaluation of the system of internal accounting controls, their letter to management and the management's response;

(b) review the Group's financial results and announcements before submission to the Board for approval, focusing in particular on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, compliance with accounting standards and compliance with the Listing Manual and any other relevant statutory or regulatory requirements;

(c) review the internal control procedures and ensure co-ordination between the internal and external auditors and the management, and review the assistance given by the management to the auditors, and discuss problems and concerns, if any, arising from the interim and final audits, and any matters which the auditors may wish to discuss (in the absence of the management, where necessary);

(d) review and discuss with the external auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and the management's response;

(e) consider the appointment or re-appointment of the internal and external auditors and matters relating to the resignation or dismissal of the auditors;

(f) review Interested Person Transactions (if any) falling within the scope of Chapter 9 of the Listing Manual;

(g) review transactions falling within the scope of Chapter 9 and Chapter 10 of the Listing Manual;

(h) review potential conflicts of interest, if any;

(i) undertake such other reviews and projects as may be requested by the Board, and will report to the Board its findings from time to time on matters arising and requiring the attention of the AC; and

(j) generally undertake such other functions and duties as may be required by statute or the Listing Manual, or by such amendments as may be made thereto from time to time.

The Board has on the recommendation of AC adopted a whistle-blowing procedure to allow employees to confidentially, report possible improprieties which may cause financial or non-financial loss of the Company.

The AC has full access to and co-operation from the Management and full discretion to invite any director or executive officer to attend its meetings, and has been given resources to enable the AC to discharge its functions properly. The external auditors have unrestricted access to the AC.

The AC confirms that it has undertaken a review of all non-audit services provided by the Company's auditor during the year and is satisfied that such services would not, in the AC's opinion, affect the independence of the external auditors. The AC has recommended the re-appointment of Ernst & Young LLP as external auditors at the forthcoming Annual General Meeting of the Company.

Principle 12: Internal Controls

The Board acknowledges that it is responsible for ensuring the Company has in place a sound system of internal controls. It is however, impossible to preclude all errors and irregularities, as a system is designed to manage rather than eliminate risks, and therefore can provide only reasonable and not absolute assurance against material misstatements or losses, errors or misjudgments, fraud or other irregularities.

Corporate Governance Report

Principle 13: Internal Audit

The Company has continued and completed the first phase of the internal audit assigned to KPMG, Singapore, a firm of certified public accountants. The Internal Auditor ("IA") will review and test the Group's intenal control system for adequacy and effectiveness. The IA will report directly to the AC on internal audit matters and may request the necessary resources to adequately perform its functions. Whenever necessary, the IA will also report to the Chairman of AC on administrative matters.

The AC will ensure the adequacy of the internal audit function on annual basis.

The Board believes that, in the absence of any evidence to the contrary, the system of internal controls maintained by the Group's management and that was in place throughout the year and up to and as at the date of this report, is adequate to meet the needs of the Group in its current business environment.

Principle 14: Communication with Shareholders
Principle 15: Greater Shareholder Participation

The Company is committed to regular and proactive communication with its shareholders. It is the Board's policy that the shareholders be informed of the major developments that impact the Group.

Information is communicated to shareholders on a timely basis through:

- SGXNet releases and press releases;
- annual reports that are prepared and issued to all shareholders;
- quarterly and annual financial statements containing a summary of the financial information and affairs of the Group for the period; and
- notices of general meetings.

At the Annual General Meeting, the shareholders will be given the opportunity to voice their views and seek clarification.

The Chairmen of the Audit, Remuneration and Nominating Committees and the external auditors are normally available at the Annual General Meeting to answer shareholders' queries.

SECURITIES TRANSACTIONS

The Group has adopted an internal compliance code of conduct to provide guidance to its officers regarding dealings in the Company's securities. Officers are prohibited from dealing in securities of the Company two weeks before the release of the quarterly results and at least one month before the release of full year results and at all times, if in possession of price-sensitive information.

MATERIAL CONTRACTS

There were no material contracts of the Company, or its subsidiary involving the interests of the Chairman, CEO, any Director or controlling shareholder for the financial year ended 30 June 2008.

INTERESTED PERSON TRANSACTIONS

The Company has established procedures to ensure that interested persons transactions are reported in a timely manner to the AC and such transactions are conducted on an arm's length basis and are not prejudicial to the interests of the shareholders.

The AC and Board had reviewed these transactions in the financial year 2008 and ascertained that these transactions were carried out at arm's length and under normal commercial terms.

RISK MANAGEMENT

The Management, headed by the CEO regularly reviews the Group's operations and activities to identify areas of risks as well as appropriate measures to control and mitigate these risks. Significant matters will be reported to the AC and the Board.

The Group's financial risk management is discussed under Note 32 of the Notes to the Financial Statements, on page 74 of the Annual Report.

USE OF IPO PROCEEDS

The Group has fully utilized the IPO proceeds as follows:

	Projects	Amount allocated RMB'000	Amount utilized RMB'000
	(Exchange rate: S$1 = approximate RMB 5.0)		
1.	Develop new markets and improvements to the Group's sales and distribution network and for financing new regional logistics centres and warehouses	50,000 (S$10 million)	50,000 (S$10 million)
2.	Enhancing Group's marketing efforts	70,000 (S$14 million)	70,000 (S$14 million)
3.	Financing new production facilities for confectionery products	334,000 (S$66.5 million)	334,000 (S$66.5 million)
4.	General working capital	40,000 (S$8 million)	40,000 (S$8 million)
	Total	**494,000 (S$98.5 million)**	**494,000 (S$98.5 million)**

Financial Contents

Directors' Report

The directors have pleasure in presenting their report to the members together with the audited financial statements of Hsu Fu Chi International Limited (the "Company") and its subsidiaries (collectively, the "Group") for the financial year ended 30 June 2008.

Directors

The directors of the Company in office at the date of this report are:

Hsu Chen (Executive Chairman)
Hu Chia-Hsun (President)
Hsu Hang (Chief Operating Officer)
Hsu Keng (Chief Technology Officer)
Hsu Pu (Non-executive Director, appointed on 26 October 2007)
Cheong Kok Yew (Non-executive Director)
John Lim Kok Min (Independent Director)
Lim Hock San (Independent Director)
Lam Khin Khui (Independent Director)

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose object is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Directors' interests in shares and debentures

The following directors, who held office at the end of the financial year, had interests in shares of the Company either at the beginning or end of the financial year as stated below:

	Direct interest		Deemed interest	
Name of Director	**1 July 2007 or date of appointment**	**30 June 2008**	**1 July 2007 or date of appointment**	**30 June 2008**
<u>The Company</u>				
Hsu Fu Chi International Limited				
(Ordinary shares)				
Hsu Chen	134,000,000	134,000,000	Nil	Nil
Hu Chia-Hsun	7,685,000	7,685,000	Nil	Nil
Hsu Hang [(1)]	Nil	Nil	107,200,000	107,200,000
Hsu Keng [(2)]	Nil	Nil	120,600,000	120,600,000
Hsu Pu [(3)]	107,200,000	77,200,000	30,000,000	10,000,000

(1) Ophira Finance Ltd holds 107,200,000 shares in the Company as at 30 June 2008. Mr Hsu Hang is deemed to be interested in the shares held by Ophira Finance Ltd because he owns all the shares in that entity.

(2) Suncove Investments Ltd holds 120,600,000 shares in the Company as at 30 June 2008. Mr Hsu Keng is deemed to be interested in the shares held by Suncove Investments Ltd because he owns all the shares in that entity.

(3) Deemed interest in shares held through Bank nominees.

Directors' Report

Directors' interests in shares and debentures (cont'd)

There was no change in any of the above-mentioned interests between the end of the financial year and 21 July 2008.

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year or at the end of the financial year.

Directors' contractual benefits

Except as disclosed in the financial statements, since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Options

No options were issued by the Company or its subsidiaries during the financial year. As at 30 June 2008, there were no options on the unissued shares of the Company or its subsidiaries which are outstanding.

Audit Committee

The Audit Committee (AC) carried out its functions in accordance with the Listing Manual and the Code of Corporate Governance including the following:

- Reviews the audit plans of the internal and external auditors of the Group and ensures the adequacy of the Group's system of accounting controls and the co-operation given by the Group's management to the external and internal auditors;
- Reviews the quarterly and annual financial statements and the auditors' report on the annual financial statements of the Group before their submission to the board of directors;
- Reviews effectiveness of the Group's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditors;
- Meets with the external auditors, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC;
- Reviews legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;
- Reviews the cost effectiveness and the independence and objectivity of the external auditors;
- Reviews the nature and extent of non-audit services provided by the external auditors;
- Recommends to the board of directors the external auditors to be nominated, approves the compensation of the external auditors, and reviews the scope and results of the audit;
- Reports actions and minutes of the AC to the board of directors with such recommendations as the AC considers appropriate; and
- Reviews interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited (SGX-ST)'s Listing Manual.

Audit Committee (cont'd)

The AC has reviewed the overall scope of the external audit and the assistance given by the Company's officers to the auditor. The AC has also conducted a review of interested person transactions.

Further details regarding the audit committee are disclosed in the Report on Corporate Governance.

The AC has nominated Ernst & Young LLP for re-appointment as auditor of the Company at the forthcoming Annual General Meeting.

Auditors

Ernst & Young LLP have expressed their willingness to accept reappointment as auditors.

On behalf of the Board of Directors

Hsu Chen
Director

Hsu Hang
Director

25 September 2008

Statement by Directors

We, Hsu Chen and Hsu Hang being two of the directors of Hsu Fu Chi International Limited, do hereby state that, in the opinion of the directors,

(i) the accompanying balance sheets, consolidated income statement, statements of changes in equity and consolidated cash flow statement together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2008 and the results of the business, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date, and

(ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors

Hsu Chen
Director

Hsu Hang
Director

25 September 2008

Independent Auditors' Report

To the Members of Hsu Fu Chi International Limited

We have audited the accompanying financial statements of Hsu Fu Chi International Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 30 June 2008, the statement of changes in equity of the Group and the Company, the income statement and cash flow statement of the Group for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Singapore Financial Reporting Standards. This responsibility includes devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair income statements and balance sheets and to maintain accountability of assets; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with Singapore Financial Reporting Standards so as to present fairly, in all material respects, the state of affairs of the Group and of the Company as at 30 June 2008, and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

Ernst & Young LLP
Public Accountants and Certified Public Accountants

Singapore
25 September 2008

Consolidated Income Statements

For the Financial Year ended 30 June 2008 (Amounts expressed in Renminbi)

	Note	2008 Rmb'000	2007 Rmb'000
Revenue	4	3,391,621	2,712,470
Cost of sales		(1,991,084)	(1,649,366)
Gross profit		1,400,537	1,063,104
Other items of income			
Other income	5	29,223	9,835
Financial income	6	13,634	9,995
Other items of expense			
Selling and distribution expenses		(660,823)	(497,850)
General and administrative expenses		(317,408)	(258,000)
Financial expenses	6	(18,592)	(17,050)
Profit before tax	7	446,571	310,034
Income tax	10	(101,776)	(54,705)
Net profit attributable to shareholders		344,795	255,329
Earnings per share (Rmb)	11	0.43	0.34

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Balance Sheets

As at 30 June 2008 (Amounts expressed in Renminbi)

	Note	Group		Company	
		2008 Rmb'000	2007 Rmb'000	2008 Rmb'000	2007 Rmb'000
ASSETS					
Non-current assets					
Investment in subsidiaries	12	–	–	978,708	965,710
Property, plant and equipment	13	1,403,407	1,243,703	–	–
Land use rights	14	206,284	151,622	–	–
Intangible asset – Computer software	15	1,358	–	–	–
Deferred tax assets	16	31,017	30,259	–	–
		1,642,066	1,425,584	978,708	965,710
Current assets					
Inventories	17	216,289	182,961	–	–
Trade receivables	18	215,616	324,371	–	–
Bills receivables	19	16,724	8,403	–	–
Prepayments		253,358	149,885	2,309	2,648
Other receivables and deposits	20	12,665	15,992	298	469
Due from subsidiaries (non-trade)	21	–	–	568,720	93,565
Cash and bank balances		846,636	646,663	236,701	405,453
		1,561,288	1,328,275	808,028	502,135
TOTAL ASSETS		**3,203,354**	**2,753,859**	**1,786,736**	**1,467,845**
EQUITY AND LIABILITIES					
Current liabilities					
Trade payables	22	138,060	134,795	–	–
Other payables and accruals	23	565,564	393,167	3,415	3,176
Bills payable	24	92,228	147,394	–	–
Due to subsidiaries (non-trade)	21	–	–	960	947
Due to directors	21	2,715	1,819	2,715	1,819
Short-term bank loans	25	160,000	90,000	–	–
Term loans	26	20,000	30,000	–	–
Provision for income tax		12,477	13,585	–	–
		991,044	810,760	7,090	5,942
NET CURRENT ASSETS		**570,244**	**517,515**	**800,938**	**496,193**

Balance Sheets (cont'd)

As at 30 June 2008 (Amounts expressed in Renminbi)

	Note	Group		Company	
		2008	2007	2008	2007
		Rmb'000	Rmb'000	Rmb'000	Rmb'000
Non-current liabilities					
Term loans	26	50,000	50,000	–	–
Deferred tax liabilities	16	18,989	–	–	–
		68,989	50,000	–	–
TOTAL LIABILITIES		**1,060,033**	**860,760**	**7,090**	**5,942**
NET ASSETS		**2,143,321**	**1,893,099**	**1,779,646**	**1,461,903**
Equity attributable to equity holders of the parent					
Share capital	27	40,124	40,124	40,124	40,124
Share premium		1,445,020	1,445,020	1,445,020	1,445,020
Translation reserve		(1,517)	(10,294)	(4,220)	(26,143)
Reserve fund	28	152,678	118,802	–	–
Restructuring reserve		(716,588)	(716,588)	–	–
Accumulated profits		1,223,604	1,016,035	298,722	2,902
TOTAL EQUITY		**2,143,321**	**1,893,099**	**1,779,646**	**1,461,903**
TOTAL EQUITY AND LIABILITIES		**3,203,354**	**2,753,859**	**1,786,736**	**1,467,845**

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Changes in Equity

For the Financial Year ended 30 June 2008 (Amounts expressed in Renminbi)

Group	Share capital (Note 27) Rmb'000	Share premium Rmb'000	Translation reserve Rmb'000	Reserve fund (Note 28) Rmb'000	Restructuring reserve Rmb'000	Accumulated profits Rmb'000	Total equity Rmb'000
Opening balance at 1 July 2007	**40,124**	**1,445,020**	**(10,294)**	**118,802**	**(716,588)**	**1,016,035**	**1,893,099**
Translation reserve	–	–	8,777	–	–	–	8,777
Net income recognised directly in equity	–	–	8,777	–	–	–	8,777
Profit for the year	–	–	–	–	–	344,795	344,795
Total recognised income for the year	–	–	8,777	–	–	344,795	353,572
Dividends (Note 29)	–	–	–	–	–	(103,350)	(103,350)
Appropriation to reserve fund	–	–	–	33,876	–	(33,876)	–
Closing balance at 30 June 2008	**40,124**	**1,445,020**	**(1,517)**	**152,678**	**(716,588)**	**1,223,604**	**2,143,321**
Opening balance at 1 July 2006	**264,924**	**–**	**–**	**95,765**	**–**	**783,743**	**1,144,432**
Translation reserve	–	–	(10,294)	–	–	–	(10,294)
Net expenses recognised directly in equity	–	–	(10,294)	–	–	–	(10,294)
Profit for the year	–	–	–	–	–	255,329	255,329
Total recognised income and expenses for the year	–	–	(10,294)	–	–	255,329	245,035
Adjustment pursuant to the Restructuring Exercise	(231,143)	947,731	–	–	(716,588)	–	–
Issue of new shares in connection with Initial Public Offering	6,343	497,289	–	–	–	–	503,632
Appropriation to reserve fund	–	–	–	23,037	–	(23,037)	–
Closing balance at 30 June 2007	**40,124**	**1,445,020**	**(10,294)**	**118,802**	**(716,588)**	**1,016,035**	**1,893,099**

Notes:

Restructuring reserve:

This represents the difference between the nominal value of shares issued by the Company in exchange for the nominal value of shares and capital reserve of subsidiaries acquired which is accounted for under "merger accounting".

Translation reserve:

The translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

Statements of Changes in Equity (cont'd)

For the Financial Year ended 30 June 2008 (Amounts expressed in Renminbi)

Company	Share capital (Note 27) Rmb'000	Share premium Rmb'000	Translation reserve Rmb'000	Accumulated profits Rmb'000	Total equity Rmb'000
Opening balance at 1 July 2007	**40,124**	**1,445,020**	**(26,143)**	**2,902**	**1,461,903**
Translation reserve	–	–	21,923	–	21,923
Net income recognised directly in equity	–	–	21,923	–	21,923
Profit for the year	–	–	–	399,170	399,170
Total recognised income for the year	–	–	21,923	399,170	421,093
Dividends (Note 29)	–	–	–	(103,350)	(103,350)
Closing balance at 30 June 2008	**40,124**	**1,445,020**	**(4,220)**	**298,722**	**1,779,646**
Balance at date of incorporation, 18 October 2006	–	–	–	–	–
Translation reserve	–	–	(26,143)	–	(26,143)
Net expense recognised directly in equity	–	–	(26,143)	–	(26,143)
Profit for the year	–	–	–	2,902	2,902
Total recognised income and expenses for the year	–	–	(26,143)	2,902	(23,241)
Issue of shares pursuant to the Restructuring Exercise	33,781	947,731	–	–	981,512
Issuance of new ordinary shares pursuant to the Initial Public Offering	6,343	497,289	–	–	503,632
Closing balance at 30 June 2007	**40,124**	**1,445,020**	**(26,143)**	**2,902**	**1,461,903**

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated Cash Flow Statement

For the Financial Year ended 30 June 2008 (Amounts expressed in Renminbi)

	2008 Rmb'000	2007 Rmb'000
Cash flows from operating activities		
Profit before tax	446,571	310,034
Adjustments for:		
Depreciation of property, plant and equipment	172,931	136,106
Amortisation of land use rights	4,448	2,620
Amortisation of intangible assets	175	–
Loss on disposal of property, plant and equipment	3,973	3,540
Bad debts written off	–	1,820
(Write back)/allowance for doubtful trade receivables	(5,750)	15,806
Allowance for inventory obsolescence	6,719	6,554
Interest expense and bank charges	18,592	17,050
Interest income	(13,634)	(9,995)
Translation difference	8,777	(10,294)
Operating cash flows before changes in working capital	**642,802**	**473,241**
Changes in working capital:		
(Increase)/decrease in inventories	(40,047)	8,220
Decrease in trade and bills receivables	106,184	1,871
Increase in prepayments, other receivables and deposits	(36,256)	(44,436)
(Decrease)/increase in trade and bills payables	(51,901)	69,323
Increase in other payables and accruals	159,805	119,488
Decrease in bank deposits subject to restricted application	(3,613)	(198)
Cash flows generated from operations	**776,974**	**627,509**
Interest income received	13,634	9,995
Interest expense and bank charges paid	(18,592)	(17,050)
Income taxes paid	(84,653)	(52,803)
Net cash generated from operating activities	**687,363**	**567,651**
Cash flows from investing activities		
Purchase of property, plant and equipment (Note B)	(408,729)	(432,442)
Proceeds from sale of property, plant and equipment	3,121	3,215
Purchase of intangible assets – Land use rights (Note C)	(40,512)	(38,845)
Purchase of intangible assets – Computer software	(1,533)	–
Net cash used in investing activities	**(447,653)**	**(468,072)**
Cash flows from financing activities		
Proceeds from bank loans	520,000	485,000
Repayment of bank loans	(460,000)	(575,000)
Proceeds from the issue of new ordinary shares, net of share issue expenses	–	503,632
Dividend paid	(103,350)	–
Net cash (used in)/generated from financing activities	**(43,350)**	**413,632**
Net increase in cash and cash equivalents	**196,360**	**513,211**
Cash and cash equivalents at beginning of the financial year	**645,109**	**131,898**
Cash and cash equivalents at the end of the financial year (Note A)	**841,469**	**645,109**

Consolidated Cash Flow Statement (cont'd)

For the Financial Year ended 30 June 2008 (Amounts expressed in Renminbi)

Notes to the Consolidated Cash Flows Statement

A. Cash and cash equivalents

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following:

	2008 Rmb'000	2007 Rmb'000
Cash at bank and in hand	358,217	272,197
Short term deposits	488,419	374,466
Bank deposits subject to restricted application	(5,167)	(1,554)
Cash and cash equivalents	841,469	645,109

Bank deposits subject to restricted application relate to bank balances placed in designated bank accounts for the purpose of tax payments as required by the PRC tax authorities.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one week and six months depending on the immediate cash requirements of the Group, and earn interests at the respective short term deposit rates.

Cash and bank balances are denominated in the following currencies:

	2008 Rmb'000	2007 Rmb'000
Renminbi	462,752	207,178
Hong Kong Dollar	6,529	1,256
United States Dollar	29,091	10,532
Singapore Dollar	279,168	407,580
Euro	61,075	15,229
Japanese Yen	8,017	3,798
Pound Sterling	4	1,090
	846,636	646,663

Notes to the Consolidated Cash Flows Statement (cont'd)

B. Property, plant and equipment

	2008 Rmb'000	2007 Rmb'000
Current year additions to property, plant and equipment	339,729	448,239
Less: Payable to creditors	(60,890)	(66,000)
Prepayments made in prior year	(66,541)	(34,084)
	212,298	348,155
Add: Payments for prior year purchase	66,000	17,746
Prepayments made in current year	130,431	66,541
Net cash outflow for purchase of property, plant and equipment	408,729	432,442

C. Land use rights

	2008 Rmb'000	2007 Rmb'000
Current year additions to land use rights	61,562	23,420
Less: Amounts accrued	(37,366)	(5,354)
	24,196	18,066
Add: Payments for prior years acquisitions	16,316	20,779
Net cash outflow for purchase of land use rights	40,512	38,845

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Notes to the Consolidated Financial Statements

30 June 2008

1. Corporate information

1.1 *The Company*

The Company is an exempt company with limited liability, incorporated in the Cayman Islands on 18 October 2006 and is listed on the Singapore Exchange Securities Trading Limited (SGX-ST).

The registered office of the Company is at Cricket Square Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and the principal place of business of the Group is located at Zhouwu Industrial District, Dongcheng, Dongguan, Guangdong Province, 523118, People's Republic of China ("PRC").

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are disclosed in Note 12.

2. Summary of significant accounting policies

2.1 *Basis of preparation*

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared on a historical cost basis in accordance with Singapore Financial Reporting Standards ("FRS").

The Group's principal operations are conducted in the PRC and thus the consolidated financial statements are prepared in Renminbi ("Rmb"), being the measurement and presentation currency of the Group. All values are rounded to the nearest thousand (Rmb'000) except when otherwise indicated.

2.2 *Changes in accounting policies*

The accounting policies have been consistently applied by the Group and are consistent with those used in the previous financial year, except for the changes in accounting policies discussed below.

(a) Adoption of new and revised FRS and INT FRS

On 1 July 2007, the Group adopted the following new and revised FRS and INT FRS.

Reference	Description	Effective for annual periods beginning on or after
FRS 1 (revised)	Amendments to FRS 1, Presentation of Financial Statements – Capital Disclosures	1 January 2007
FRS 32 (revised)	Amendments to FRS 32, Financial Instruments – Presentation	1 January 2007
FRS 33 (revised)	Earnings Per Share	1 January 2007
FRS 107	Financial Instruments – Disclosures	1 January 2007
INT FRS 110	Interim Financial Reporting and Impairment	1 November 2006

2. Summary of significant accounting policies (cont'd)

2.2 Changes in accounting policies (cont'd)

(a) Adoption of new and revised FRS and INT FRS (cont'd)

The adoption of the above standards is assessed to have no material impact on the financial results and the financial position of the Group for the year ended 30 June 2008, except for FRS 107 and the amendment to FRS 1 (revised) as indicated below.

FRS 107 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces the disclosure requirements in FRS 32, Financial Instruments: Disclosures and Presentation. The amendment to FRS 1 (revised) introduces new disclosures about the level of an entity's capital and how it manages capital.

New standards effective for annual periods beginning on or after the dates as stated but do not apply to the Group's activities are as follows:

Reference	Description	Effective for annual periods beginning on or after
FRS 40	Investment Property	1 January 2007
INT FRS 111	Group and Treasury Share Transactions	1 March 2007

(b) FRS and INT FRS not yet effective

The Group has not adopted the following FRS and INT FRS that have been issued but not yet effective:

Reference	Description	Effective for annual periods beginning on or after
FRS 1 (revised)	Amendments to FRS 1, Presentation of Financial Statements – Capital Disclosures	1 January 2008
FRS 1 (revised)	Amendments to FRS 1, Presentation of Financial Statements – Revised Presentation	1 January 2009
FRS 1 (revised)	Amendments to FRS 1, Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009
FRS 23 (revised)	Amendments to FRS 23, Borrowing Costs	1 January 2009

Notes to the Consolidated Financial Statements

30 June 2008

2. Summary of significant accounting policies (cont'd)

2.2 Changes in accounting policies (cont'd)

(b) FRS and INT FRS not yet effective (cont'd)

Reference	Description	Effective for annual periods beginning on or after
FRS 32 (revised)	Amendments to FRS 32, Financial Instruments – Presentation	1 January 2009
FRS 102 (revised)	Amendments to FRS 102, Share-based Payments (Vesting Conditions and Cancellations)	1 January 2009
FRS 108	Operating Segments	1 January 2009
INT FRS 112	Service Concession Arrangements	1 January 2008
INT FRS 113	Customer Loyalty Programmes	1 July 2008
INT FRS 114	The Limits on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2008

The directors expect that the adoption of the above pronouncements will have no material impact to the financial statements in the period of initial application.

FRS 108 requires entities to disclose segment information based on the information reviewed by the entity's chief operating decision maker. The impact of this standard on segment disclosure is still to be determined. As this is a disclosure standard, it will have no impact on the financial position or financial performance of the Group when implemented in 2009.

2.3 Functional and foreign currency

(a) Functional currency

The Group's principal operations are conducted in the PRC. The management has determined the currency of the primary economic environment in which the Group operates i.e. functional currency, to be Renminbi (Rmb). Sales prices and major operating expenses including cost of production are primarily influenced by fluctuations in Rmb. The functional currency of Hsu Fu Chi Foods Pte Ltd and the Company is Singapore Dollars (SGD). The functional currency of Hsu Fu Chi (Hong Kong) Trading Company Limited and Top Ocean Trading Limited is Hong Kong Dollars (HKD).

2. Summary of significant accounting policies (cont'd)

2.3 Functional and foreign currency (cont'd)

(b) Foreign currency transactions

Transactions in foreign currencies are measured and recorded in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate of exchange ruling at the respective balance sheet dates. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the respective balance sheet dates are recognised in the income statement except for exchange differences arising on monetary items that form part of the Group's net investment in foreign subsidiaries, which are recognised initially in a separate component of equity as foreign currency translation reserve in the consolidated balance sheet and recognised in the consolidated income statement on disposal of the subsidiary.

(c) Foreign currency translation

The assets and liabilities of foreign operations are translated into Rmb at the rate of exchange ruling at the balance sheet date and their income statements are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to a separate component of equity as foreign currency translation reserve. On disposal of a foreign operation, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

2.4 Subsidiaries and principles of consolidation

(a) Subsidiaries

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less any impairment losses.

(b) Principles of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries used in the preparation of consolidated financial statements are prepared for the same reporting date as the parent company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

Notes to the Consolidated Financial Statements

30 June 2008

2. Summary of significant accounting policies (cont'd)

2.4 Subsidiaries and principles of consolidation (cont'd)

(b) Principles of consolidation (cont'd)

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognised in assets, are eliminated in full.

The consolidated financial statements of the Group for the financial year ended 30 June 2008 have been prepared in accordance with the principles of merger accounting as the Restructuring Exercise completed during 2006 is a legal reorganisation of entities under common control. Under this method, the Company has been treated as the holding company of all its subsidiaries for the financial years presented (or from the date of incorporation of the subsidiaries, if later) rather than from the date of completion of the Restructuring Exercise. Accordingly, the consolidated results of the Group for the financial years ended 30 June 2008 and 2007 include the results of the Company and subsidiaries for the entire periods.

Pursuant to this:

- Assets and liabilities are consolidated at their existing carrying amounts;
- No amount is recognised for goodwill; and
- Restructuring reserve representing the difference between the nominal value of shares issued by the Company in exchange for the nominal value of shares acquired in respect of the acquisition of subsidiaries is recorded.

Consolidation of the subsidiaries in the PRC is based on the subsidiaries' financial statements prepared in accordance with FRS. Profits reflected in the financial statements prepared in accordance with FRS may differ from those reflected in the PRC statutory financial statements of the subsidiaries, prepared for PRC reporting purposes. In accordance with the relevant laws and regulations, profits available for distribution by the PRC subsidiaries are based on the amounts stated in the PRC statutory financial statements.

2.5 Related party

An entity or individual is considered a related party of the Group for the purposes of the financial statements if: I) it possesses the ability (directly or indirectly) to control or exercise significant influence over the operating and financial decisions of the Group or vice versa; or II) it is subjected to common control or common significant influence.

2.6 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, 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.

2. Summary of significant accounting policies (cont'd)

2.6 Property, plant and equipment (cont'd)

Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation of an asset begins when it is available for use and is computed on a straight-line basis to write off the cost of property, plant and equipment less estimated residual value over the estimated useful life of the assets as follows:

	Years
Buildings	20
Plant and machinery	5 or 10
Office equipment	5
Motor vehicle	5

Construction-in-progress relates to the production facilities and office buildings under construction and these are depreciated only when they become available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the income statement in the year the asset is derecognised.

2.7 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end.

Notes to the Consolidated Financial Statements

30 June 2008

2. Summary of significant accounting policies (cont'd)

2.7 Intangible assets (cont'd)

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable.

i) Computer software

Computer software is measured at cost less accumulated amortisation and any impairment loss. It is amortised on a straight-line basis over its estimated useful life of 5 years.

ii) Product development costs

Product development costs are expensed as incurred.

2.8 Land use rights

Cost of acquisition of land use rights is capitalised and amortised on a straight-line basis over the lease terms of the land use rights.

The amortisation period and method are reviewed at each financial year end. The amortisation expense is recognised in the income statement through the 'General and administrative expenses' line item.

2.9 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount.

Impairment losses are recognised in the income statement.

2. Summary of significant accounting policies (cont'd)

2.9 Impairment of non-financial assets (cont'd)

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in the income statement.

2.10 Financial assets

Financial assets are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that has been recognised directly in equity is recognised in the income statement.

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e. the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, and through the amortisation process.

2.11 Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances and unpledged bank deposits.

Notes to the Consolidated Financial Statements

30 June 2008

2. Summary of significant accounting policies (cont'd)

2.12 Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

(a) Assets carried at amortised cost

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in the income statement.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in the income statement.

(b) Assets carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

2. Summary of significant accounting policies (cont'd)

2.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

Raw materials	-	purchase cost on a weighted average basis
Finished goods	-	cost of direct materials and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs

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

2.14 Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.15 Financial liabilities

Financial liabilities are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transaction costs.

Subsequent to initial recognition, all financial liabilities are measured at amortised cost using the effective interest method, except for derivatives, which are measured at fair value.

A financial liability is derecognised when the obligation under the liability is extinguished. For financial liabilities other than derivatives, gains and losses are recognised in the income statement when the liabilities are derecognised, and through the amortisation process. Any gains or losses arising from changes in the fair value of derivatives are recognised in the income statement. Net gains or losses on derivatives include exchange differences.

2.16 Financial guarantee

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Notes to the Consolidated Financial Statements

30 June 2008

2. Summary of significant accounting policies (cont'd)

2.16 Financial guarantee (cont'd)

Financial guarantees are recognised initially at fair value. Subsequent to initial recognition, financial guarantees are recognised as income in the income statement over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to the income statement.

2.17 Borrowing costs

Borrowing costs are generally expensed as incurred.

2.18 Operating lease

As lessee

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

2.19 Employee benefits

(a) Defined contribution plans - pension benefits

The subsidiaries in the PRC are required to provide certain staff pension benefits to their employees under existing PRC regulations. Pension contributions are provided at rates stipulated by PRC regulations and are contributed to a pension fund managed by government agencies, which are responsible for administering these amounts for the subsidiaries' employees.

The subsidiary in Singapore makes contributions to the Central Provident Fund Scheme in Singapore, a defined contribution pension scheme. Contributions to national pension schemes are recognised as an expense in the period in which the related service is performed.

Pension contributions are recognised as an expense in the period in which the related services are performed.

(b) Provision for PRC statutory welfare expenses

Provision for PRC statutory welfare expenses is recognised at 0.5% of the Subsidiaries' net profits as stated in their PRC statutory financial statements. This amount is charged to the income statement through the "General and administrative expenses" line item.

2. Summary of significant accounting policies (cont'd)

2.19 Employee benefits (cont'd)

(c) Provision for retirement benefits

The cost of providing benefits under retirement benefits plan is determined using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognised as income or expense when the net cumulative unrecognised actuarial gains or losses at the end of the previous reporting year exceed 10% of the higher of the defined benefit obligation and the fair value of plan assets as that date. These gains or losses are recognised over the expected average remaining working lives of the employees participating in the plan. Only certain employees are under the retirement benefits plan and the cost of providing benefits under the retirement benefits plan is insignificant to the Group.

(d) Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to employees. The estimated liability for leave is recognised for services rendered by employees up to the balance sheet date.

2.20 Revenue

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

(a) Sale of goods

Revenue is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customers. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) Interest income

Interest income is recognised as interest accrues (using the effective interest method) unless collectibility is in doubt.

2.21 Government grant

Grant income is received from the local PRC government at a discretionary amount as determined by the government. It is recognised at its fair values where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised in the income statement over the period necessary to match it on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is recognised as deferred grant income on the balance sheet and is amortised to the income statement over the expected useful life of the relevant asset by equal annual instalments.

Notes to the Consolidated Financial Statements

30 June 2008

2. Summary of significant accounting policies (cont'd)

2.22 Income taxes

(a) Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Current taxes are recognised in the income statement except that tax relating to items recognised directly in equity is recognised directly in equity.

(b) Deferred tax

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction affects neither accounting profit nor taxable profit or loss;
- In respect of temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future; and
- In respect of deductible temporary differences and carry-forward of unused tax credits and unused tax losses, if it is not probable that taxable profit will be available against which the deductible temporary differences and carry-forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

2. Summary of significant accounting policies (cont'd)

2.22 Income taxes (cont'd)

(b) Deferred tax (cont'd)

Deferred taxes are recognised in the income statement except that deferred tax relating to items recognised directly in equity is recognised directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

(c) Value-added-tax ("VAT")

The Group's sales of goods in the PRC are subjected to VAT at the applicable tax rate of 17% for PRC domestic sales. Input tax on purchases can be deducted from output VAT. The net VAT receivable or payable is included in "Other receivables" or "Other payables". The Group's export sales are not subject to VAT.

Revenues, expenses and assets are recognised net of the amount of VAT except:

- Where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

2.23 Share capital and share issue expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.24 Segment reporting

A business segment is a distinguishable component of the Group that is engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is a distinguishable component of the Group that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.

2.25 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group.

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3 Significant accounting estimates and judgements

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

3.1 Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

(i) Capitalisation of land use rights

The Group has land use rights with carrying value as at 30 June 2008 amounting to approximately Rmb 206,284,000 (2007: Rmb 151,622,000). Whilst the Group has constructed manufacturing facilities and commenced operations on these land during the periods under review, the transfer of certain land use rights from the relevant authorities to the Group has not been completed as of 30 June 2008. These land use rights which are subject to the completion of transfer from the authorities amounted to approximately Rmb 51,133,000 as at 30 June 2008 (2007: Rmb 88,794,000). As the Group has fulfilled the necessary requirements relating to the acquisition of these land use rights, the management expects the transfer of the land use rights to be completed in due course and it is therefore appropriate to recognise these land use rights pending completion of transfer from the authorities as assets of the Group.

(ii) Income taxes

The Group has exposure to income taxes in the PRC. Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's tax payable at 30 June 2008 was Rmb 12,477,000 (2007: Rmb 13,585,000).

3 Significant accounting estimates and judgements (cont'd)

3.2 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.

(i) Useful lives of plant and machinery

The cost less estimated residual value of plant and machinery for the manufacture of confectionery products is depreciated on a straight-line basis over the estimated useful lives of the assets. Management estimates the useful lives of the production lines to be 5 to 10 years. The carrying amount of the Group's plant and machinery as at 30 June 2008 was Rmb 869,086,000 (2007: Rmb 772,353,000). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of the plant and machinery.

(ii) Useful lives of buildings

The cost of construction of buildings is depreciated on a straight-line basis over 20 years. The carrying amount of the Group's buildings as at 30 June 2008 was approximately Rmb 408,871,000 (2007: Rmb 338,907,000). Changes in the physical condition of the buildings could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. As at 30 June 2008, there are no indications that the remaining economic useful lives of the buildings are significantly lower than their respective remaining useful lives.

(iii) Accruals for cost of land use rights

The total cost of the Group's land use rights as at 30 June 2008 amounted to approximately Rmb 223,611,000 (2007: Rmb 164,501,000), of which approximately Rmb 168,566,000 (2007: Rmb 128,054,000) has been paid up. As the transfer of certain land use rights from the relevant authorities to the Group has not been completed as of 30 June 2008, the final cost of these land use rights has not been finalised. Accordingly, the management has accrued for the remaining amounts payable on these land use rights based on the preliminary transfer documents of these land use rights. The total accruals for these land use rights as at 30 June 2008 amounted to approximately Rmb 55,045,000 (2007: Rmb 36,447,000). The management believes that the preliminary transfer documents provide the best estimate for the cost of these land use rights and does not expect the eventual cost of the land use rights to be significantly different.

4. Revenue

Revenue represents sales of goods net of discounts and value-added-tax (VAT).

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5. Other income

	Group	
	2008	2007
	Rmb'000	Rmb'000
Sale of scrap materials	16,230	5,924
Fines charged to logistics service providers	911	549
Government grant	2,310	1,000
Tax refund *	8,952	–
Others	820	2,362
	29,223	9,835

* The tax refund is associated with the capitalisation of a portion of the accumulated profits of Dongguan Hsu Chi Food Co., Ltd as registered capital.

6. Financial income and financial expenses

	Group	
	2008	2007
	Rmb'000	Rmb'000
Interest income		
- bank balances	13,634	9,995
Interest expense		
- bank loans	17,594	14,627
Bank charges	998	2,423
	18,592	17,050

7. Profit before tax

This is determined after charging (crediting) the following:

	Group	
	2008	2007
	Rmb'000	Rmb'000
(Write back)/allowance for doubtful trade receivables	(5,750)	15,806
Bad debts written off	–	1,820
Allowance for inventory obsolescence	6,719	6,554
Amortisation of land use rights	4,448	2,620
Amortisation of intangible assets	175	–
Depreciation of property, plant and equipment	172,931	136,106
Loss on disposal of property, plant and equipment	3,973	3,540
Directors' fees	2,519	1,842
Directors' remuneration	4,428	4,750
Personnel expenses, including directors' remuneration (Note 8)	444,847	360,555
Operating lease expense	26,082	19,073
Contractual payment fees	177,356	168,268
Product development expenses	13,301	8,802
Transportation expenses	136,792	120,366
Foreign exchange loss, net	4,028	1,558

8. Personnel expenses

	Group	
	2008	2007
	Rmb'000	Rmb'000
Salaries and bonus	395,301	317,669
Contribution to defined contribution plans	37,912	25,109
Welfare expenses	10,634	17,229
Retirement benefits	1,000	548
	444,847	360,555

9. Related party transactions

(a) In addition to those related party information disclosed elsewhere in the financial statements, the Group had the following transactions between the Group and related parties during the financial years ended 30 June 2008 and 2007 on terms agreed between the parties:

	2008	2007
	Rmb'000	Rmb'000
Sale of goods	5,889	5,765
Office rental expense	164	145

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9. Related party transactions (cont'd)

(b) Compensation of key management personnel

	Group	
	2008	2007
	Rmb'000	Rmb'000
Directors' fees	2,519	1,842
Directors' remuneration	4,428	4,750
Other key management personnel	2,473	2,496
	9,420	9,088

10. Income tax

Major components of income tax expense for the years ended 30 June 2008 and 2007 were:

	Group	
	2008	2007
	Rmb'000	Rmb'000
Current tax		
- current year	97,417	60,943
- overprovision in respect of prior year	(13,872)	(139)
Deferred tax		
- current year	18,231	(6,099)
Tax expense	101,776	54,705

A reconciliation between tax expense and the product of profit before tax multiplied by the applicable tax rate for the year ended 30 June 2008 and 2007 is as follows:

	2008	2007
	Rmb'000	Rmb'000
Profit before tax	446,571	310,034
Tax at the domestic tax rates applicable to profit in the countries where the Group operates	95,577	53,461
Adjustments:		
- Expenses not deductible for tax purposes	122	213
- Deferred tax provision relating to withholding tax for undistributed profits of PRC subsidiaries (Note 16)	18,989	–
- Over provision in respect of prior year	(13,872)	(139)
- Deferred tax assets not recognised	1,454	1,170
- Others	(494)	–
Tax expense	101,776	54,705

10. Income tax (cont'd)

(i) Dongguan Hsu Chi Food Co., Ltd. (Dongguan Hsu Chi)

Dongguan Hsu Chi is engaged in a manufacturing business established in a coastal economic zone and is entitled to a reduced tax of 27% (EIT of 24% and local tax rate of 3%).

On 30 May 2006, it qualified for the High and New Technology Enterprise Status granted by the Guangdong Province Science and Technology Bureau and is therefore entitled to a reduced tax rate of 18% (reduced EIT of 15% and 3% local tax) from 1 January 2006 to 31 December 2007. According to PRC National Tax Law (1994) 151 issued by the State Administration of Tax, a company is entitled to the preferential corporate income tax rate upon satisfaction of specified conditions. Given that the High and New Technology Enterprise Status has been accorded to Dongguan Hsu Chi, tax liability has been recognised at the reduced tax rate of 18% for FY2007 and the first half of FY2008.

Pursuant to the Enterprise Income Tax Law of the PRC (the "EIT Law") promulgated by the National People's Congress on 16 March 2007 (effective from 1 January 2008), resident and non-resident enterprises deriving income from the PRC are subject to Enterprise Income Tax ("EIT"). Under the EIT Law, EIT applies to all enterprises, including FIEs and domestic enterprises. The general applicable EIT tax rate in the PRC is 25%. Accordingly, Dongguan Hsu Chi is subject to the tax rate of 25% for the second half of FY2008.

(ii) Dongguan Hsu Fu Chi Food Co., Ltd. (Dongguan Hsu Fu Chi), Dongguan Andegu Plastic Packaging Material Ltd (Dongguan Andegu), Dongguan Ruihuashi Biotechnology Ltd (Dongguan Ruihuashi), Huzhou Hsu Chi Foods Co., Ltd (Huzhou Hsu Chi) and Huzhou Hsu Fu Chi Foods Co., Ltd (Huzhou Hsu Fu Chi)

These subsidiaries are engaged in a manufacturing business established in a coastal economic zone and are entitled to a reduced tax of 27% (EIT of 24% and local tax rate of 3%) up to 31 December 2007. From 1 January 2008 onwards, the applicable tax rate for these subsidiaries is 25% in accordance with the new PRC tax law.

Accordingly, Dongguan Hsu Fu Chi is subject to a tax rate of 18% for FY2007 and the first half of FY2008. From 1 January 2008 to 30 June 2008, it is subject to the tax rate of 25%.

Dongguan Andegu, Dongguan Ruihuashi, Huzhou Hsu Chi and Huzhou Hsu Fu Chi were incorporated in FY2007 and have no taxable profits in FY2008 and FY2007.

(iii) Henan Hsu Fu Chi Co., Ltd (Henan Hsu Fu Chi), Chengdu Hsu Chi Co., Ltd (Chengdu Hsu Chi), Henan Hua Tai Xin Foodstuff and Commodity Limited (Henan Hua Tai Xin) and Henan Zhongyuan Madian Foodstuff and Commodity Limited (Henan Zhongyuan Madian)

These subsidiaries are subject to the PRC tax rate of 33% (EIT of 30% and local tax rate of 3%) for FY2007 and the first half of FY2008. From 1 January 2008 to 30 June 2008, they are subject to the tax rate of 25%.

These subsidiaries were incorporated in FY2007 and have no taxable income in FY2008 and FY2007.

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10. Income tax (cont'd)

(iv) Hsu Fu Chi International Limited (the Company), Hsu Fu Chi Holdings Ltd (Hsu Fu Chi Holdings) and Top Ocean Trading Limited (Top Ocean)

The Company, Hsu Fu Chi Holdings and Top Ocean are incorporated in the Cayman Islands, British Virgin Islands and Western Samoa respectively and are not required to pay taxes.

(v) Hsu Fu Chi (Hong Kong) Trading Company Limited (Hsu Fu Chi Hong Kong)

Hsu Fu Chi Hong Kong is subject to a tax rate of 17.5% for FY2008 and FY2007.

(vi) Hsu Fu Chi Foods Pte Ltd (Hsu Fu Chi Foods)

Hsu Fu Chi Foods is subject to a tax rate of 20% from its date of incorporation (17 July 2006) to 31 December 2006 and a tax rate of 18% for the second half of FY2007 and FY2008. It has no taxable income in FY2008 and FY2007.

11. Earnings per share

Earnings per share is calculated by dividing the net profit attributable to equity shareholders of the Company by the weighted average share capital of 795,000,000 (2007: 742,602,000) ordinary shares.

12. Investment in subsidiaries

	Company	
	2008	2007
	Rmb'000	Rmb'000
Unquoted shares, at cost	978,708	965,710

12. Investment in subsidiaries (cont'd)

The Company had the following subsidiaries as at 30 June:

Name of company	Country of incorporation	Country of operation	Principal activities	Effective equity interest held by the Group	
				2008	2007
				%	%
Hsu Fu Chi Holdings Ltd.[1]	British Virgin Islands	PRC	Investment holding	100	100
Held by Hsu Fu Chi Holdings Ltd.					
Top Ocean Trading Limited[1]	Western Samoa	Hong Kong	Sale and distribution of confectionery products	100	100
Hsu Fu Chi (Hong Kong) Trading Company Limited[2]	Hong Kong	Hong Kong	Sale and distribution of confectionery products	100*	100*
Dongguan Hsu Chi Food Co., Ltd[3]	PRC	PRC	Manufacture of confectionery products and sale and distribution of self-manufactured confectionery products	100	100
Dongguan Hsu Fu Chi Food Co., Ltd[3]	PRC	PRC	Manufacture of confectionery products	100	100
Dongguan Andegu Plastic Packaging Material Ltd[3]	PRC	PRC	Production of plastic products, plastic packaging material (including printing process) for sale to domestic and overseas markets	100	100
Hsu Fu Chi Foods Pte Ltd[4][8]	Singapore	Singapore	Sale and distribution of confectionery products	100	100

* Includes 1% equity interest held by a director on behalf of Hsu Fu Chi Holdings Ltd.

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12. Investment in subsidiaries (cont'd)

Name of company	Country of incorporation	Country of operation	Principal activities	Effective equity interest held by the Group 2008 %	Effective equity interest held by the Group 2007 %
Chengdu Hsu Chi Co., Ltd(5)(8)	PRC	PRC	Manufacture of confectionery products and sale and distribution of self-manufactured confectionery products	100	100
Huzhou Hsu Chi Foods Co., Ltd(6)(8)	PRC	PRC	Manufacture of confectionery products and sale and distribution of self-manufactured confectionery products	100	100
Huzhou Hsu Fu Chi Foods Co., Ltd(6)(8)	PRC	PRC	Manufacture of confectionery products and sale and distribution of self-manufactured confectionery products	100	100
Henan Hsu Fu Chi Co., Ltd(7)(8)	PRC	PRC	Processing of agricultural products	100	100
Henan Hua Tai Xin Foodstuff and Commodity Limited(7)(8)	PRC	PRC	Sales, production and storage of foodstuff, fruits and vegetables, processed meats, poultry and food commodities	100	100
Henan Zhongyuan Madian Foodstuff and Commodity Limited(7)(8)	PRC	PRC	Sales and production of nuts, groceries and food additives	100	100
Dongguan Ruihuashi Biotechnology Ltd(8)	PRC	PRC	Sales and production of functional food, nutritious candies and health care food	100	100

12. Investment in subsidiaries (cont'd)

(1) Not required to be audited in the country of incorporation

(2) Audited by Lv Jing Wen Certified Public Accountants, Hong Kong

(3) Audited by Dongguan City Diligent Certified Public Accountants, PRC

(4) Audited by Ernst & Young LLP, Singapore

(5) Audited by Sichuan Guanghua Certified Public Accountants, PRC

(6) Audited by Huzhou Zhengcheng Certified Public Accountants, PRC

(7) Audited by Zhumadian Yongheng Certified Public Accountants, PRC

(8) Dormant in FY2008

13. Property, plant and equipment

Group 30 June 2008	Buildings Rmb'000	Plant and machinery Rmb'000	Office equipment Rmb'000	Motor vehicle Rmb'000	Construction-in- progress Rmb'000	Total Rmb'000
Cost						
At the beginning of the year	404,610	1,191,366	44,765	46,098	80,259	1,767,098
Additions	19,215	228,015	10,006	26,019	56,474	339,729
Disposals	(59)	(15,855)	(1,154)	(7,090)	–	(24,158)
Reclassifications	72,012	5,172	2,188	–	(79,372)	–
At the end of the year	495,778	1,408,698	55,805	65,027	57,361	2,082,669
Accumulated depreciation						
At the beginning of the year	65,703	419,013	22,094	16,585	–	523,395
Depreciation charge for the year	21,234	133,099	7,495	11,103	–	172,931
Disposals	(30)	(12,500)	(805)	(3,729)	–	(17,064)
At the end of the year	86,907	539,612	28,784	23,959	–	679,262
Net carrying amount						
At the end of the year	408,871	869,086	27,021	41,068	57,361	1,403,407

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13. Property, plant and equipment (cont'd)

Group 30 June 2007	Buildings Rmb'000	Plant and machinery Rmb'000	Office equipment Rmb'000	Motor vehicle Rmb'000	Construction-in- progress Rmb'000	Total Rmb'000
Cost						
At the beginning of the year	278,947	900,542	37,038	36,690	89,867	1,343,084
Additions	20,933	301,848	10,831	15,283	99,344	448,239
Disposals	(2,786)	(12,460)	(3,104)	(5,875)	–	(24,225)
Reclassifications	107,516	1,436	–	–	(108,952)	–
At the end of the year	404,610	1,191,366	44,765	46,098	80,259	1,767,098
Accumulated depreciation						
At the beginning of the year	45,737	329,760	16,279	12,983	–	404,759
Depreciation charge for the year	22,490	99,056	7,026	7,534	–	136,106
Disposals	(2,524)	(9,803)	(1,211)	(3,932)	–	(17,470)
At the end of the year	65,703	419,013	22,094	16,585	–	523,395
Net carrying amount						
At the end of the year	338,907	772,353	22,671	29,513	80,259	1,243,703

Certain buildings with total net book value of Rmb 20,294,000 (2007: Rmb 21,840,000) have been mortgaged to Industrial and Commercial Bank of China to secure banking facilities.

14. Land use rights

	Group	
	2008 Rmb'000	2007 Rmb'000
Cost		
At 30 June and 1 July	164,501	149,018
Additions	61,562	23,420
Reversal of over accrual in prior years	(2,452)	(7,937)
At 30 June	223,611	164,501
Accumulated amortisation		
At 30 June and 1 July	12,879	10,259
Amortisation charge for the year	4,448	2,620
At 30 June	17,327	12,879
Net carrying amount		
At 30 June	206,284	151,622

Land use rights with net carrying amount of Rmb 6,027,000 (2007: Rmb 6,167,000) have been mortgaged to Industrial and Commercial Bank of China to secure banking facilities.

15. Intangible asset – Computer software

	Group	
	2008 Rmb'000	2007 Rmb'000
Cost		
At 30 June and 1 July	–	–
Additions	1,533	–
At 30 June	1,533	–
Accumulated amortisation		
At 30 June and 1 July	–	–
Amortisation charge for the year	175	–
At 30 June	175	–
Net carrying amount		
At 30 June	1,358	–

The computer software has a remaining amortisation period of approximately 4.33 years (2007: Rmb Nil) as at 30 June 2008.

16. Deferred tax assets/(liabilities)

Deferred tax assets/(liabilities) arise as a result of:

	Group	
	2008 Rmb'000	2007 Rmb'000
Deferred tax assets		
Differences in depreciation	13,417	6,582
Differences in amortisation	1,414	1,075
Provisions	15,011	18,421
Other timing differences	1,175	4,181
	31,017	30,259
Deferred tax liabilities		
Withholding tax on undistributed profits by PRC subsidiaries*	18,989	–

* On 22 February 2008, the State Administration of Taxation of China issued a circular Caishui [2008] No.001, which states that distribution of dividends after 1 January 2008 from pre-2008 profits will be exempt from withholding tax on distribution to foreign investors. As a result, there should be no deferred tax liabilities arising from undistributed profits of the Company's PRC subsidiaries accumulated up till 31 December 2007. Provision for deferred tax liabilities however, would be required to the extent per FRS 12.39 on profits accumulated from 1 January 2008 onwards.

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16. Deferred tax assets/(liabilities) (cont'd)

Unutilised tax losses

At balance sheet date, the Group has tax losses of approximately Rmb 6,239,000 (2007: Rmb 5,330,000) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with the relevant provisions of the tax legislation of the respective countries in which the companies operate.

17. Inventories

	Group	
	2008	2007
	Rmb'000	Rmb'000
Balance sheet:		
Raw materials	125,187	89,323
Finished goods	91,102	93,638
Total inventories at lower of cost and net realisable value	216,289	182,961

18. Trade receivables

	Group	
	2008	2007
	Rmb'000	Rmb'000
Trade receivables	283,621	401,078
Less: allowance for doubtful trade receivables	(68,005)	(76,707)
	215,616	324,371

Movement in allowance for doubtful trade receivables during the financial years are as follows:

	Group	
	2008	2007
	Rmb'000	Rmb'000
At beginning of financial year	76,707	75,961
Write back for the financial year	(24,884)	(17,723)
Allowance for the financial year	19,134	33,529
Write off against allowance	(2,952)	(15,060)
At end of financial year	68,005	76,707

Trade receivables are non-interest bearing and are normally settled on 30 to 120 days' term. They are recognised at their original invoiced amounts which represent their fair values on initial recognition.

18. Trade receivables (cont'd)

Receivables that are past due but not impaired

The Group has trade receivables amounting to approximately Rmb 48,376 (2007: Rmb 102,614) that are past due but not impaired at the balance sheet date. These receivables are unsecured and the analysis of their aging at the balance sheet date is as follows:

	Group	
	2008	2007
	Rmb'000	Rmb'000
Trade receivables past due:		
Less than 30 days	23,052	33,374
30 to 60 days	13,443	29,023
60 to 90 days	8,046	21,902
More than 90 days	3,834	18,315
At end of financial year	48,376	102,614

19. Bills receivables

Bills receivable are non-interest bearing and are normally settled on 90 to 180 days' term.

20. Other receivables and deposits

	Group		Company	
	2008	2007	2008	2007
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Other receivables	6,089	10,942	298	469
VAT receivable	2,638	–	–	–
Deposits	3,938	5,050	–	–
	12,665	15,992	298	469

21. Due from subsidiaries / due to subsidiary (non-trade) / due to directors

These amounts are unsecured, non-interest bearing and are repayable on demand.

Amounts due to directors comprise accrued directors' remuneration.

22. Trade payables

Trade payables are non-interest bearing and are normally settled on 30 to 90 days' term.

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23. Other payables and accruals

	Group		Company	
	2008	2007	2008	2007
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Advances from customers	22,215	20,477	–	–
Deposits from distributors	31,614	34,702	–	–
Accrued payroll	75,923	38,709	–	–
Accruals for land use rights	55,045	36,447	–	–
Accrued operating expenses	153,943	116,884	1,347	1,035
Accruals for purchase of property, plant and equipment	60,890	66,000	–	–
VAT and other operating taxes	14,962	4,166	–	–
Provision for PRC statutory welfare expenses	7,762	14,236	–	–
Provision for retirement benefits	5,580	4,580	–	–
Provision for sales return	16,928	10,791	–	–
Provision on potential loss arising from exchange of goods from distributors	3,712	1,029	–	–
Other payables	116,990	45,146	2,068	2,141
	565,564	393,167	3,415	3,176

24. Bills payable

Bills payable to banks are interest-free and have maturity periods ranging from 90 to 180 days. Certain bills payable to banks amounting to Rmb Nil (2007: Rmb 68,275,000) and Rmb Nil (2007: Rmb 23,613,000) are secured by corporate guarantees from Dongguan Hsu Fu Chi Food Co., Ltd. and Hsu Fu Chi Holdings Ltd. respectively.

25. Short-term bank loans

	Group	
	2008	2007
	Rmb'000	Rmb'000
Industrial and Commercial Bank of China[1]	–	20,000
Bank of Communications[2]	10,000	20,000
China Construction Bank[3]	110,000	50,000
Bank of China[4]	40,000	–
	160,000	90,000

1 This short term bank loan bears interest at 4.185% per annum and was fully repaid in August 2007.

2 This short term bank loan (2007: two) bears interest at 6.570% (2007: 5.022% to 5.103%) per annum and is repayable in full in November 2008 (2007: July 2007 to September 2007).

3 These five (2007: two) short term bank loans are secured by a corporate guarantee from Dongguan Hsu Fu Chi Food Co., Ltd. The loans bear interest at 5.913% to 6.242% (2007: 4.185%) per annum and are repayable in full over the period from July 2008 to October 2008 (2007: August 2007 to September 2007).

4 This short term bank loan is secured by a corporate guarantee from Hsu Fu Chi Holdings Ltd. The loan bears interest at 7.097% per annum and is repayable in full in May 2009.

26. Term loans

	Group	
	2008	2007
	Rmb'000	Rmb'000
Industrial and Commercial Bank of China[1]	40,000	50,000
Bank of China[2]	–	30,000
Bank of China[3]	30,000	–
	70,000	80,000
Represented by:		
Current portion of term loans	20,000	30,000
No-current portion of term loans	50,000	50,000
	70,000	80,000

1 This term loan is partially secured by a pledge of certain property and plant of Dongguan Hsu Chi Food Co., Ltd. amounting to Rmb 27,600,000 and bears an interest at 5.670% per annum. Rmb 20,000,000 is repayable in March 2009 and the remaining Rmb 20,000,000 is repayable in August 2009.

2 This term loan was secured by a corporate guarantee from Dongguan Hsu Fu Chi Food Co., Ltd. and bears interest at 5.184% per annum. It was fully repaid in December 2007.

3 This term loan is secured by a corporate guarantee from Dongguan Hsu Fu Chi Food Co., Ltd. and bears interest at 6.804% per annum. It is repayable in full in January 2011.

27. Share capital

	Group and Company	
	Number of shares	Value
	'000	S$'000
Authorised:		
At beginning and end of year		
- 3,000,000,000 ordinary shares of S$0.01 each	3,000,000	30,000
Issued and fully paid:		
At beginning and end of year		
- 795,000,000 ordinary shares of S$0.01 each	795,000	7,950*

* Equivalent to Rmb 40,124,000.

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28. Reserve fund

In accordance with the relevant laws and regulations of the PRC, companies in the PRC are required to set aside a general reserve fund by way of appropriation from their statutory net profit, as reported in the PRC statutory financial statements, at a rate to be determined by the board of directors of the Company. The board of directors have decided that in general 10% of the statutory net profit, as reported in the PRC statutory financial statements, of the subsidiaries in the PRC be appropriated each year to the general reserve fund. Accordingly, the appropriations made for the financial years ended 30 June 2008 and 2007 are determined based on actual appropriations to the reserve fund as reported in the PRC statutory financial statements of the PRC subsidiaries for the relevant financial periods.

The reserve fund may be used to offset accumulated losses or increase the registered capital of these subsidiaries, subject to the approval from the PRC authorities and are not available for dividend distribution to the shareholders.

29. Dividends

	Group and Company	
	2008	2007
	Rmb'000	Rmb'000
Proposed but not recognised as a liability as at 30 June:		
Dividends on ordinary shares, subject to shareholders' approval at the AGM :		
- First and final exempt (one-tier) dividend for 2008: Rmb 15 cents (2007: Rmb 13 cents) per share	119,250	103,350

30. Segment information

Reporting format

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products produced. The operating businesses are organised and managed separately according to the nature of the products provided, with each segment representing a strategic business segment that offers different products and serves different markets.

Business segments

The Group's primary format for reporting segment information is business segments, with each segment representing a product category. The Group's business segment is organised into three business segments, namely:

(i) *Candy Products*

This category consists primarily of candies. Jelly and pudding and chocolate products are also included under this category as secondary products.

30. Segment information (cont'd)

Business segments (cont'd)

(ii) *Cake and Cookie Products*

The category consists mainly of different types of cakes and cookies produced under the Hsu Fu Chi brand. The major products under this category are crisps with fillings, oat crisps and flapjacks.

(iii) *Sachima Products*

The major products under this category are egg Sachima, egg yolk Sachima, egg crisp Sachima and Sesame Sachima. Sachima is one of the best-known products of the Group.

Geographical segments

The Group's revenue by geographical segments is based on the location of its customers. With the exception of the People's Republic of China ("PRC"), no other individual country contributed more than 10% of consolidated turnover during the financial years ended 30 June 2008 and 2007.

Allocation basis and transfer pricing

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly other operating income and expenses, financial income and expenses and tax expense.

Group assets and liabilities cannot be directly attributable to individual segments as it is impracticable to allocate them to the segments. Accordingly, it is not meaningful to disclose assets, liabilities and capital expenditure by business segments.

Group FY 2008	Candy Products Rmb'000	Cake and Cookie Products Rmb'000	Sachima Products Rmb'000	Total Rmb'000
Revenue	1,623,763	1,082,930	684,928	3,391,621
Gross profit	771,116	429,017	200,404	1,400,537
Unallocated expenses, net				(949,008)
Financial expenses, net				(4,958)
Profit before tax				446,571
Income tax				(101,776)
Net profit attributable to shareholders				344,795
Allowance for inventory obsolescence	4,819	1,244	656	6,719
Write back of allowance for doubtful trade receivables				(5,750)
Depreciation of property, plant and equipment				172,931
Amortisation of land use right				4,448
Amortisation of intangible assets				175

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30. Segment information (cont'd)

Allocation basis and transfer pricing (cont'd)

Group FY 2007	Candy Products Rmb'000	Cake and Cookie Products Rmb'000	Sachima Products Rmb'000	Total Rmb'000
Revenue	1,354,970	766,822	590,678	2,712,470
Gross profit	596,964	318,812	147,328	1,063,104
Unallocated expenses, net				(746,015)
Financial expenses, net				(7,055)
Profit before tax				310,034
Tax				(54,705)
Net profit attributable to shareholders				255,329
Allowance for inventory obsolescence	6,149	349	56	6,554
Allowance for doubtful trade receivables				15,806
Depreciation of property, plant and equipment				136,106
Amortisation of intangible assets				2,620

31. Commitments

(a) Capital expenditure and other commitments contracted for as at balance sheet dates but not recognised in the financial statements is as follows:

	Group	
	2008 Rmb'000	2007 Rmb'000
Capital expenditure		
Commitments in respect of purchase of property, plant and equipment	92,160	44,957
Commitment in respect of contracts entered into for construction-in-progress	129,997	34,505

31. Commitments (cont'd)

(b) Operating lease commitments

The Group has operating lease agreements for its office premises, warehouses and staff quarters in the PRC and office premises in Hong Kong and Singapore. Certain of these leases have options for renewal. Lease terms do not contain restrictions on the Group's activities concerning dividends, additional debt or further leasing. Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:

	Group		Company	
	2008	2007	2008	2007
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Not later than 1 year	14,171	16,751	203	1,753
1 year through 5 years	12,700	18,028	34	2,630
More than 5 years	5,310	7,009	–	–
	32,181	41,788	237	4,383

(c) Guarantee

During the financial years ended 30 June 2008 and 30 June 2007, Dongguan Hsu Fu Chi Food Co., Ltd. and Hsu Fu Chi Holdings Ltd. provided corporate guarantees to Dongguan Hsu Chi for withdrawal of bank loans as disclosed in Note 25 and Note 26.

As Dongguan Hsu Chi is able to generate sufficient cash flows from its operations to finance its continuing operations and also repay the borrowing (debt & interest), the value of the credit enhancement provided by the corporate guarantee is minimal. Hence management has assessed the fair value of the corporate guarantee to be insignificant to Dongguan Hsu Chi's financial statements.

32. Financial risk management objectives and policies

The Group's principal financial instruments comprise term loans, bills payable, cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and other receivables and trade and other payables, which arise directly from its operations.

It is, and has been throughout the financial year under review, the Group's policy that no trading in derivative financial instruments shall be undertaken.

Notes to the Consolidated Financial Statements

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32. Financial risk management objectives and policies (cont'd)

The main risks arising from the Group's financial instruments are interest rate risk (both fair value and cash flow), liquidity risk, foreign currency risk and credit risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

(a) *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from their floating rate cash at bank balances for the financial year. The Group obtains additional financing through bank borrowings at fixed interest rate. The Group's policy is to obtain the most favourable interest rates available.

Surplus funds are placed with reputable banks.

Information relating to the Group's interest rate exposure is also disclosed in the notes on the Group's borrowings.

<u>Sensitivity analysis for interest rate risk</u>

At the balance sheet date, if RMB interest rates had been 100 basis points (2007: 100 basis points) lower/higher with all other variables held constant, the Group's profit net of tax would have been Rmb 3,449,000 (2007: Rmb 2,680,000) lower/higher, arising mainly as a result of lower/higher interest income/expenses on floating rate cash at bank balances and bank borrowings.

(b) *Liquidity risk*

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group's liquidity risk management policy is to maintain sufficient liquid financial assets and stand-by credit facilities with several different banks. In addition, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

32. Financial risk management objectives and policies (cont'd)

(b) *Liquidity risk (cont'd)*

The table below summarises the maturity profile of the Group and Company's financial liabilities at the balance sheet date based on the contractual undiscounted payments.

	1 year or less Rmb'000	1 to 5 years Rmb'000	Total Rmb'000
2008			
Group			
Trade payables	138,060	–	138,060
Other payables and accruals	565,564	–	565,564
Bills payable	92,228	–	92,228
Due to directors	2,715	–	2,715
Short term bank loans	160,000	–	160,000
Term loans	20,000	50,000	70,000
	978,567	50,000	1,028,567
Company			
Other payables and accruals	3,415	–	3,415
Due to subsidiary (non-trade)	960	–	960
Due to directors	2,715	–	2,715
	7,090	–	7,090

	1 year or less Rmb'000	1 to 5 years Rmb'000	Total Rmb'000
2007			
Group			
Trade payables	134,795	–	134,795
Other payables and accruals	393,167	–	393,167
Bills payable	147,394	–	147,394
Due to directors	1,819	–	1,819
Short term bank loans	90,000	–	90,000
Term loans	30,000	50,000	80,000
	797,175	50,000	847,175
Company			
Other payables and accruals	3,176	–	3,176
Due to subsidiary (non-trade)	947	–	947
Due to directors	1,819	–	1,819
	5,942	–	5,942

Notes to the Consolidated Financial Statements

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32. Financial risk management objectives and policies (cont'd)

(c) ***Foreign currency risk***

The Group has transactional currency exposure arising from sales in United States Dollars (USD) and Hong Kong Dollars (HKD). During the financial year ended 30 June 2008, approximately 0.12% and 0.31% (2007: 0.17% and 0.62%) of the Group's sales were denominated in USD and HKD respectively. The Group's trade receivable balances at the balance sheet date have similar exposures.

The Group has not used any financial instrument to hedge its foreign currency risk as the risk exposure is not considered to be significant.

The Group has also bank balances denominated in USD, HKD, EUR, SGD and JPY. Accordingly, the Group's balance sheets can be affected by movements in the USD/Rmb, HKD/Rmb, EUR/Rmb, SGD/Rmb and JPY/Rmb exchange rates.

The Group's operations are primarily conducted in the PRC in Rmb.

Currently, the PRC government imposes control over foreign currencies. Rmb, the official currency in the PRC, is not freely convertible. Enterprises operating in the PRC can enter into exchange transactions through the People's Bank of China or other authorised financial institutions.

Payments for imported materials or services, which are outside of the PRC, are subject to the availability of foreign currency which depends on the foreign currency denominated earnings of the enterprises. Exchanges of Rmb for foreign currency must be arranged through the People's Bank of China or other authorized financial institutions and is granted to enterprises in the PRC for valid reasons such as purchase of imported materials and remittance of earnings. While conversion of Rmb into Singapore dollars or other currencies can generally be effected at the People's Bank of China or other authorised financial institutions, there is no guarantee that it can be effected at all times.

32. Financial risk management objectives and policies (cont'd)

(c) ***Foreign currency risk (cont'd)***

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the USD, HKD, EUR, SGD and JPY exchange rates (against Rmb), with all other variables held constant, of the Group's profit net of tax.

	Group	
	2008	2007
	Rmb'000 Profit net of tax	Rmb'000 Profit net of tax
HKD – strengthened 10% (2007: 10%)	653	126
HKD – weakened 10% (2007: 10%)	(653)	(126)
USD – strengthened 10% (2007: 10%)	2,909	1,053
USD – weakened 10% (2007: 10%)	(2,909)	(1,053)
EUR – strengthened 10% (2007: 10%)	6,108	1,523
EUR – weakened 10% (2007: 10%)	(6,108)	(1,523)
SGD – strengthened 10% (2007: 10%)	27,916	40,758
SGD – weakened 10% (2007: 10%)	(27,916)	(40,758)
JPY – strengthened 10% (2007: 10%)	799	380
JPY – weakened 10% (2007: 10%)	(799)	(380)

(d) ***Credit risk***

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and cash equivalents), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored closely on an ongoing basis.

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32. Financial risk management objectives and policies (cont'd)

(d) ***Credit risk (cont'd)***

Exposure to credit risk

At the balance sheet date, the Group's and the Company's maximum exposure to credit risk is represented by:

– the carrying amount of each class of financial assets recognised in the balance sheets; and

– corporate guarantees provided by Dongguan Hsu Fu Chi Food Co., Ltd. and Hsu Fu Chi Holdings Ltd. to banks on Dongguan Hsu Chi's short-term bank loans and term loans as disclosed in Note 25 and Note 26.

Information regarding credit enhancements for trade receivables is disclosed in Note 18.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the industry sector profile of its trade receivables on an on-going basis. The credit risk concentration profile of the Group's trade receivables at the balance sheet date is as follows:

	Group			
	2008		2007	
	Rmb'000	% of total	Rmb'000	% of total
By industry sectors:				
Supermarkets	220,445	77.7	294,186	73.3
Distributors	31,446	11.1	63,690	15.9
Mini-marts or provision shops	31,730	11.2	43,202	10.8
	283,621	100.0	401,078	100.0

At the balance sheet date, approximately 40% (2007: 25%) of the Group's trade receivables were due from 5 major customers located in the PRC.

Financial assets that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and cash equivalents that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 18.

33. Fair value of financial instruments

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale.

Financial instruments whose carrying amount approximate fair value

Management has determined that the carrying amounts of cash and short term deposits, current trade and other receivables, current trade and other payables, short term bank loans, based on their notional amounts, reasonably approximate their fair values because these are mostly short term in nature or are repriced frequently.

During the current and previous financial year, no amount has been recognised in the income statement in relation to the change in fair value of financial assets or financial liabilities estimated using a valuation technique.

34. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 30 June 2008 and 2007.

As disclosed in Note 28, the Group's PRC subsidiaries are required by the Foreign Enterprise Law of the PRC to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by the PRC subsidiaries for the financial years ended 30 June 2008 and 2007.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, loans and borrowings, trade and other payables, other liabilities, less cash and bank balances. Capital includes equity attributable to the equity holders of the parent less the fair value adjustment reserve and the abovementioned restricted statutory reserve fund.

Notes to the Consolidated Financial Statements

30 June 2008

34. Capital management (cont'd)

	2008 Rmb'000	2007 Rmb'000
Trade and bills payables (Note 22 and Note 24)	230,288	282,189
Other liabilities (Note 21 and Note 23)	568,279	394,986
Bank loans (Note 25 and Note 26)	230,000	170,000
Less: Cash and cash equivalents	(841,469)	(645,109)
Net debt	187,098	202,066
Equity attributable to equity holders of the Company	2,143,321	1,893,099
Less: Reserve fund	(152,678)	(118,802)
Total capital	1,990,643	1,774,297
Capital and net debt	2,177,741	1,976,363
Gearing ratio	8.6%	10.2%

35. Subsequent events

Subsequent to the financial year ended 30 June 2008,

(i) Following reports on melamine-tainted milk powder sold by leading milk manufacturers in the People's Republic of China ("PRC") on 11 September 2008, the Group had promptly sent samples of its dairy ingredients from its inventory to Société Générale de Surveillance S.A. test centre ("SGS"). The outcome of the test had found the dairy ingredients free from melamine. The Dongguan Entry-Exit Inspection and Quarantine Bureau had also subsequently drawn samples of the Group's dairy ingredients and products for testing and the results of the test affirmed that there was no presence of melamine and the products were safe for consumption.

On 24 September 2008, the Agri-Food and Veterinary Authority ("AVA") of Singapore reported that it has detected presence of melamine in two of the Group's puffed rice rolls products. The level of melamine detected in the Group's puffed rice rolls of Cheese and Butter Corn flavours were very low as compared to the specified Tolerable Daily Intake ("TDI") of melamine as established by the US Food and Drug Administration ("FDA").

The Group has since recalled all such products from the Singapore market and the loss incurred from the recall is expected to have an insignificant impact on the Group's earnings.

36. Authorisation of financial statements

The consolidated financial statements for the year ended 30 June 2008 were authorised for issue in accordance with a resolution of the directors on 25 September 2008.

Group's Land and Buildings

Buildings

(a) The particulars of the buildings owned by the Group at Factory No. 3 as of 30 June 2008 are set out below:

Location	Certificate of Real Estate Ownership No.	Tenure	Gross Area (sq.m.)	Use of Property
Yinzhu Road, Zhouwu Village, Dongcheng District, Dongguan, Guangdong, PRC	C1888534[1]	Till March 2054	6,600[2]	Industrial use
Yinzhu Road, Zhouwu Village, Dongcheng District, Dongguan, Guangdong, PRC	C1888535[1]	Till March 2054	6,100[2]	Industrial use
Yinzhu Road, Zhouwu Village, Dongcheng District, Dongguan, Guangdong, PRC	C1888537[1]	Till March 2054	3,100[2]	Industrial use
Yinzhu Road, Zhouwu Village, Dongcheng District, Dongguan, Guangdong, PRC	C1888538[1]	Till March 2054	3,000[2]	Industrial use
Yinzhu Road, Zhouwu Village, Dongcheng District, Dongguan, Guangdong, PRC	C1888539[1]	Till March 2054	18,400[2]	Industrial use
Yinzhu Road, Zhouwu Village, Dongcheng District, Dongguan, Guangdong, PRC	C1888540[1]	Till March 2054	8,100[2]	Industrial use
Yinzhu Road, Zhouwu Village, Dongcheng District, Dongguan, Guangdong, PRC	0384251[1]	N/A	5,900[2]	N/A
The Third Ring Road, Zhouwu Village, Dongcheng District, Dongguan, Guangdong, PRC	C4260769	Till February 2054	5,900[2]	Industrial use
The Third Ring Road, Zhouwu Village, Dongcheng District, Dongguan, Guangdong, PRC	C4260770	Till February 2054	9,100[2]	Industrial use
Kengweiling Area, Zhouwu Village, Dongcheng District, Dongguan, Guangdong, PRC	C4260800	Till February 2054	3,900[2]	Industrial use
The Third Ring Road, Zhouwu Village, Dongcheng District, Dongguan, Guangdong, PRC	C4269401	Till February 2054	4,400[2]	Industrial use
Kengweiling Area, Zhouwu Village, Dongcheng District, Dongguan, Guangdong, PRC	C4269403	Till February 2054	700[2]	Industrial use
Kengweiling Area, Zhouwu Village, Dongcheng District, Dongguan, Guangdong, PRC	C4269405	Till February 2054	2,100[2]	Industrial use
Kengweiling Area, Zhouwu Village, Dongcheng District, Dongguan, Guangdong, PRC	C4269406	Till February 2054	11,400[2]	Industrial use

Group's Land and Buildings

(b) The material property interests leased by the Group at Factory No. 1 as of 30 June 2008 are as set out below:

Location	Tenure	Gross Area (sq.m.)	Use of Property	Lessor
Zhouwu Industrial District, Dongcheng, Dongguan, Guangdong, PRC	Till 31 August 2009	12,000(2)	Dormitory, warehouse	Zhouwu Administrative District, Dongcheng, Dongguan, Guangdong, PRC
Zhouwu Industrial District, Dongcheng, Dongguan, Guangdong, PRC	Till 31 August 2009	9,800(2)	Dormitory, factory, office, warehouse	Zhouwu Administrative District, Dongcheng, Dongguan, Guangdong, PRC
Zhouwu Industrial District, Dongcheng, Dongguan, Guangdong, PRC	Till 11 June 2055	400(2)	Dormitory	Zhouwu Administrative District, Dongcheng, Dongguan, Guangdong, PRC
Zhouwu Industrial District, Dongcheng, Dongguan, Guangdong, PRC	Till 30 June 2052	200	Dormitory	Zhouwu Administrative District, Dongcheng, Dongguan, Guangdong, PRC
Zhouwu Industrial District, Dongcheng, Dongguan, Guangdong, PRC	Till 31 August 2009	200(2)	Waste water pit	Zhouwu Administrative District, Dongcheng, Dongguan, Guangdong, PRC
Zhouwu Industrial District, Dongcheng, Dongguan, Guangdong, PRC	Till 31 August 2009	N/A	Dormitory	Zhouwu Administrative District, Dongcheng, Dongguan, Guangdong, PRC

Notes:

(1) The Group has mortgaged these properties to the Industrial and Commercial Bank of China for the purpose of securing bank loans.

(2) These numbers have been rounded down to the nearest hundred.

Group's Land and Buildings

Land

Location	Certificate of State-owned Land Use Right No.	Tenure	Gross Area (sq.m.)	Use of Property
Land of Factory No.3				
Kengweiling Area, Zhouwu Village, Dongcheng District, Dongguan, Guangdong, PRC	147 of 2004	Till February 2054	14,600(2)	Industrial use
Kengweiling Area, Zhouwu Village, Dongcheng District, Dongguan, Guangdong, PRC	148 of 2004	Till February 2054	14,900(2)	Industrial use
Yinzhu Road, Zhouwu Village, Dongcheng District, Dongguan, Guangdong, PRC	149 of 2004(1)	Till March 2054	28,800(2)	Industrial use
Third Ring Road, Zhouwu Village, Dongcheng District, Dongguan, Guangdong, PRC	150 of 2004	Till February 2054	16,900(2)	Industrial use
Zhouwu Village Area, Dongcheng District, Dongguan, Guangdong, PRC	319 of 2004	Till March 2054	9,700(2)	Industrial use
Land of the General Factory				
Sangyuan Village, Zhouwu Community, Dongcheng District, Dongguan, Guangdong, PRC	580 of 2006	Till May 2056	150,900(2)	Industrial use
Land of Factory No. 5				
Shichang Road, Zhouwu Industrial District, Dongcheng, Dongguan, Guangdong, PRC	46 of 2008	Till June 2057	157,200(2)	Industrial use
Land of Chengdu Hsu Chi Food Co. Ltd.				
Chengdu Economy and Technology Development Zone Chengdu, Sichuan Province, PRC	81280 of 2007	Till August 2056	41,300(2)	Industrial use
Land of Shenyang Sale office				
Xingcheng Road, Shenyang Huishan Agricultural High and New Technology Development Zone Shenyang, Liaoning Province PRC	1 of 2007	Till May 2056	10,000	Industrial use
Land of Huzhou Hsu Chi Food Co. Ltd				
Fenghuang West, Huzhou Zhejiang, PRC	9-11691 of 2007	Till December 2056	46,500(2)	Industrial use

Group's Land and Buildings

Location	Certificate of State-owned Land Use Right No.	Tenure	Gross Area (sq.m.)	Use of Property
Land of Huzhou Hsu Fu Chi Food Co. Ltd				
Fenghuang West, Huzhou Zhejiang, PRC	9-11694 of 2007	Till December 2056	46,600(2)	Industrial use
Land of Dongguan Hsu Chi Food Co. Ltd				
Fenggang Logistic & Transport Subsidiary, JinLong Industrial District, QingXi Couny, Dongguan, Guangdong Province PRC	431 of 2007	Till March 2055	7,100(2)	Industrial use

Notes:

(1) The Group has mortgaged this land to the industrial and Commercial Bank of China for the purpose of securing bank loans.

(2) These numbers have been rounded down to the nearest hundred.

Statistics of Shareholdings

As at 22 September 2008

No. of shares issued	:	795,000,000 of S$ 0.01 each
Class of shares	:	Ordinary Share
Voting rights	:	One vote per share

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS			NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1	-	999	3	0.62	1,000	0.00
1,000	-	10,000	385	79.06	1,362,000	0.17
10,001	-	1,000,000	83	17.04	6,188,000	0.78
1,000,001	AND ABOVE		16	3.28	787,449,000	99.05
TOTAL:			487	100.00	795,000,000	100.00

TREASURY SHARES

Pursuant to Rule 1207(9)(f) of the listing manual of the SGX-ST, the Company does not hold any treasury shares.

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1.	HSU, CHEN	134,000,000	16.86
2.	SUNCOVE INVESTMENTS LTD.	120,600,000	15.17
3.	OPHIRA FINANCE LTD.	107,200,000	13.48
4.	TRANSPAC NOMINEES PTE LTD	81,814,076	10.29
5.	HSBC (SINGAPORE) NOMINEES PTE LTD	77,944,000	9.80
6.	HSU, PU	77,200,000	9.71
7.	CITIBANK NOMINEES SINGAPORE PTE LTD	65,968,146	8.30
8.	UNITED OVERSEAS BANK NOMINEES PTE LTD	55,415,778	6.97
9.	DBS NOMINEES PTE LTD	26,691,000	3.36
10.	UOB KAY HIAN PTE LTD	12,216,000	1.54
11.	DB NOMINEES (S) PTE LTD	10,944,000	1.38
12.	HU, CHIA-HSUN	7,685,000	0.97
13.	RAFFLES NOMINEES PTE LTD	3,621,000	0.46
14.	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	2,913,000	0.37
15.	DBSN SERVICES PTE LTD	2,067,000	0.26
16.	ROYAL BANK OF CANADA (ASIA) LTD	1,170,000	0.15
17.	LIAO HAO WEI	450,000	0.06
18.	YANG KUN-TI	430,000	0.05
19.	LIN, SHIH-MING	345,000	0.04
20.	WU, SUNG-PAI	345,000	0.04
	TOTAL :	789,019,000	99.26

Statistics of Shareholdings

As at 22 September 2008

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
Hsu Chen	134,000,000	16.86	–	–
Hsu Hang[1]	–	–	107,200,000	13.48
Hsu Keng[2]	–	–	120,600,000	15.17
Hsu Pu[3]	77,200,000	9.71	10,000,000	1.26
Ophira Finance Ltd	107,200,000	13.48	–	–
Suncove Investments Ltd	120,600,000	15.17	–	–
Arisaig Greater China Fund Limited	63,702,000	8.01	–	–
Arisaig Partners (Mauritius Ltd)[4]	–	–	63,702,000	8.01
Arisaig Asia Fund Limited[4]	–	–	63,702,000	8.01
Arisaig Partners (BVI) Limited[4]	–	–	63,702,000	8.01
Arisaig Partners (Holdings) Ltd[4]	–	–	63,702,000	8.01
Skye Partners Limited[4]	–	–	63,702,000	8.01
Perivoll Trust[4]	–	–	63,702,000	8.01
Linsay Cooper[4]	–	–	63,702,000	8.01
Sannox Trust[4]	–	–	63,702,000	8.01
Transpac Nominees Pte Ltd	81,814,075	10.29	–	–
Transpac Capital Pte Ltd[5]	–	–	81,814,075	10.29
Bastion Associates Limited[6]	–	–	81,814,075	10.29
Techno-Ventures Hong Kong Limited[6]	–	–	81,814,075	10.29
Leong Ka Cheong Christopher[7]	–	–	81,814,075	10.29
Transpac Capital 1996 Investment Trust[8]	–	–	81,027,405	10.19
UBS SG	1,000	0.00	100,022,292	12.58

Notes:

1. Mr Hsu Hang is deemed interested in the shares held by Ophira Finance Ltd, of which he is the sole shareholder.

2. Mr Hsu Keng is deemed interested in the shares held by Suncove Investments Ltd, of which he is the sole shareholder.

3. Deemed interest in shares held by bank nominee.

4. Arisaig Partners ("AP") Mauritius Ltd , being the fund manager of Arisaig Greater China Fund, is deemed to be interested in the shares of the Company held by Arisaig Greater China Fund ("Greater China Fund").

   Arisaig Asia Fund Limited, who has a controlling interest in Greater China Fund and is entitled to exercise not less than 20% of the votes attached to the voting shares in Greater China Fund, is therefore deemed interested in all the shares held by Greater China fund in the Company.

   AP BVI, being the fund manager of Arisaig Asia Fund and having a controlling interest in AP Mauritius, is deemed to be interested in the shares of the Company deemed held by Arisaig Asia Fund and AP Mauritius.

   AP Holdings has a controlling interest in AP BVI, which in turn has a controlling interest in AP Mauritius, and AP Holdings is therefore deemed interested in all the shares of the Company in which AP Mauritius and AP BVI is deemed interested in.

Skye Partners Limited ("SPL") has a controlling interest in AP Holdings, which in turn has a controlling interest in AP BVI, and SPL is therefore deemed interested in all the shares of the Company in which AP Holdings is deemed interested in.

Perivoll Trust, Lindsay Cooper & Sannox Trust each has 33.33% interest in SPL, and each is therefore deemed interested in all the shares of the Company in which SPL is deemed interested in.

5. Transpac Capital Pte Ltd is deemed interested in all shares held by Transpac Nominees Pte Ltd.

6. Bastion Associates Limited ("Bastion Associates) and Techno-Ventures Hong Kong Limited ("Techno-Ventures Hong Kong") owns Transpac Capital Pte Ltd and accordingly, both are deemed interested in the shares held by Transpac Capital Pte Ltd.

7. Leong Ka Cheong Christopher is deemed interested in the shares held by Transpac Capital Pte Ltd through his interests held in Bastion Associates and Techno-Ventures Hong Kong.

8. Transpac Capital 1996 Investment Trust is one of the beneficiaries of the shares registered under Transpac Nominees Pte. Ltd.

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

11% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGT-ST.

Notice of Annual General Meeting

HSU FU CHI INTERNATIONAL LIMITED

(Incorporated in Cayman Islands)
(Co. Reg. No: CT-175834)

NOTICE IS HEREBY GIVEN that the Annual General Meeting of HSU FU CHI INTERNATIONAL LIMITED (the "Company") will be held on Friday, 24 October 2008 at Grand Plaza Park Hotel, Canning Room, Level 2, 10 Coleman Street, Singapore 179809 at 10.00 am for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Accounts of the Company for the year ended 30 June 2008 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a first and final dividend of RMB 15 cents per share (tax not applicable) for the year ended 30 June 2008 (2007: RMB 13 cents per share, tax not applicable). **(Resolution 2)**

3. To re-elect the following Directors retiring pursuant to Article 86(1) of the Company's Articles of Association:

   Mr Hu Chia-Hsun **(Resolution 3)**
   Mr Hsu Hang **(Resolution 4)**
   Mr Lim Hock San **(Resolution 5)**

   Mr Lim Hock San will, upon re-election as a Director of the Company, remain Chairman of Audit Committee and a member of Remuneration Committee and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

4. To approve the payment of Directors' fees of S$500,000 for the year ended 30 June 2008 (2007: S$368,400). **(Resolution 6)**

5. To re-appoint Ernst & Young LLP as the Company's Auditors and to authorise the Directors to fix their remuneration.
   [See Explanatory Note(i)] **(Resolution 7)**

6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolution as Ordinary Resolution, with or without any modifications:

7. **Authority to allot and issue shares up to 50 per centum (50%) of the total number of issued shares**

   That pursuant to Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, authority be given to the Directors of the Company to issue shares ("Shares") whether by way of rights, bonus or otherwise, and/or make or grant offers, agreements or options (collectively, "Instruments") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares at any time and upon such terms and conditions and to such persons as the Directors may, in their absolute discretion, deem fit provided that:

   (a) the aggregate number of Shares (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, of which the aggregate number of Shares and convertible securities to be issued other than on a pro rata basis to all shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares) in the Company;

   (b) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (a) above, the total number of issued shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury shares) of the Company as at the date of the passing of this Resolution, after adjusting for:

      (i) new Shares arising from the conversion or exercise of convertible securities;

      (ii) new Shares arising from exercising share options or vesting of Share awards outstanding or subsisting at the time this Resolution is passed; and

      (iii) any subsequent bonus issue, consolidation or subdivision of Shares;

   (c) And that such authority shall, unless revoked or varied by the Company in general meeting, continue in force (i) until the conclusion of the Company's next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier or (ii) in the case of shares to be issued in accordance with the terms of convertible securities issued, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of such convertible securities.
   [See Explanatory Note(ii)] **(Resolution 8)**

By Order of the Board

Hazel Chia/Josephine Toh
Company Secretaries
Singapore, 8 October 2008

Notice of Annual General Meeting

Explanatory Notes :

(i) Ernst & Young, the auditors of the Company, had notified the Company that their firm has been converted to an accounting limited liability partnership and will be practising as Ernst & Young LLP with effect from 1 July 2008.

(ii) The Ordinary Resolution 8 proposed in item 7 above, if passed, will empower the Directors from the date of the above Meeting until the date of the next Annual General Meeting, to allot and issue Shares and convertible securities in the Company up to an amount not exceeding fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to twenty per centum (20%) may be issued other than on a pro rata basis.

For the purpose of this resolution, the total number of issued shares (excluding treasury shares) is based on the Company's total number of issued shares (excluding treasury shares) at the time this proposed Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of convertible securities, the exercise of share options or the vesting of share awards outstanding or subsisting at the time when this proposed Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

Notes:

1. A Shareholder being a Depositor whose name appears in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50 of Singapore) is entitled to appoint a proxy to attend and vote in his/her stead. A proxy needs not be a Member of the Company.

2. If a Depositor wishes to appoint proxy/proxies to attend the Meeting, then he/she must complete and deposit the Depositor Proxy Form at the office of the Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd., 3 Church Street #08-01, Samsung Hub, Singapore 049483, at least forty-eight (48) hours before the time of the Meeting.

3. If the Depositor is a corporation, the instrument appointing a proxy must be executed under seal or the hand of its duly authorised officer or attorney.

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