Hsu Fu Chi International Limited
Annual Report 2009

Annual Report 2009

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

草莓酥
徐福记
PEANUT FLAVOUR
French Cookies
法式薄饼
花生味
沙琪玛
白麻蛋酥
可可酥心糖
特制
夹心
米果派
槟城海鲜味

Corporate Profile

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.

Background

Hsu Fu Chi, registered in 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 corporate vision and modern management ideas. Hsu Fu Chi Holdings Ltd was thus formed and Dongguan Hsu Chi was established as its subsidiary to oversee the development of the Hsu Fu Chi's brand in the China confectionery market.

In 2000, Hsu Fu Chi together with its subsidiaries ("the Group") subscribed its operation through modern sales channels. This allowed Hsu Fu Chi to establish a strong foothold, facilitating its expansion in the retail market of China. Being listed on the main board of the Singapore Exchange Securities Trading Limited ("SGX-ST") in December 2006 was a new milestone for Hsu Fu Chi to strive to become a leading global brand.

Production

Currently, Hsu Fu Chi's three core production bases are all located in Dongguan. With an aggregate land area exceeding 500,000 sqm, there are 45 large-scale automated production workshops, over 187 state-of-the-art production lines and 420 high speed automated packaging units. The Group is one of the largest producers of confectionery products in China, producing three main product categories - candy, cake and cookie, and sachima.

Business

Over 99% of the Group's confectionery products are sold in China. As at the financial year ended 30 June 2009, the Group has 97 sales branches in China. The Group's sales team comprises over 8,000 sales personnel managing a mix of modern and traditional sales channels consisting of more than 13,170 direct retail points; amongst which 3060 specialty counters staffed by dedicated promoters are deployed in hypermarkets and supermarkets.

Awards and Accolades

Consistent quality, food safety and great taste are reasons why Hsu Fu Chi's products are being repeatedly chosen by consumers as their preferred confectionery products brand. According to the National Bureau of Statistics of China's annual survey in 2008, Hsu Fu Chi's candy products had once again topped the sales for this product category, extending its record to eleven consecutive years since 1998. The Group was conferred the accolade of "China Top Brand" for its candy products in 2004 and for its biscuits products in 2006. In year 2009, the "Hsu Fu Chi" trade mark has been accredited as the "National Well-Known Trademark" by the State Administration for Industry and Commerce of China.

Message from Chairman

Dear Shareholders,

On behalf of the Board of Directors of Hsu Fu Chi International Limited ("Hsu Fu Chi" or together with its subsidiaries, "the Group"), I am pleased to present the annual report for the financial year ended 30 June 2009 ("FY2009").

Review of Operations

The Group was able to maintain a steady growth for the FY2009. The Group's revenue increased by 11.6% to RMB 3.78 billion in FY2009. Despite the negative impact experienced by the food industry in the People's Republic of China ("PRC") due to the "Tainted Milk" incident and the global financial crisis, the Group's gross profit margin rose by 4.1% to 45.4%. Net profit attributable to shareholders increased by 33.5% to RMB 0.46 billion.

Outlook

The Group will continue to focus on its core business in manufacturing confectionery products and capitalize on its brand name. The Group will also continue to do in-depth marketing research to develop and deliver new products based on evolving consumer preference and demand.

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 preference and demand.

For the year 2010, Hsu Fu Chi plans to launch the "Dr. Bear" candy brand targeting the children and teenagers. The "Dr. Bear" brand of candies are especially made to suit the taste buds of both children and teenagers. This is in line with the Group's strategy to expand its market share through target marketing.

Dividend

In view of the Group's performance and in appreciation of the shareholders' trust and support of the Group, the Board is pleased to propose a first and final dividend of RMB 0.29 per share for approval by the shareholders at the forthcoming Annual General Meeting.

Appreciation

I would like to take this opportunity to thank our shareholders for their continued support and understanding during the year.

To the Board, my appreciation for their expertise and guidance over the past year. Their advice has been invaluable. On behalf of the Board, I would also like to extend my gratitude to Mr John Lim Kok Min who stepped down from the Board in October 2008 and a warm welcome to Dr Lee Tsu-Der who joined the Board at the same time.

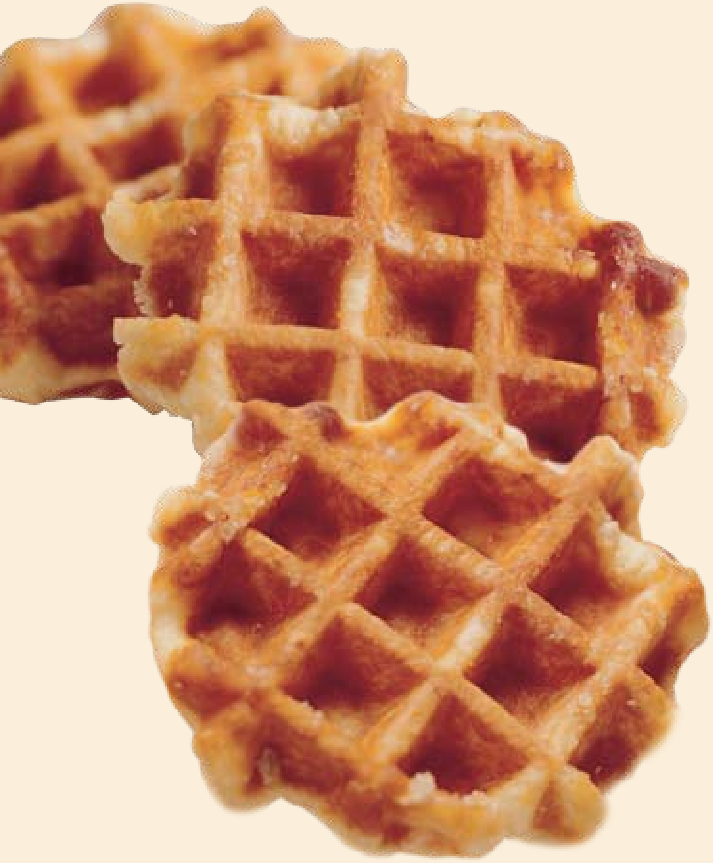
Transpac Capital ("Transpac"), a major shareholder of the Company since 1997, besides injecting new capital to the Group at that time, had also continued to provide new ideas and vision which contributed to the Group's long term development.

Transpac had pursuant to a Sale and Purchase Agreement dated 1 September 2009 divested its 14.81% interest in Hsu Fu Chi's shares to Star Candy Ltd. Star Candy Ltd is indirectly owned by Baring Private Equity Asia GP IV Limited ("Baring"). On behalf of the Board and its shareholders, I would like to extend my deepest gratitude to Transpac for its valued support and contribution for the past 12 years.

Last but not least, I would like to thank our customers and business partners and associates for their unwavering support and confidence in Hsu Fu Chi.

Hsu Chen
Chairman

Operations Review



With a commitment to our new brand statement **"Enjoy different cookies every time, and make each day a fresh day".**

For FY2009 the Group achieved a revenue of RMB3.78 billion, 95% of which was contributed by the China mainland market. Among the three key product categories, revenue from the cake and cookie category grew 15.4%, candy products increased by 15.1%, while sachima products decreased by a slight 2.8%, compared to the previous year. This is the first time sachima products have experienced a decrease in revenue. However, the Group views that this was a result of the Group's strategic price increase in FY 2009.

Despite the impact of the "Tainted Milk" incident in year 2008 and the subsequent global financial crisis, the Group was able to maintain its performance and growth. Besides the continued expansion of production capacity and launching of new products, the Group's strong brand equity and consumer loyalty combined with the broad product mix and successful marketing paved the way for its steady growth.

The total production capacity for FY2009 increased by 16.2% to 317,100 tonnes, due to the completion of certain facilities in Dongguan.

Raw material prices fell due to the decline in market demand worldwide. Sales margin was driven up due to lower production cost. The Group's gross profit margin hence reached 45.4%, or RMB 1.72 billion, which outperformed the previous year's 41.3% by 4.1%. Net profit attributable to shareholders increased 33.5% to RMB 0.46 billion with a net profit margin of 12.2%.

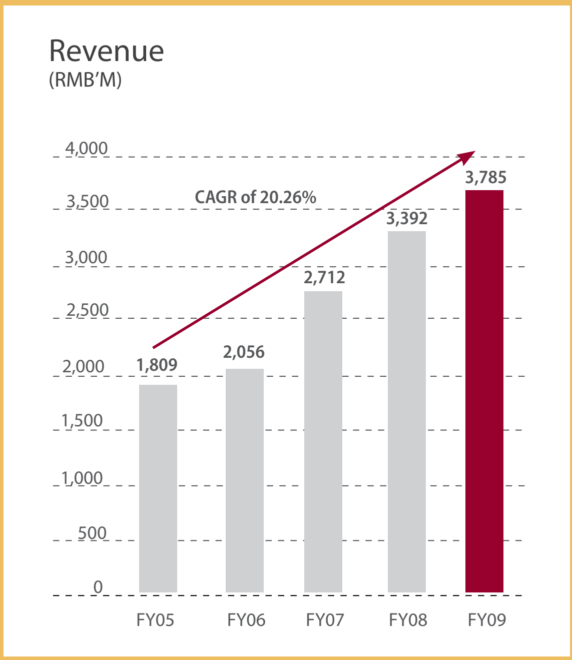
For the year under review, the Group expanded its network to 97 branch offices, an increase of 11.5%. Due to the effective implementation of its new marketing strategy and control system, retail points under direct operational control adjusted to 13,170; whereas specialty counters grew by 36% to 3,060 counters. In product development, the Group introduced over 30 new products, which brought the total number of product items under the Group's three key categories to over 465 items.

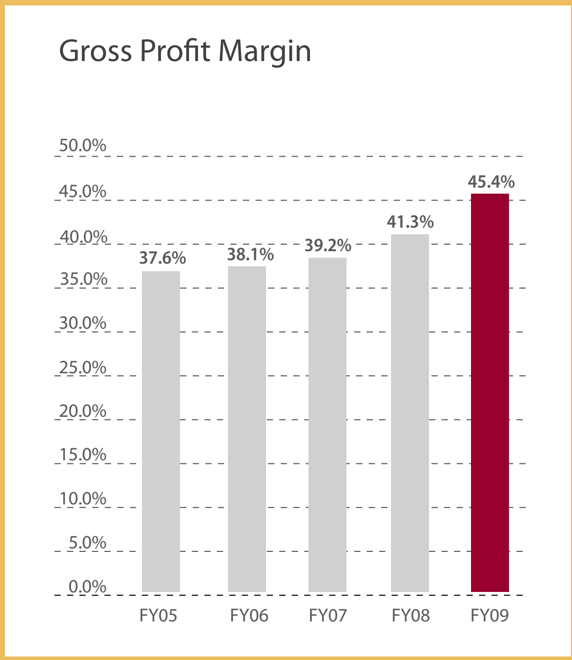
With over 100 products under the cake and cookie category, the Group provides consumers with a wide range of selections to meet their diverse preferences and needs. By introducing high quality Hsu Fu Chi's cake and cookie products to the market, the Group brings a whole new level of delight and enjoyment to consumers. With a commitment to the Group's new brand statement "Enjoy different cookies every time, and make each day a fresh day", the Group continues to lead the trend of quality lifestyle. At the same time, the Group has launched the 'He Ban Jian' series of cookies to explore the packed snack market other than the pick-n-weigh sales with specialty counters.

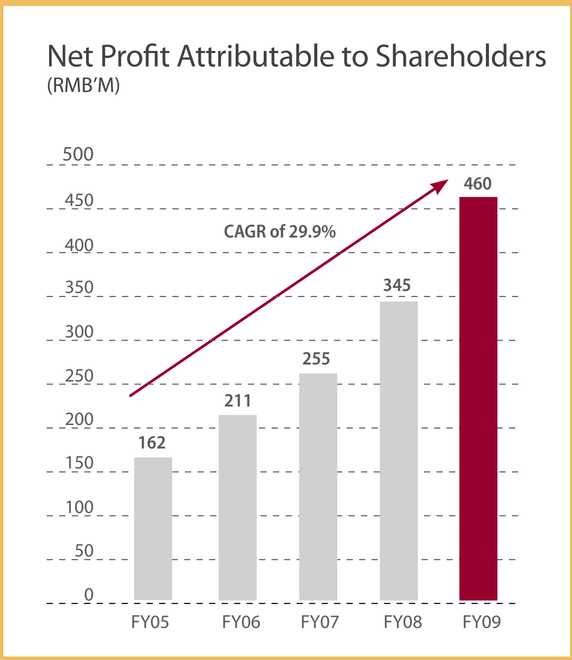
The Group's candy products maintained its position as the top seller this year in the candy market. According to the National Bureau of Statistics of China, Hsu Fu Chi's candy has topped the sales in China for 11 consecutive years since 1998.

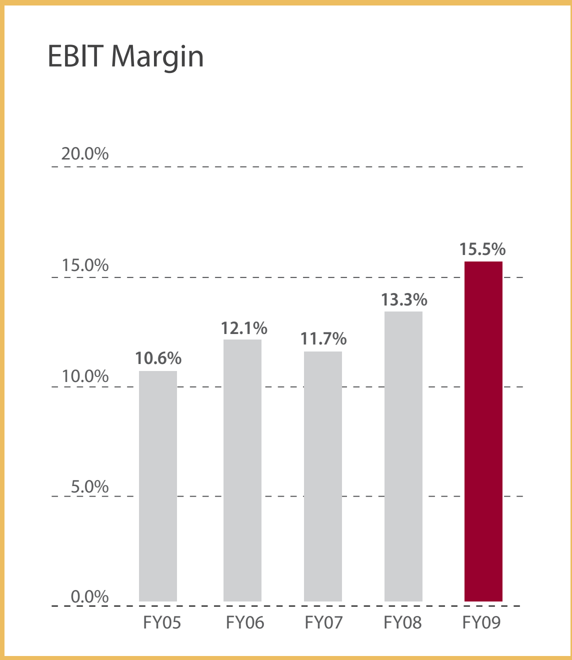
At Hsu Fu Chi, innovation is a key tenet of its corporate philosophy. With an innovative mindset and a keen ability to identify new market trends, the Group is able to adapt to rapid changes, and to keep creating new products to cater to consumers' ever-changing demands.

Financial Highlights

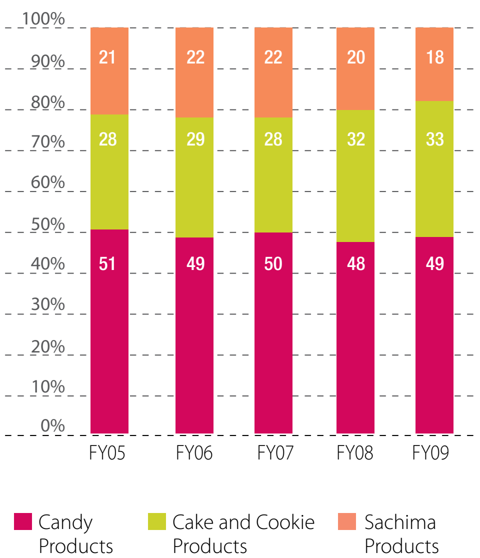




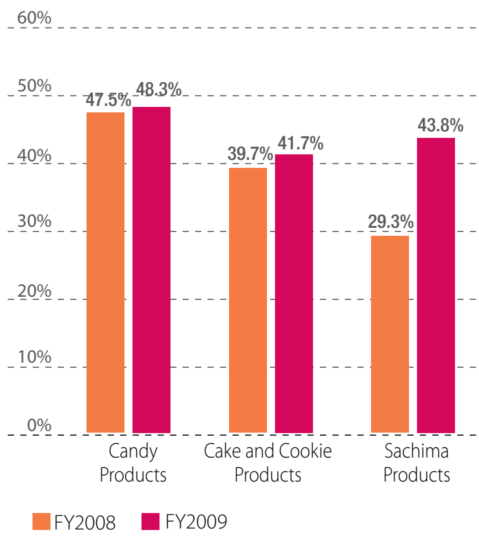




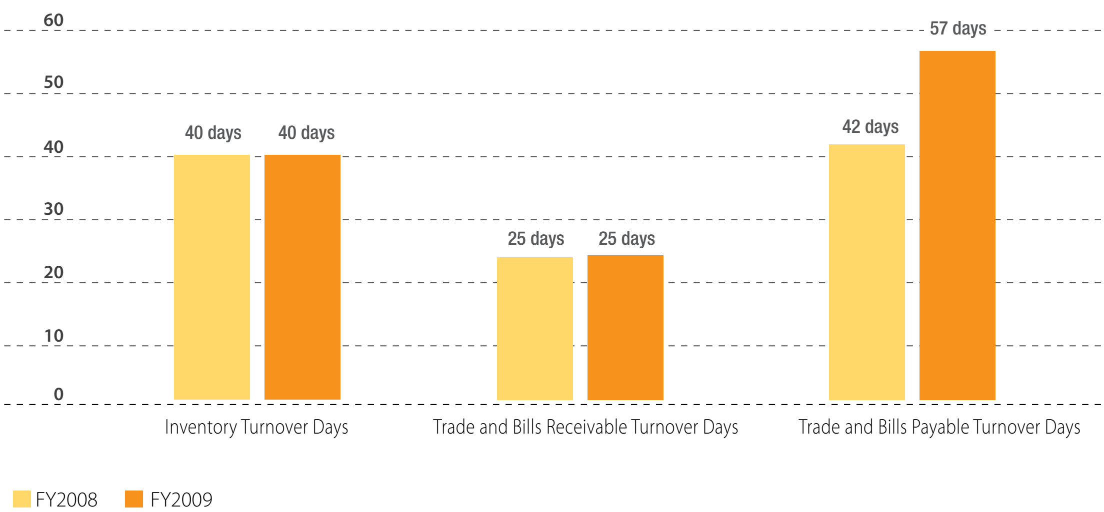
Percentage of Total Revenue by Product Categories



Gross Profit Margin by Product Categories



Working Capital Efficency



Corporate Structure

- **Hsu Fu Chi International Limited**
  - **Hsu Fu Chi Holdings Ltd.**
    - Top Ocean Trading Limited
    - Hsu Fu Chi (Hong Kong) Trading Company Limited
      - Kyoichido Co., Ltd.
        (formerly known as Marukyo Confectionery Co. Limited)
    - Hsu Fu Chi Foods Pte. Ltd*
    - Dongguan Hsu Fu Chi Foods Co. Ltd.**
  - **Hsu Fu Chi International Holdings Limited**
    - Dongguan Hsu Chi Food Co. Ltd.
    - Dongguan Andegu Plastic Packaging Material Ltd.
    - Chengdu Hsu Chi Food Co., Ltd.
    - Huzhou Hsu Chi Food Co. Ltd.
    - Henan Hsu Fu Chi Foods Co. Ltd.
    - Henan Hua Tai Xin Foodstuff and Commodity Limited
    - Henan Zhongyuan MaDian Foodstuff and Commodity Limited
    - Huzhou Hsu Fu Chi Food Co. Ltd.

Notes:
* Has applied to the Accounting and Corporate Regulatory Authority for Striking-off
** Has applied for de-registration in the PRC

Corporate Sales Network

By FY2009 the Group has established more than 97 branches sales offices as below:

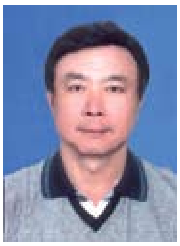
Beijing, Shanghai, Guangzhou, Dongguan, Nanjing, Hangzhou, Suzhou, Qingdao, Shenzhen, Fuzhou, Changsha, Shenyang, Xi'an, Wuhan, Kunming, Chengdu, Hefei, Nanchang, Zhengzhou, Tianjin, Chongqing, Nanning,Taiyuan, Guiyang, Shijiazhuang, Zhuhai, Harbin, Dalian, Yancheng, Huangshi, Jiangmen, Lanzhou, Xiamen,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

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 was appointed a Director on 8 October 2006. Mr. Hsu Chen also holds directorships of certain subsidiaries of the Company. Mr. Hsu Chen has extensive experience in the confectionery and snack food industry. Prior to 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 held the position as 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.

Hsu Hang
Executive Director
Mr. Hsu Hang the Chief Operating Officer was appointed a Director on 18 October 2006 and was last re-elected on 24 October 2008. He is also one of the founders of the Group and is responsible for the Company's administrative operations. Mr. Hsu Hang holds directorships of certain subsidiaries of the Company. He is also the Vice-president of Dongguan Taiwan Investment Enterprise Association. He held the position as 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 obtained his degree of Executive Master's in Business Administration from the Pacific Western University in the United States. He holds a diploma from the institute of World's Journalism.

Hu Chia-Hsun
Executive Director
Mr. Hu Chia-Hsun joined the Group as the President in 2005. He was appointed a Director on 25 October 2006 and was last re-elected on 24 October 2008. From 1986 to 1990, Mr. Hu Chia-Hsun was a senior consultant and country manager at Technomic Consultants Co., a marketing research company, and was responsible for project undertaking and business coordination. 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 sucecssfully. 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 Pu
Non-executive Director
Mr. Hsu Pu is one the founders of the Group. He was appointed as the Non-executive Director on 26 October 2007. Mr. Hsu Pu holds directorships of certain subsidiaries of the Company. He is 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.

Stanley Cheong
Non-executive Director
Mr. Stanley Cheong was appointed a Director on and was last re-elected on 26 October 2007. Mr. Stanley Cheong is the Executive Vice President and Partner at Transpac Capital Pte Ltd. Transpac Capital is one of the most 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 18 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 of 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 was 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 was 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.

Lim Hock San
Independent Director
Mr. Lim Hock San was appointed a Director on 25 October 2006 and was last re-elected on 24 October 2008. 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 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 and was last re-elected on 26 October 2007. 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.

Dr Lee Tsu-Der
Independent Director
Dr Lee Tsu-Der was appointed to the Board on 24 October 2008. Dr Lee brings to the Group significant knowledge of the capital markets and expertise on corporate governance with his extensive business experience and knowledge of the China, Taiwan and Hong Kong markets. Dr Lee joined H&Q Asia Pacific (Taiwan) in 1995 and served as the Chief Advisor for its China Investments. From 1995 to 1998, Dr Lee played important roles in various key investments in China covering Pharmaceutical, Biotech, Media, and Consumer Goods industry. From 1999 to 2003, Dr Lee served as General Manager of H&Q Asia Pacific (China). Currently, he is serving as Vice Chairman of H&Q Asia Pacific (Taiwan). Formerly, Dr Lee served as the Chairman for Starbucks Coffee Beijing Limited, and Chairman of Shan Dong Kexing Biotech Company. Dr Lee obtained his medical degree in dentistry from Taipei Medical University in Taiwan. Currently he is serving as the Board of Director for Xpress Holdings (Singapore) and Chairman of the Board of Directors, Taipei Medical University.

Senior Management

Greg Chou
Mr. Greg Chou is the Financial Controller of the Group. He joined the Group in 2008 and is responsible for the Group's financial operations. Mr. Chou has 8 years of diverse work experience from working in accounting firms (PWC) to stock listed companies (EVA), focussing mostly on the area of finance management. He majored in Accounting at Taiwan's Fu-Jen Catholic University and received his MBA degree from West Texas A&M University.

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 the Singapore Tiangu Ltd Hong Kong office from 1996 to 2000, and between 2000 to 2005, he was the General Manager of the Shanghai Niufu Food Industrial Ltd.

Yang Kun-Ti
Mr. Yang Kun-Ti is the Deputy Head of the 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 finish his studies, at the National Open University.

Peng Wu Tsai
Mr. Peng Wu Tsai was appointed as the Financial Director in the Operation Department on 13 May 2008 and had resigned as Group Financial Controller at the same time. Now he is dedicated to 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.

Ho Kuang-Hua
Mr. Ho Kuang-Hua is the Group's Production General Manager. He joined the Group in 2009, and is responsible for the integrated operations in the production and its associated aspects. Prior to joining the Group, he worked in Zhengyi Foods, Ting Hsin International and Lite Photoelectric respectively, and had experience in positions such as production/sales managers, vice general manager, general manager, and board director. He has over 21 years experience in the food and relatived industries.

Kuo Hong Chen

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

Liu Fu Zheng

Mr. Liu Fu Zheng is the Chief Plant Manager at the Group's Dongguan production base. He joined the Group in June 2009 and is responsible for the operation of the entire production lines. Prior to that, he worked in Ford Automobile, Coca Cola, Carrier Gorp., Tsann Kun Trans-Nation Group, and Schülke & Mayr GmbH on product development, plant construction, and factory management duties. Mr. Liu has accumulated over 20 years experience in the fields of product R&D and manufacturing.

Ma Hao

Mr. Ma Hao is the Head of the Quality Control Department and is responsible for quality control, 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 the Member and Vice Secretary-General of National Technical Committee on Candy and Chocolate of Standardization Administration of China. He is also a member of the Expert Committee of China National Food Industry Association. Mr. Ma joined Dongguan Hsu Chi in 1997 and was in charge of quality control and 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's degree in food engineering from South China University of Technology in 1988.

Wang Yung-Chiang

Mr. Wang Yung-Chiang is the Head of Logistics Department. He joined the Group in November 2008, and took over the Logistics Department in February 2009. Prior to that he was in professional military service, and had 8 years experience in the field of logistics management.

Corporate Information

BOARD OF DIRECTORS

Executive
Hsu Chen (*Chairman*)
Hu Chia-Hsun
Hsu Hang
Hsu Keng (Resigned on 30 November 2008)

Non-Executive
Hsu Pu (*Non-Independent*)
Cheong Kok Yew (*Non-Independent*)
Lim Hock San (*Independent*)
Lam Khin Khui (*Independent*)
Lee Tsu–Der (*Independent*)
(Appointed on 24 October 2008)
John Lim Kok Min (*Independent*)
(Resigned on 24 October 2008)

AUDIT COMMITTEE
Lim Hock San (*Chairman*)
Cheong Kok Yew
Lee Tsu–Der

NOMINATING COMMITTEE
Lam Khin Khui (*Chairman*)
Cheong Kok Yew
Lim Hock San
Lee Tsu-Der

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

COMPANY SECRETARIES
Toh Lei Mui, ACIS
Busarakham Kohsikaporn, FCIS
(Appointed on 15 May 2009)
Hazel Chia Luang Chew, FCIS
(Resigned on 15 May 2009)

ASSISTANT SECRETARY
Codan Trust Company (Cayman) Limited

REGISTERED OFFICE
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P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

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

SINGAPORE SHARE TRANSFER AGENT
Boardroom Corporate & Advisory Services Pte. Ltd.
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Samsung Hub
Singapore 049483

CAYMAN ISLANDS SHARE REGISTRAR
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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 ended 30 June 2007)

CORPORATE COUNSEL
Loo & Partners LLP
88 Amoy Street Level Three
Singapore 069907

Corporate Governance Report

The Board is committed to maintaining high standards of corporate governance within the Company and its subsidiaries (the "Group") where possible through the implementation of self-regulatory & monitoring mechanisms within the Group. The Board confirms that it has generally adhered to the principles and guidelines as set out in the Code of Corporate Governance 2005 (the "Code"), where applicable, relevant and practicable to the Group.

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

Non-Executive Directors

Hsu Pu (Non-independent)
Cheong Kok Yew (Non-independent)
Lim Hock San (Independent)
Lam Khin Khui (Independent)
Lee Tsu-Der (Independent)

The Board currently has a total of 8 directors, more than one-third of whom are independent directors. The Board comprises members with a diversity of knowledge, expertise and experience such as accounting or finance, business and management.

The principle role of the Board includes:

(i) setting the Group's values and standards towards maximising shareholders' value;

(ii) providing effective leadership and management, setting corporate strategy and directions for the Group to achieve its objectives;

(iii) reviewing and monitoring the Management's performance;

(iv) overseeing the Group's risk management and internal control, financial reporting and compliance, including the approval and release of financial results and announcement of material transactions;

(v) approving annual budgets, major funding proposals, investment and divestment proposals, material acquisitions and disposal of assets and interested person transactions of a material nature;

(vi) advising the Management on major policy initiation and significant issues;

(vii) declaring dividends, if applicable;

(viii) approving the nomination of directors and appointment of key personnel; and

(ix) overseeing the proper conduct of the Group's business and assuming responsibility for corporate governance.

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 and a Nominating Committee (collectively, the "Board Committees"). The Board Committees have been constituted with clear written terms of reference and are each chaired by an Independent Director. All members of the Board Committees are non-executive directors.

The Board meets quarterly in a year to review the performance of the business and to approve the release of the announcement of the Group's full year and quarterly results. The Board accepts that while the Board Committees have been delegated the power to make decisions, execute actions or make recommendations in their specific areas respectively, the ultimate responsibility for the decisions and actions resides with it. As and when required, additional Board meetings are also held to address significant transactions or issues that arise.

The Company's Articles of Association 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.

Details of Board and Board Committees meetings held during the financial year ended 30 June 2009 are summarized in the table below:

Meeting	Board	Audit Committee	Nominating Committee	Remuneration Committee
Total held in FY2009	**4**	**4**	**2**	**1**
Hsu Chen	4	NA	NA	NA
Hu Chia-Hsun	4	NA	NA	NA
Hsu Hang	4	NA	NA	NA
Hsu Pu	4	NA	NA	NA
Cheong Kok Yew	4	4	2	1
Lim Hock San	4	4	NA	1
Lam Khin Khui	4	NA	2	1
Lee Tsu-Der [1]	2	2	NA	NA
John Lim Kok Min [2]	1	1	2	NA
Hsu Keng [3]	2	NA	NA	NA

Notes:

1. Dr Lee Tsu-Der was appointed an Independent Director of the Company on 24 October 2008.
2. John Lim Kok Min resigned as an Independent Director of the Company on 24 October 2008.
3. Hsu Keng resigned as an Executive Director of the Company on 30 November 2008.

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. Directors also have the opportunity to meet with the Management so as to gain a better understanding of the Group's business operations. Directors who do not have prior experience as a director of a listed company, will undergo the necessary training and briefing.

Corporate Governance Report

Principle 2: Board Composition and Guidance

The Nominating Committee ("NC") which reviews the independence of directors on an annual basis, adopts the Code's definition of what constitutes an independent director and guidelines as to relationships which would deem a director not to be independent.

The size and composition of the Board are reviewed by the NC to ensure that the Board has the appropriate mix of expertise and experience and collectively possesses relevant and necessary skill sets and core competencies for effective decision making. The NC also strives to ensure that the size of the Board is conducive to discussions and facilitates decision making.

The NC with the concurrence of the Board is of the view that the current Board size of 8 members is adequate taking into account the nature and scope of the Group's operations. The diversity of the directors experiences allows a useful exchange of ideas and views.

The non-executive directors contribute to the Board process by monitoring and reviewing the Management's performance against goals and objectives. Their views and opinions provide alternative perspectives to the Group's business. When challenging the Management's proposals or, decisions, they provide 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. 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 Hsu Chen, Mr Hsu Pu and Dr Lee Tsu-Der will be retiring at the forthcoming AGM.

The NC has also nominated the abovenamed persons 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 ("CEO")

Mr Hsu Chen is the Chairman and CEO of the Company. He plays a key role in developing the business of the Group and in providing a strong leadership and vision. He is responsible for business strategy and direction, formulation of the Group's corporate plans and policies and executive decision-making.

As Chairman of the Board, Mr Hsu is responsible for the effective working of the Board such as ensuring the Board meetings are held when necessary, assisting in ensuring that compliance with the Group's guidelines on corporate governance, acting as facilitator at Board meetings and keeping the directors updated and informed of the Group's business. He ensures that the Board is properly informed and updated in a timely manner on pertinent issues and development

Although this is a deviation from the recommendation of the Code, the Board believes that vesting the roles of both Chairman and CEO in the same person who is knowledgeable in the business of the Group provides the Group with a strong and consistent leadership and allows for more effective planning and execution of long term business strategies. Mr Hsu's dual role as Executive Chairman and CEO will enable the Group to conduct its business more efficiently and to ensure that the decision making process of the Group would not be unnecessarily hindered.

The Board believes that there are adequate safeguards and checks in place to ensure that the process of decision making by the Board is independent and based on collective decision making without Mr Hsu exercising undue influence on any decision made by the Board.

As such, the Board does not consider segregating the role of Chairman and CEO at this moment. The NC will review the need to separate the roles and from time to time and make its recommendation.

The Company Secretaries assist the Chairman in scheduling Board and Board Committee meetings respectively as well as prepare agenda papers for the 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 a majority of independent directors. The Chairman is Mr Lam Khin Khui, an independent director, who is not, or who is not directly associated with, a substantial shareholder. The members of the NC are as follows:

Lam Khin Khui (Chairman)*
Cheong Kok Yew
Lim Hock San **
Lee Tsu-Der **

* Mr Lam was appointed as Chairman of the NC on 24 October 2008.
** Mr Lim and Dr Lee were appointed as members of the NC on 24 October 2008.

The principal functions of the NC are to:

- review and recommend to the Board, the structure size and composition of the Board and Board Committees.
- review and recommend to the Board for the appointment and re-election of directors;
- 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 selection and appointment of new directors, providing the procedure for identification of potential candidates, evaluation of candidates' skills, knowledge and experience and the assessment of candidates' suitability of becoming a director of the Company.

The Curriculum Vitae and other particulars/documents of the nominee or candidate will be reviewed by the NC before the NC makes any recommendations to the Board for the appointment of directors.

The NC has also adopted a formal system to assess the performance of the Board as a whole. The evaluation of the Board is conducted annually and is in the form of a questionnaire relating to Board composition, information flow to the Board, Board procedures, Board accountability matters and standards of conduct of the Board members.

Corporate Governance Report

As part of the process, the directors have to complete the Board Evaluation Questionnaire which is then collated by the Company Secretaries and presented to the NC together with comparatives from the previous year's results. The NC will also discuss the feedback with the Board members.

For FY2009, the NC is generally satisfied with the Board evaluation results, which indicated areas for improvement with no significant problems being identified. The NC had discussed these results with the Board and the Board has agreed to work on these areas for improvement. The NC will continue to review its procedure, effectiveness and development from time to time.

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 the 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.

At least one of the Company Secretaries attend all Board meetings and meetings of the Board 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 and the cost of such professional advice will be borne by the Company.

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 the following:

(a) reviewing and recommending to the Board a framework of remuneration for the directors and senior management which covers all aspects of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses, options and benefits-in-kind.

(b) reviewing and determining the remuneration package for the CEO, executive directors & key executives. The recommendations of the RC will be submitted to the entire Board for approval.

(c) reviewing and determining assessment of the non-executive directors, taking into account factors such as their effort and their time spent and their responsibilities.

(d) recommending to the Board term incentive schemes which may be set up from time to time; and

(e) carrying out other duties as may be agreed by the RC and the Board.

If required, the RC will seek expert advice inside and/or outside the Company on remuneration of all directors and key executives. Each member or 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. The RC recommended and the Board has endorsed Directors' fees amounting to a sum of S$476,750 for approval at the Company's forthcoming 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. The service contract between the Company and the Chairman will be renewed on a yearly basis upon its expiry this year.

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 2009 is as follows:

	Directors' fees	Salary	Bonus	Benefits	Total
Above S$250,000 and up to S$500,000					
Hsu Chen[1]	16.88%	43.52%	39.60%	–	100%
Below S$250,000					
Hu Chia-Hsun	21.73%	68.66%	9.61%	–	100%
Hsu Hang[1]	21.33%	55.40%	23.27%	–	100%
Hsu Keng[1]	9.29%	51.25%	39.46%	–	100%
Hsu Pu[1]	100%	–	–	–	100%
Cheong Kok Yew	100%	–	–	–	100%
John Lim Kok Min[2]	100%	–	–	–	100%
Lim Hock San	100%	–	–	–	100%
Lam Khin Khui	100%	–	–	–	100%
Lee Tsu Der[3]	100%	–	–	–	100%

Corporate Governance Report

Notes:

1. Hsu Chen, Hsu Hang, Hsu Keng and Hsu Pu are brothers.Hsu Keng ceased to be a director on 30 November 2008
2. John Lim Kok Min resigned as director on 24 October 2008
3. Lee Tsu-Der was appointed as director on 24 October 2008

For the financial year ended 30 June 2009, the remuneration of top 5 executives of the Group is as follows:

	Salary	Bonus	Benefits	Total
Below S$250,000				
Peng Wu Tsai	93.46%	6.54%	–	100%
Greg Chou	99.37%	0.63%	–	100%
Yang Kun-Ti	74.12%	25.88%	–	100%
Kuo Hong Chen	92.93%	7.07%	–	100%
Lee Kok Lee	70.51%	29.49%	–	100%

Mr Hsu Pu's son, Hsu Chin (who is also the nephew of Hsu Chen, Hsu Hang and Hsu Keng) is an employee of the Group and his remuneration did not exceed S$150,000 during the year.

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.

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.

In line with the SGX-ST listing rules, negative assurance statements were issued by the Board to accompany its quarterly financial results announcements confirming to the best of its knowledge that nothing had come to its attention which would render the Company's quarterly results to be false or misleading in any material aspects.

Principle 11: Audit Committee ("AC")

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

Lim Hock San (Chairman)
Cheong Kok Yew
Lee Tsu-Der

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 4 meetings during the year.

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 functions of the AC are as follows:

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

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

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

(g) to review transactions falling within the scope of Chapter 10 of the Listing Manual.

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

(i) to 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) to 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.

Corporate Governance Report

The Group has adopted a "Whistle-Blowing Policy" programme which provides an avenue for the staff of the Group to raise concerns about possible improprieties which may cause financial or non-financial loss to the Company. No report was received for FY2009 under this Whistle-Blowing Policy.

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 has reviewed the overall scope of the external audits and the assistance given by the Company's officers to the auditors. It met with the Company's 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 both the internal and external auditors separately, without the presence of the Management. Both the internal and external auditors have confirmed that they had received full co-operation from the Management and no restrictions were placed on the scope of the audit. No non-audit services were provided by the external auditors for FY2009,

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.

Principle 13: Internal Audit

The Group has outsourced its internal audit function to KPMG Risk Advisory Services (the "Internal Auditor"). The Internal Auditor will report directly to the AC on internal audit matters and to the CEO on administrative matters.

The AC will review the adequacy of the internal audit function annually and ensure that the internal audit function is adequately resourced.

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;
- 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

Save for the service contract entered into between the Company and the Board Chairman, there are no material contracts of the Company, or its subsidiary involving the interests of the Chairman, CEO, any director or controlling shareholder.

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 have reviewed these transactions in FY2009 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 28 of the Notes to the Financial Statements, on page 72 of the Annual Report.

Financial Contents

Directors' Report

The directors are pleased to present 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 2009.

Directors

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

Hsu Chen	(Executive Chairman)
Hu Chia-Hsun	(President, Executive Director)
Hsu Hang	(Executive Director)
Hsu Pu	(Non-executive Director)
Cheong Kok Yew	(Non-executive Director)
Lim Hock San	(Independent Director)
Lam Khin Khui	(Independent Director)
Dr Lee Tsu-Der	(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	At the beginning of financial year	At the end of financial year	At the beginning of financial year	At the end of financial year
<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 Pu (2)	77,200,000	87,200,000	10,000,000	Nil

(1) Ophira Finance Ltd holds 107,200,000 shares in the Company as at 30 June 2009. 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) Deemed interest in shares held through Bank nominees.

There was no change in any of the above-mentioned interests between the end of the financial year and 21 July 2009.

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

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 2009, 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. The functions performed & further details are set out in the Corporate Governance Report.

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

Directors' Report

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

8 September 2009

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 2009 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

8 September 2009

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") set out on pages 33 to 78, which comprise the balance sheets of the Group and the Company as at 30 June 2009, the statements 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 profit and loss accounts 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 give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2009, 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
8 September 2009

Consolidated Income Statement

For the Financial Year ended 30 June 2009 (Amounts expressed in Renminbi)

	Note	2009 Rmb'000	2008 Rmb'000
Revenue	4	3,784,874	3,391,621
Cost of sales		(2,068,390)	(1,991,084)
Gross profit		1,716,484	1,400,537
Other items of income			
Other income	5	39,242	29,223
Financial income	6	9,894	13,634
Other items of expense			
Selling and distribution expenses		(786,025)	(660,823)
General and administrative expenses		(383,291)	(317,408)
Financial expenses	6	(11,934)	(18,592)
Profit before tax	7	584,370	446,571
Income tax	10	(123,946)	(101,776)
Net profit attributable to shareholders		460,424	344,795
Earnings per share (Rmb)	11	0.58	0.43

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

Balance Sheets

As at 30 June 2009 (Amounts expressed in Renminbi)

	Note	Group		Company	
		2009 Rmb'000	2008 Rmb'000	2009 Rmb'000	2008 Rmb'000
ASSETS					
Non-current assets					
Investment in subsidiaries	12	–	–	982,197	978,708
Property, plant and equipment	13	1,693,374	1,403,407	–	–
Land use rights	14	218,529	206,284	–	–
Intangible asset	15	1,262	1,358	–	–
Prepayments for property, plant and equipment		139,685	130,431	–	–
Deferred tax assets	16	33,537	31,017	–	–
		2,086,387	1,772,497	982,197	978,708
Current assets					
Inventories	17	227,725	216,289	–	–
Trade, bills and other receivables	18	287,347	245,005	879,448	569,018
Prepayments		29,265	122,927	1,587	2,309
Income tax recoverable		5,502	–	–	–
Cash and bank balances		1,008,135	846,636	52,593	236,701
		1,557,974	1,430,857	933,628	808,028
TOTAL ASSETS		3,644,361	3,203,354	1,915,825	1,786,736
EQUITY AND LIABILITIES					
Current liabilities					
Trade and other payables	19	571,934	381,607	2,590	5,743
Other liabilities	20	480,094	416,960	4,051	1,347
Short-term bank loans	21	–	160,000	–	–
Term loans	22	–	20,000	–	–
Provision for income tax		–	12,477	–	–
		1,052,028	991,044	6,641	7,090
NET CURRENT ASSETS		505,946	439,813	926,987	800,938
Non-current liabilities					
Term loans	22	30,000	50,000	–	–
Deferred tax liabilities	16	76,414	18,989	–	–
		106,414	68,989	–	–
TOTAL LIABILITIES		1,158,442	1,060,033	6,641	7,090
NET ASSETS		2,485,919	2,143,321	1,909,184	1,779,646
Equity attributable to equity holders of the parent					
Share capital	23	40,124	40,124	40,124	40,124
Share premium		1,445,020	1,445,020	1,445,020	1,445,020
Translation reserve		(93)	(1,517)	–	(4,220)
Reserve fund	24	207,963	152,678	–	–
Restructuring reserve		(716,588)	(716,588)	–	–
Accumulated profits		1,509,493	1,223,604	424,040	298,722
TOTAL EQUITY		2,485,919	2,143,321	1,909,184	1,779,646
TOTAL EQUITY AND LIABILITIES		3,644,361	3,203,354	1,915,825	1,786,736

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 2009 (Amounts expressed in Renminbi)

Group	Share capital (Note 23) Rmb'000	Share premium Rmb'000	Translation reserve Rmb'000	Reserve fund (Note 24) Rmb'000	Restructuring reserve Rmb'000	Accumulated profits Rmb'000	Total equity Rmb'000
Opening balance at 1 July 2008	40,124	1,445,020	(1,517)	152,678	(716,588)	1,223,604	2,143,321
Translation reserve	–	–	1,424	–	–	–	1,424
Net income recognised directly in equity	–	–	1,424	–	–	–	1,424
Profit for the year	–	–	–	–	–	460,424	460,424
Total recognised income for the year	–	–	1,424	–	–	460,424	461,848
Dividends (Note 25)	–	–	–	–	–	(119,250)	(119,250)
Appropriation to reserve fund	–	–	–	55,285	–	(55,285)	–
Closing balance at 30 June 2009	40,124	1,445,020	(93)	207,963	(716,588)	1,509,493	2,485,919
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 25)	–	–	–	–	–	(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

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 2009 (Amounts expressed in Renminbi)

Company	Share capital (Note 23) Rmb'000	Share premium Rmb'000	Translation reserve Rmb'000	Accumulated profits Rmb'000	Total equity Rmb'000
Opening balance at 1 July 2008	40,124	1,445,020	(4,220)	298,722	1,779,646
Translation reserve	–	–	4,220	–	4,220
Net income recognised directly in equity	–	–	4,220	–	4,220
Profit for the year	–	–	–	244,568	244,568
Total recognised income for the year	–	–	4,220	244,568	248,788
Dividends (Note 25)	–	–	–	(119,250)	(119,250)
Closing balance at 30 June 2009	40,124	1,445,020	–	424,040	1,909,184
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	–	–	–	(103,350)	(103,350)
Closing balance at 30 June 2008	40,124	1,445,020	(4,220)	298,722	1,779,646

Consolidated Cash Flow Statement

For the Financial Year ended 30 June 2009 (Amounts expressed in Renminbi)

	2009 Rmb'000	2008 Rmb'000
Cash flows from operating activities		
Profit before tax	584,370	446,571
Adjustments for:		
Depreciation of property, plant and equipment	200,278	172,931
Amortisation of land use rights	4,755	4,448
Amortisation of intangible assets	305	175
Loss on disposal of property, plant and equipment	2,892	3,973
Allowance/(write back) for doubtful trade receivables	94	(5,750)
Allowance for inventory obsolescence	11,271	6,719
Interest expense and bank charges	11,934	18,592
Interest income	(9,894)	(13,634)
Translation difference	1,424	8,777
Operating cash flows before changes in working capital	807,429	642,802
Changes in working capital:		
Increase in inventories	(22,707)	(40,047)
(Increase)/decrease in trade, bills and other receivables	(42,436)	109,511
Decrease/(increase) in prepayments	93,662	(39,583)
Increase in trade and other payables	207,116	4,263
Increase in other liabilities	63,134	103,641
Decrease in bank deposits subject to restricted application	(2,922)	(3,613)
Cash flows generated from operations	1,103,276	776,974
Interest income received	9,894	13,634
Interest expense and bank charges paid	(11,934)	(18,592)
Income taxes paid	(87,020)	(84,653)
Net cash generated from operating activities	1,014,216	687,363
Cash flows from investing activities		
Purchase of property, plant and equipment (Note B)	(520,629)	(408,729)
Proceeds from sale of property, plant and equipment	1,449	3,121
Purchase of intangible assets - Land use rights (Note C)	(17,000)	(40,512)
Purchase of intangible assets - Computer software	(209)	(1,533)
Net cash used in investing activities	(536,389)	(447,653)
Cash flows from financing activities		
Proceeds from bank loans	261,000	520,000
Repayment of bank loans	(461,000)	(460,000)
Dividend paid	(119,250)	(103,350)
Net cash used in financing activities	(319,250)	(43,350)
Net increase in cash and cash equivalents	158,577	196,360
Cash and cash equivalents at beginning of the financial year	841,469	645,109
Cash and cash equivalents at the end of the financial year (Note A)	1,000,046	841,469

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:

	2009 Rmb'000	2008 Rmb'000
Cash at bank and in hand	389,020	358,217
Short term deposits	619,115	488,419
Cash and bank balances	1,008,135	846,636
Bank deposits subject to restricted application	(8,089)	(5,167)
Cash and cash equivalents	1,000,046	841,469

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:

	2009 Rmb'000	2008 Rmb'000
Renminbi	819,199	462,752
Hong Kong Dollar	6,429	6,529
United States Dollar	75,019	29,091
Singapore Dollar	74,803	279,168
Euro	23,910	61,075
Japanese Yen	8,772	8,017
Pound Sterling	2	4
Swiss Franc	1	–
	1,008,135	846,636

Consolidated Cash Flow Statement (cont'd)

For the Financial Year ended 30 June 2009 (Amounts expressed in Renminbi)

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

B. Property, plant and equipment

	2009 Rmb'000	2008 Rmb'000
Current year additions to property, plant and equipment	494,586	339,729
Less: Payable to creditors	(44,101)	(60,890)
Prepayments made in prior year	(130,431)	(66,541)
	320,054	212,298
Add: Payments for prior year purchases	60,890	66,000
Prepayments made in current year	139,685	130,431
Net cash outflow for purchase of property, plant and equipment	520,629	408,729

C. Land use rights

	2009 Rmb'000	2008 Rmb'000
Current year additions to land use rights	17,000	61,562
Less: Amounts accrued	–	(37,366)
		24,196
Add: Payments for prior year acquisitions	–	16,316
Net cash outflow for purchase of land use rights	17,000	40,512

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

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 in accordance with Singapore Financial Reporting Standards ("FRS").

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

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 *Adoption of new and revised FRS and INT FRS*

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*

New standards mandatory effective for annual periods beginning on or after 1 January 2008 but do not apply to the Group's activities are as follows:

Reference	Description	Effective for annual periods beginning on or after
INT FRS 111	FRS 102 – Group and Treasury Share Transactions	1 January 2008
INT FRS 112	Service Concession Arrangements	1 January 2008
INT FRS 113	Customers Loyalty Programmes	1 July 2008
INT FRS 114	FRS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2008

Notes to the Consolidated Financial Statements

30 June 2009

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

2.2 *Changes in accounting policies (cont'd)*

(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	Presentation of Financial Statements – Revised Presentation	1 January 2009
FRS 1	Presentation of Financial Statements – Amendments relating to Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009
FRS 23	Borrowing Costs	1 January 2009
FRS 27	Consolidated and Separate Financial Statements – Amendments relating to Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2009
FRS 32	Financial Instruments: Presentation – Amendments relating to Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009
FRS 39	Financial Instruments: Recognition and Measurement – Amendments relating to Eligible Hedged Items	1 July 2009
FRS 101	First-time Adoption of Financial Reporting Standards – Amendments relating to Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2009
FRS 102	Share-based Payment – Amendments relating to Vesting Conditions and Cancellations	1 January 2009
FRS 107	Financial Instruments: Disclosures – Amendments relating to Improving Disclosures about Financial Instruments	1 January 2009
FRS 108	Operating Segments	1 January 2009
INT FRS 116	Hedges of a Net Investment in a Foreign Operation	1 October 2008
INT FRS 117	Distribution of Non-cash Assets to Owners	1 July 2009

The directors expect that the adoption of the above pronouncements will have no material impact on the financial statements in the period of initial application, except for FRS 1 and FRS 108 as indicated below.

FRS 1 *Presentation of Financial Statements – Revised presentation*

The revised FRS 1 requires owners' and non-owners' changes in equity to be presented separately. The statement of changes in equity will include only details on transactions with owners, with all non-owner changes in equity presented as a single line item. In addition, the revised standard introduces the statement of comprehensive income: it presents all items of income and expense in, either one single statement or two linked statements. The Group is currently evaluating the format to adopt.

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)*

FRS 108 *Operating Segments*

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 is Singapore Dollars (SGD). The functional currency of Hsu Fu Chi (Hong Kong) Trading Company Limited is Hong Kong Dollars (HKD).

With effect from 1 July 2008, the Company changed its functional currency from SGD to Rmb, as the Company anticipates a change in source of funding for the Company from IPO proceeds denominated in SGD to dividend income denominated primarily in Rmb.

(b) *Foreign currency transactions*

Transactions in foreign currencies are measured and recorded in the functional currencies of the Group at initial recognition 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 rate of exchange ruling at the balance sheet date. 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 balance sheet date 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 equity as foreign currency translation reserve in the consolidated balance sheet and recognised in the consolidated income statement on disposal of the foreign operation.

Notes to the Consolidated Financial Statements

30 June 2009

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

2.3 *Functional and foreign currency (cont'd)*

(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 cumulative amount recognised in foreign currency translation reserve 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.

All intra-group balances, income and expenses and unrealised gain and losses resulting from intra-group transactions are eliminated in full.

Business combinations involving entities under common control are accounted for by applying the pooling of interest method. The assets and liabilities of the combining entities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling holding company. Any difference between the consideration paid and the share capital of the "acquired" entity is reflected within equity as restructuring reserve. The income statement reflects the results of the combining entities for the full year, irrespective of when the combination takes place. Comparatives are presented as if the entities had always been combined since the date the entities came under common control.

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. Summary of significant accounting policies (cont'd)

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.

Subsequent to recognition, property, plant and equipment are measured 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	3-5
Motor vehicle	4-5

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 of the year the asset is derecognised.

Notes to the Consolidated Financial Statements

30 June 2009

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

2.7 *Intangible assets*

(a) *Goodwill*

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events and circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired is allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash- generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the income statement. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

(b) *Other intangible assets*

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

Intangible assets with finite useful lives are amortised over their estimated 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 are reviewed at least at each financial year-end.

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

2.7 *Intangible assets (cont'd)*

(b) *Other 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*

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses. The land use rights are amortised over the lease term of 50 years.

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.

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.

Notes to the Consolidated Financial Statements

30 June 2009

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

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.

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.

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

2.12 *Impairment of financial assets (cont'd)*

(a) *Assets carried at amortised cost (cont'd)*

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.

2.13 *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.

Notes to the Consolidated Financial Statements

30 June 2009

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

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.

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. Summary of significant accounting policies (cont'd)

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.

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.

(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.

Notes to the Consolidated Financial Statements

30 June 2009

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

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 using the effective interest method.

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. Grants related to income may be presented as a credit in the income statement, either separately or under a general heading such as "Other income". Alternatively, they are deducted in reporting the related expenses. 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.

2.22 *Income taxes*

(a) *Current tax*

Current tax assets and liabilities 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.

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

2.22 ***Income taxes*** (cont'd)

(b) *Deferred tax (cont'd)*

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.

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.

Notes to the Consolidated Financial Statements

30 June 2009

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

2.22 ***Income taxes*** (cont'd)

(c) *Value-added-tax ("VAT") (cont'd)*

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.

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. Significant accounting estimates and judgements (cont'd)

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 2009 amounting to approximately Rmb 218,529,000 (2008: Rmb 206,284,000). 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 2009. These land use rights which are subject to the completion of transfer from the authorities amounted to approximately Rmb 50,089,000 as at 30 June 2009 (2008: Rmb 57,061,000). 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.

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 2009 was Rmb 939,975,000 (2008: Rmb 869,086,000). 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.

Notes to the Consolidated Financial Statements

30 June 2009

3. Significant accounting estimates and judgements (cont'd)

3.2 *Key sources of estimation uncertainty (cont'd)*

(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 2009 was approximately Rmb 402,727,000 (2008: Rmb 408,871,000). 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 2009, 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 2009 amounted to approximately Rmb 240,611,000 (2008: Rmb 223,611,000), of which approximately Rmb 185,566,000 (2008: Rmb 168,566,000) 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 2009, 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 2009 amounted to approximately Rmb 55,045,000 (2008: Rmb 55,045,000). 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).

5. Other income

	Group	
	2009	2008
	Rmb'000	Rmb'000
Sale of scrap materials	8,648	16,230
Penalty charges on logistics service providers	66	911
Government grant	27,327	2,310
Tax refund *	–	8,952
Others	3,201	820
	39,242	29,223

* 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	
	2009	2008
	Rmb'000	Rmb'000
Interest income		
- bank balances	9,894	13,634
Interest expense		
- bank loans	10,373	17,594
Bank charges	1,561	998
	11,934	18,592

7. Profit from operations

This is determined after charging (crediting) the following:

	Group	
	2009	2008
	Rmb'000	Rmb'000
Allowance/(write back) for doubtful trade receivables	94	(5,750)
Allowance for inventory obsolescence	11,271	6,719
Amortisation of land use rights	4,755	4,448
Amortisation of intangible assets	305	175
Depreciation of property, plant and equipment	200,278	172,931
Loss on disposal of property, plant and equipment	2,892	3,973
Directors' fees	2,249	2,519
Directors' remuneration	4,491	4,428
Personnel expenses, including directors' remuneration (Note 8)	441,939	444,847
Operating lease expense	31,272	26,082
Contractual payment fees	152,477	177,356
Product development expenses	213,248	13,301
Transportation expenses	145,521	136,792
Foreign exchange loss, net	28,422	4,028

8. Personnel expenses

	Group	
	2009	2008
	Rmb'000	Rmb'000
Salaries and bonus	353,476	395,301
Contribution to defined contribution plans	63,055	37,912
Welfare expenses	24,945	10,634
Retirement benefits	463	1,000
	441,939	444,847

Notes to the Consolidated Financial Statements

30 June 2009

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 2009 and 2008 on terms agreed between the parties:

	2009 Rmb'000	2008 Rmb'000
Sale of goods	1,463	5,889
Office rental expense	127	164

(b) Compensation of key management personnel

	Group	
	2009 Rmb'000	2008 Rmb'000
Directors' fees	2,249	2,519
Directors' remuneration	4,491	4,428
Other key management personnel	2,408	2,473
	9,148	9,420

10. Income tax

Major components of income tax expense for the years ended 30 June 2009 and 2008 were:

	Group	
	2009 Rmb'000	2008 Rmb'000
Current tax		
- current year	92,434	97,417
- overprovision in respect of prior year	(23,393)	(13,872)
Deferred tax		
- current year	54,905	18,231
Tax expense	123,946	101,776

10. Income tax (cont'd)

A reconciliation between tax expense and the product of profit before tax multiplied by the applicable tax rate for the year ended 30 June 2009 and 2008 is as follows:

	2009 Rmb'000	2008 Rmb'000
Profit before tax	584,370	446,571
Tax at the domestic tax rates applicable to profit in the countries where the Group operates	95,742	95,577
Adjustments:		
- Expenses not deductible for tax purposes	105	122
- Deferred tax provision relating to withholding tax for undistributed profits of PRC subsidiaries (Note 16)	57,425	18,989
- Over provision in respect of prior year	(23,393)	(13,872)
- Deferred tax assets not recognised	1,354	1,454
- Income not subject to tax	(7,302)	(561)
- Others	15	67
Tax expense	123,946	101,776

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

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%.

On 16 December 2008, Dongguan Hsu Chi 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 15% from 1 January 2008 to 31 December 2010. 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 15% for the second half of FY2008 and FY2009.

(ii) Dongguan Hsu Fu Chi Food Co., Ltd. (Dongguan Hsu Fu Chi)

The general applicable EIT tax rate for this subsidiary is 25%.

Notes to the Consolidated Financial Statements

30 June 2009

10. Income tax (cont'd)

(iii) Dongguan Andegu Plastic Packaging Material Ltd (Dongguan Andegu), Henan Hsu Fu Chi Co., Ltd (Henan Hsu Fu Chi), Henan Hua Tai Xin Foodstuff and Commodity Limited (Henan Hua Tai Xin) and Henan Zhongyuan Madian Foodstuff and Commodity Limited (Henan Zhongyuan Madian) , Huzhou Hsu Chi Foods Co., Ltd (Huzhou Hsu Chi), Huzhou Hsu Fu Chi Foods Co., Ltd (Huzhou Hsu Fu Chi), Chengdu Hsu Chi Co., Ltd (Chengdu Hsu Chi)

Based on the "Income Tax Law of the PRC for Enterprises with Foreign Investments and Foreign Enterprises", these subsidiaries are entitled to full exemption from income tax for the first two years and a 50% reduction in income tax for the next three years. Accordingly, these subsidiaries are in the income tax full exemption periods for the financial years ending 30 June 2009 and 30 June 2008.

(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) and Hsu Fu Chi International Holdings Limited (Hsu Fu Chi International Holdings)

Hsu Fu Chi Hong Kong and Hsu Fu Chi International Holdings are subject to a tax rate of 16.5% and 17.5% for FY2009 and FY2008 respectively.

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

Hsu Fu Chi Foods is subject to a tax rate of 17% and 18% for FY2009 and FY2008 respectively. It has no taxable income in FY2009 and FY2008.

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 (2008: 795,000,000) ordinary shares.

12. Investment in subsidiaries

	Company	
	2009	2008
	Rmb'000	Rmb'000
Unquoted shares, at cost	982,197	978,708

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	
				2009	2008
				%	%
Hsu Fu Chi Holdings Ltd.(1)	British Virgin Islands	PRC	Investment holding	100	100
Hsu Fu Chi International Holdings Limited(2)	Hong Kong	Hong Kong	Investment holding	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*
Hsu Fu Chi Foods Pte Ltd(4)(8)	Singapore	Singapore	Sale and distribution of confectionery products	100	100
Dongguan Hsu Fu Chi Foods Co. Ltd(3)	PRC	PRC	Manufacture of confectionery products	100	100
Held by Hsu Fu Chi International Holdings Limited					
Dongguan Hsu Chi Food Co. Ltd(3)	PRC	PRC	Manufacture of confectionery products and sale and distribution of self-manufactured confectionery products	100	100
Henan Zhongyuan Madian Foodstuff and Commodity Limited(7)(8)	PRC	PRC	Sales and production of nuts, groceries and food additives	100	100
Henan Hsu Fu Chi Foods Co. Ltd(7)(8)	PRC	PRC	Processing of agricultural products	100	100

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

Notes to the Consolidated Financial Statements

30 June 2009

12. Investment in subsidiaries (cont'd)

Name of company	Country of incorporation	Country of operation	Principal activities	Effective equity interest held by the Group 2009 %	2008 %
Dongguan Andegu Plastic Packaging Material Ltd(3)	PRC	PRC	Production of plastic products, plastic packaging materials (including printing process) for sale to domestic and overseas markets	100	100
Chengdu Hsu Chi Food Co., Ltd(5)(8)	PRC	PRC	Manufacture of confectionery products and sale and distribution of self-manufactured confectionery products	100	100
Huzhou Hsu Chi Food 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 Food Co., Ltd(6)(8)	PRC	PRC	Manufacture of confectionery products and sale and distribution of self-manufactured confectionery products	100	100
Henan Hua Tai Xin Foodstuff and Commodity Limited(7)	PRC	PRC	Sales, production and storage of foodstuff, fruits and vegetables, processed meats, poultry and food commodities	100	100
Held by Hsu Fu Chi (Hong Kong) Trading Company Limited					
Marukyo Confectionery Co. Ltd(8)	Japan	Japan	Manufacturing, sales and export confectionery products	100	100

(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. The subsidiary has applied for striking-off with the Accounting & Corporate Regulatory Authority of 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 FY2009
(1)-(3), (5)-(7) Audited by Ernst & Young LLP, Singapore, for the purposes of consolidation

13. Property, plant and equipment

Group	Buildings	Plant and machinery	Office equipment	Motor vehicle	Construction-in-progress	Total
	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000
30 June 2009						
Cost						
At the beginning of the year	495,778	1,408,698	55,805	65,027	57,361	2,082,669
Additions	–	242,077	9,697	15,743	227,069	494,586
Disposals	–	(32,672)	(5,744)	(6,242)	–	(44,658)
Reclassifications	6,153	–	–	–	(6,153)	–
At the end of the year	501,931	1,618,103	59,758	74,528	278,277	2,532,597
Accumulated depreciation						
At the beginning of the year	86,907	539,612	28,784	23,959	–	679,262
Depreciation charge for the year	12,297	167,262	6,701	14,018	–	200,278
Disposals	–	(28,746)	(5,509)	(6,062)	–	(40,317)
At the end of the year	99,204	678,128	29,976	31,915	–	839,223
Net carrying amount						
At the end of the year	402,727	939,975	29,782	42,613	278,277	1,693,374
30 June 2008						
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

Certain buildings with total net book value of Rmb Nil (2008: Rmb 20,294,000) have been mortgaged to Industrial and Commercial Bank of China to secure banking facilities.

Notes to the Consolidated Financial Statements

30 June 2009

14. Land use rights

	Group	
	2009	2008
	Rmb'000	Rmb'000
Cost		
At 30 June and 1 July	223,611	164,501
Additions	17,000	61,562
Reversal of over accrual in prior years	–	(2,452)
At 30 June	240,611	223,611
Accumulated amortisation		
At 30 June and 1 July	17,327	12,879
Amortisation charge for the year	4,755	4,448
At 30 June	22,082	17,327
Net carrying amount		
At 30 June	218,529	206,284

Land use rights with net carrying amount of Rmb Nil (2008: Rmb 6,027,000) have been mortgaged to Industrial and Commercial Bank of China to secure banking facilities.

15. Intangible asset – Computer software

	Group	
	2009	2008
	Rmb'000	Rmb'000
Cost		
At 30 June and 1 July	1,533	–
Additions	209	1,533
At 30 June	1,742	1,533
Accumulated amortisation		
At 30 June and 1 July	175	–
Amortisation charge for the year	305	175
At 30 June	480	175
Net carrying amount		
At 30 June	1,262	1,358

The computer software has a remaining amortisation period of approximately 3.33 years (2008: 4.33 years) as at 30 June 2009.

16. Deferred tax assets/(liabilities)

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

	Group	
	2009	2008
	Rmb'000	Rmb'000
Deferred tax assets		
Differences in depreciation	3,590	13,417
Differences in amortisation	168	1,414
Provisions	20,940	15,011
Other timing differences	8,839	1,175
	33,537	31,017
Deferred tax liabilities		
Withholding tax on undistributed profits by PRC subsidiaries*	76,414	18,989

* On 22 February 2008, the State Administration of Taxation of China issued a circular Caishui [2008] No.001, which imposes withholding tax on distribution of dividends from post 1 January 2008 profits to foreign investors. Accordingly, no deferred tax liabilities arise from undistributed profits of the Company's PRC subsidiaries accumulated up till 31 December 2007. Provision for deferred tax liabilities however, is required to the extent per FRS 12.39 on profits accumulated from 1 January 2008 onwards.

Unutilised tax losses

At balance sheet date, the Group has tax losses of approximately Rmb 4,237,000 (2008: Rmb 6,239,000) 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	
	2009	2008
	Rmb'000	Rmb'000
Balance sheet:		
Raw materials	149,986	125,187
Finished goods	77,739	91,102
Total inventories at lower of cost and net realisable value	227,725	216,289
Income statement:		
Inventories recognised as an expense in cost of sales	2,068,390	1,991,084
Inclusive of the following charge/(credit):		
- Inventories written-down	11,271	6,719

Notes to the Consolidated Financial Statements

30 June 2009

18. Trade, bills and other receivables

	Group		Company	
	2009	2008	2009	2008
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Trade receivables	256,680	215,616	–	–
Bills receivables	5,532	16,724	–	–
Other receivables and deposits	25,135	12,665	790	298
Due from subsidiaries (non-trade)	–	–	878,658	568,720
	287,347	245,005	879,448	569,018
Add:				
- Cash and bank balances	1,008,135	846,636	52,593	236,701
Total loans and receivables	1,295,482	1,091,641	932,041	805,719

Trade receivables

	Group	
	2009	2008
	Rmb'000	Rmb'000
Trade receivables	322,516	283,621
Less: allowance for doubtful trade receivables	(65,836)	(68,005)
	256,680	215,616

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

	Group	
	2009	2008
	Rmb'000	Rmb'000
At beginning of financial year	68,005	76,707
Write back for the financial year	(18,550)	(24,884)
Allowance for the financial year	18,644	19,134
Write off against allowance	(2,263)	(2,952)
At end of financial year	65,836	68,005

Trade receivables are non-interest bearing and are normally settled on 90 to 180 days' term. They are recognised at their original invoiced amounts which represent their fair values on initial recognition.

18. Trade, bills and other receivables (cont'd)

Receivables that are past due but not impaired

The Group has trade receivables amounting to approximately Rmb 67,659,000 (2008: Rmb 48,375,000) 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	
	2009	2008
	Rmb'000	Rmb'000
Trade receivables past due:		
Less than 30 days	26,403	23,052
30 to 60 days	17,666	13,443
60 to 90 days	17,093	8,046
More than 90 days	6,497	3,834
At end of financial year	67,659	48,375

Bills receivables

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

Due from subsidiaries (non-trade)

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

19. Trade and other payables

	Group		Company	
	2009	2008	2009	2008
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Trade payables	270,441	138,060	–	–
Bills payables	53,898	92,228	–	–
Due to directors	2,259	2,715	2,259	2,715
Due to subsidiaries (non-trade)	–	–	226	960
Deposits from distributors	36,982	31,614	–	–
Other payables	208,354	116,990	105	2,068
Total trade and other payables	571,934	381,607	2,590	5,743
Add:				
- Other liabilities (Note 20)	480,094	416,960	4,051	1,347
- Short term bank loans (Note 21)	–	160,000	–	–
- Term loans (Note 22)	30,000	70,000	–	–
Total financial liabilities carried at amortised cost	1,082,028	1,028,567	6,641	7,090

Notes to the Consolidated Financial Statements

30 June 2009

19. Trade and other payables (cont'd)

Trade payables

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

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 7,880,000 (2008: Nil) and Rmb 29,531,000 (2008: Nil) are secued by corporate guarantees from Dongguan Hsu Fu Chi Food Co., Ltd. and Hsu Fu Chi Holdings Ltd. respectively.

Due to subsidiaries (non-trade) / due to directors

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

Amounts due to directors comprised accrued directors' remuneration.

20. Other liabilities

	Group		Company	
	2009	2008	2009	2008
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Advances from customers	24,857	22,215	–	–
Accrued payroll	141,533	75,923	–	–
Accruals for land use rights	55,045	55,045	–	–
Accrued operating expenses	174,833	153,943	4,051	1,347
Accruals for purchase of property, plant and equipment	44,101	60,890	–	–
VAT and other operating taxes	–	14,962	–	–
Provision for PRC statutory welfare expenses	17,105	7,762	–	–
Provision for retirement benefits	6,656	5,580	–	–
Provision for sales return	11,504	16,928	–	–
Provision on potential loss arising from exchange of goods from distributors	4,460	3,712	–	–
	480,094	416,960	4,051	1,347

21. Short-term bank loans

	Group	
	2009	2008
	Rmb'000	Rmb'000
Bank of Communications[1]	–	10,000
China Construction Bank[2]	–	110,000
Bank of China[3]	–	40,000
	–	160,000

1 This short term bank loan bears interest at 6.570% per annum and was fully repaid in November 2008.

2 These five short term bank loans were secured by a corporate guarantee from Dongguan Hsu Fu Chi Food Co., Ltd. The loans bear interest at 5.913% to 6.242% per annum and were fully repaid over the period from July 2008 to October 2008.

3 This short term bank loan was secured by a corporate guarantee from Hsu Fu Chi Holdings Ltd. The loan bears interest at 7.097% per annum and was fully repaid in May 2009.

22. Term loans

	Group	
	2009	2008
	Rmb'000	Rmb'000
Industrial and Commercial Bank of China[1]	–	40,000
Bank of China[2]	30,000	30,000
	30,000	70,000
Represented by:		
Current portion of term loans	–	20,000
Non-current portion of term loans	30,000	50,000
	30,000	70,000

1 This term loan was 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 interest at 5.670% per annum. Rmb 20,000,000 was repaid in March 2009 and the remaining Rmb 20,000,000 was repaid in June 2009.

2 This term loan is secured by a corporate guarantee from Dongguan Hsu Fu Chi Food Co., Ltd. and bears interest at 6.804% (2008: 6.804%) per annum. It is repayable in full in January 2011.

Notes to the Consolidated Financial Statements

30 June 2009

23. 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

24. 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 2009 and 2008 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.

25. Dividends

	Group and Company	
	2009	2008
	Rmb'000	Rmb'000
Declared and paid during the financial year:		
Dividends on ordinary shares		
Final exempt (one-tier) dividend for 2008: Rmb 15 cents (2007: 13 cents)	119,250	103,350
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 2009: Rmb 29 cents (2008: Rmb 15 cents) per share	230,550	119,250

26. 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.

(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 2009 and 2008.

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.

Notes to the Consolidated Financial Statements

30 June 2009

26. Segment information (cont'd)

Business segments (cont'd)

Group	Candy Products Rmb'000	Cake and Cookie Products Rmb'000	Sachima Products Rmb'000	Total Rmb'000
FY 2009				
Revenue	1,868,830	1,250,048	665,996	3,784,874
Gross profit	902,835	521,812	291,837	1,716,484
Unallocated expenses, net				(1,130,074)
Financial expenses, net				(2,040)
Profit before tax				584,370
Income tax				(123,946)
Net profit attributable to shareholders				460,424
Allowance for inventory obsolescence	8,433	2,131	707	11,271
Allowance for doubtful trade receivables				94
Depreciation of property, plant and equipment				200,278
Amortisation of land use right				4,755
Amortisation of intangible assets				305
FY 2008				
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

27. 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	
	2009	2008
	Rmb'000	Rmb'000
Capital expenditure		
Commitments in respect of purchase of property, plant and equipment	13,568	92,160
Commitment in respect of contracts entered into for construction-in-progress	52,603	129,997

(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	
	2009	2008	2009	2008
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Not later than 1 year	22,629	14,171	–	203
1 year through 5 years	18,421	12,700	–	34
More than 5 years	5,310	5,310	–	–
	46,360	32,181	–	237

(c) *Guarantee*

During the financial years ended 30 June 2009 and 30 June 2008, Dongguan Hsu Fu Chi Food Co., Ltd. provided corporate guarantees to Dongguan Hsu Chi Food Co., Ltd for withdrawal of bank loans as disclosed in Note 21 and Note 22.

28. 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

30 June 2009

28. 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.

Sensitivity analysis for interest rate risk

At the balance sheet date, if RMB interest rates had been 100 basis points (2008: 100 basis points) lower/higher with all other variables held constant, the Group's profit net of tax would have been Rmb 3,046,000 (2008: Rmb 3,449,000) 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.

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

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

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

	1 year or less Rmb'000	1 to 5 years Rmb'000	Total Rmb'000
2009			
Group			
Trade and other payables	571,934	–	571,934
Other liabilities	480,094	–	480,094
Term loans	–	32,041	32,041
	1,052,028	32,041	1,084,069
Company			
Trade and other payables	2,590	–	2,590
Other liabilities	4,051	–	4,051
	6,641	–	6,641
2008			
Group			
Trade and other payables	381,607	–	381,607
Other liabilities	416,960	–	416,960
Short term bank loans	160,000	–	160,000
Term loans	20,000	53,119	73,119
	978,567	53,119	1,031,686
Company			
Trade and other payables	5,743	–	3,415
Other liabilities	1,347	–	960
	7,090	–	7,090

(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 2009, approximately 0.18% and 0.03% (2008: 0.12% and 0.31%) 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 also has 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.

Notes to the Consolidated Financial Statements

30 June 2009

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

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

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.

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	
	2009	2008
	Rmb'000	Rmb'000
	Profit net of tax	Profit net of tax
HKD – strengthened 10% (2008: 10%)	606	653
HKD – weakened 10% (2008: 10%)	(606)	(653)
USD – strengthened 10% (2008: 10%)	7,401	2,909
USD – weakened 10% (2008: 10%)	(7,401)	(2,909)
EUR – strengthened 10% (2008: 10%)	2,391	6,108
EUR – weakened 10% (2008: 10%)	(2,391)	(6,108)
SGD – strengthened 10% (2008: 10%)	5,818	27,916
SGD – weakened 10% (2008: 10%)	(5,818)	(27,916)
JPY – strengthened 10% (2008: 10%)	868	799
JPY – weakened 10% (2008: 10%)	(868)	(799)

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

(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.

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 21 and Note 22.

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			
	2009		2008	
	Rmb'000	% of total	Rmb'000	% of total
By industry sectors:				
Supermarkets	237,454	73.6	220,445	77.7
Distributors	56,454	17.5	31,446	11.1
Mini-marts or provision shops	28,608	8.9	31,730	11.2
	322,516	100.0	283,621	100.0

At the balance sheet date, approximately 29% (2008: 40%) of the Group's trade receivables were due from 5 major customers located in the PRC.

Notes to the Consolidated Financial Statements

30 June 2009

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

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

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.

29. 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 carried at other than fair value

Set out below is a comparison by category of the carrying amounts and fair values of the Group's financial instruments that are carried in the financial statements at other than fair values:

	Group		Company	
	2009	2008	2009	2008
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Term loans (Note 22):				
Carrying amount	30,000	50,000	–	–
Fair value	32,041	53,119	–	–

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.

30. 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 2009 and 2008.

As disclosed in Note 24, 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 2009 and 2008.

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 abovementioned restricted statutory reserve fund.

	Group and Company	
	2009 Rmb'000	2008 Rmb'000
Trade and other payables (Note 19)	571,934	381,607
Other liabilities (Note 20)	480,094	416,960
Bank loans (Note 21 and Note 22)	30,000	230,000
Less: Cash and cash equivalents	(1,000,046)	(841,469)
Net debt	81,982	187,098
Equity attributable to equity holders of the Company	2,485,919	2,143,321
Less: Reserve fund	(207,963)	(152,678)
Total capital	2,277,956	1,990,643
Capital and net debt	2,359,938	2,177,741
Gearing ratio	3.5%	8.6%

31. Authorisation of financial statements

The consolidated financial statements for the year ended 30 June 2009 were authorised for issue in accordance with a resolution of the directors on 8 September 2009.

Group's Land and Buildings

Buildings

(a) The particulars of the buildings owned by the Group at Factory No. 3 as of 30 June 2009 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 2009 are as set out below:

Location	Tenure	Gross Area (sq.m.)	Use of Property	Lessor
Zhouwu Industrial District, Dongcheng, Dongguan, Guangdong, PRC	Till 31 March 2011	12,000[(2)]	Dormitory, warehouse	Zhouwu Administrative District, Dongcheng, Dongguan, Guangdong, PRC
Zhouwu Industrial District, Dongcheng, Dongguan, Guangdong, PRC	Till 31 March 2011	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 March 2011	200[(2)]	Waste water pit	Zhouwu Administrative District, Dongcheng, Dongguan, Guangdong, PRC
Zhouwu Industrial District, Dongcheng, Dongguan, Guangdong, PRC	Till 31 March 2011	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. The Group's existing bank loans from the Industrial and Commercial Bank of China have been granted on an unsecured basis and are therefore not secured by these mortgages.

(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
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

Group's Land and Buildings

Location	Certificate of State-owned Land Use Right No.	Tenure	Gross Area (sq.m.)	Use of Property
Land of Henan Hsu Fu Chi Food Co. Ltd				
Zhumadian City, Sui Peng County, Hehan Province, PRC	168 of 2007	Till December 2059	333,300[(2)]	Industrial use
Land of Dongguan Hsu Chi Food Co. Ltd				
Fenggang Logistic & Transport Subsidiary, JinLong Industrial District, QingXi County, Dongguan, Guangdong Province, PRC	431 of 2007	Till March 2055	7,100[(2)]	Industrial use

Notes:

(1) The Group has agreed to mortgage this property to the Industrial and Commercial Bank of China for the purpose of securing bank loans and the Group is in the process of registering this mortgage. The Group's existing bank loans from the Industrial and Commercial Bank of China have been granted on an unsecured basis and are therefore not secured by this mortgage.

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

Statistics of Shareholdings

As at 11 September 2009

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	5	1.38	2,000	0.00
1,000	–	10,000	278	76.58	894,000	0.11
10,001	–	1,000,000	65	17.91	4,879,000	0.62
1,000,001		AND ABOVE	15	4.13	789,225,000	99.27
TOTAL:			363	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.	TRANSPAC NOMINEES PTE LTD	117,738,854	14.81
4.	OPHIRA FINANCE LTD.	107,200,000	13.48
5.	HSU, PU	87,200,000	10.97
6.	CITIBANK NOMINEES SINGAPORE PTE LTD	85,263,146	10.72
7.	HSBC (SINGAPORE) NOMINEES PTE LTD	85,181,000	10.71
8.	UOB KAY HIAN PTE LTD	14,101,000	1.77
9.	DBS NOMINEES PTE LTD	9,596,000	1.21
10.	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	8,217,000	1.03
11.	HU, CHIA-HSUN	7,685,000	0.97
12.	RAFFLES NOMINEES (PTE) LTD	7,220,000	0.91
13.	DBSN SERVICES PTE LTD	2,466,700	0.31
14.	UNITED OVERSEAS BANK NOMINEES PTE LTD	1,463,300	0.18
15.	KIM ENG SECURITIES PTE. LTD.	1,293,000	0.16
16.	PHILLIP SECURITIES PTE LTD	514,000	0.06
17.	LIAO HAO WEI	450,000	0.06
18.	LIN, SHIH-MING	345,000	0.04
19.	WU, SUNG-PAI	345,000	0.04
20.	YANG KUN-TI	243,000	0.03
	TOTAL :	791,122,000	99.49

Statistics of Shareholdings

As at 11 September 2009

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	87,200,000	10.97	–	–
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)[3]	–	–	63,702,000	8.01
Arisaig Asia Fund Limited[3]	–	–	63,702,000	8.01
Arisaig Partners (BVI) Limited[3]	–	–	63,702,000	8.01
Arisaig Partners (Holdings) Ltd[3]	–	–	63,702,000	8.01
Skye Partners Limited[3]	–	–	63,702,000	8.01
Perivoll Trust[3]	–	–	63,702,000	8.01
Linsay Cooper[3]	–	–	63,702,000	8.01
Sannox Trust[3]	–	–	63,702,000	8.01
Transpac Nominees Pte Ltd	117,738,854	14.81	–	–
Transpac Capital Pte Ltd[4]	–	–	117,738,854	14.81
Bastion Associates Limited[5]	–	–	117,738,854	14.81
Techno-Ventures Hong Kong Limited[5]	–	–	117,738,854	14.81
Leong Ka Cheong Christopher[6]	–	–	117,738,854	14.81
Transpac Capital 1996 Investment Trust[7]	–	–	81,027,405	10.19
UBS AG	1,000	0.0001	100,022,292	12.58
Star Candy Ltd	–	–	117,738,854	14.81
Baring Private Equity Asia IV Holding (12) Limited[8]	–	–	131,062,854	16.49
The Baring Asia Private Equity Fund IV L.P.[8]	–	–	131,062,854	16.49
Baring Private Equity Asia GP IV, L.P[8]	–	–	131,062,854	16.49
Baring Private Equity Asia GP IV Limited[8]	–	–	131,062,854	16.49
Jean Eric Salata[8]	–	–	131,062,854	16.49

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. Arisaig Partners ("AP") Maruitius, 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")

Statistics of Shareholdings

As at 11 September 2009

Arisaig Asia Fund, 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.

4. Transpac Nominees Pte Ltd ("TNPL") is a wholly-owned subsidiary of Transpac Capital Pte Ltd ("TPC") and TPC is therefore deemed interested in all shares held by TNPL.

5. Bastion Associates Limited ("Bastion Associates") and Techno-Ventures Hong Kong Limited ("Techno-Ventures Hong Kong") own TPC and accordingly, both are deemed interested in the shares held by TPC.

6. Leong Ka Cheong Christopher is deemed interested in the shares held by TPC through his interests held in Bastion Associates and Techno-Ventures Hong Kong.

7. Transpac Capital 1996 Investment Trust is a fund under the management of the Transpac Capital Group and is one of the beneficiaries of the shares registered under Transpac Nominees Pte. Ltd.

8. Baring Private Equity Asia IV Holding (12) Limited ("BPEA(12)") is the holding company of Star Candy Ltd.

   The Baring Asia Private Equity Fund IV, L.P ("BPE Fund IV L.P.") owns approximately 99% of BPEA(12).

   Baring Private Equity Asia GP IV, L.P. ("BPE GP I") is the general partner of and controls BPE Fund IV L.P.

   Baring Private Equity Asia GP IV limited ("BPE GP II") is the general partner of and controls BPE GP I.

   Jean Eric Salata is the holder of all the issued share capital of BPE GP II. Jean Eric Salata disclaimed beneficial ownership of the shares owned by Star Candy Ltd.

   By virtue of Section 7 of the Companies Act, BPE Fund IV L.P, BPE GP I, BPE GP II and Jean Eric Salata are deemed to have an interest in the shares held by Star Candy Ltd.

PERCENTAGE OF SHAREHOLDINGS IN PUBLIC'S HANDS

12.02% 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 SGX-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 at Meeting Room 707, Dongguan Hsu Chi Foods Co. Ltd, Zhouwu Industrial District, Dongcheng, Dongguan, Guangdong, 523118, People's Republic of China on Friday, 23 October 2009 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 2009 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a first and final dividend of RMB29 cents per share, tax not applicable for the year ended 30 June 2009 (2008: RMB15 cents per share, tax not applicable). **(Resolution 2)**

3. To re-elect the following Directors retiring pursuant to Articles 86(1) & 85(6) of the Company's Articles of Association:

Mr Hsu Chen	(Retiring under Article 86(1))	**(Resolution 3)**
Mr Hsu Pu	(Retiring under Article 86(1))	**(Resolution 4)**
Dr Lee Tsu-Der	(Retiring under Article 85(6))	**(Resolution 5)**

Dr Lee Tsu-Der will, upon re-election as a Director of the Company, remain a member of both the Audit and Nominating Committees and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST").

4. To approve the payment of Directors' fees of S$476,750 for the year ended 30 June 2009 (2008: S$500,000). **(Resolution 6)**

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

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

Notice of Annual General Meeting

AS SPECIAL BUSINESS

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

7. **SHARE ISSUE MANDATE**

That pursuant to Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), 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 cent. (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 cent. (20%) of the total number of issued shares (excluding treasury shares) in the share capital of 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;

(d) the fifty per cent. (50%) limit in sub-paragraph (a) above may be increased to one hundred per cent. (100%) for issues of Shares and/or Instruments by way of a renounceable rights issue where shareholders of the Company are entitled to participate in the same on a pro-rata basis.
[See Explanatory Note (i)] **(Resolution 8)**

8. **DISCOUNT FOR NON PRO-RATA SHARE ISSUE**

(a) That subject to and conditional upon the passing of Ordinary Resolution 8 above, approval be and is hereby given to the directors of the Company at any time to issue, other than on a pro-rata basis to shareholders of the Company, Shares (excluding convertible securities) at an issue price for each Share which shall be determined by the directors of the Company in their absolute discretion provided that such price shall not represent a discount of more than twenty per cent. (20%) to the weighted average price of a Share for trades done on the SGX-ST (as determined in accordance with the requirements of SGX-ST); and

(b) That (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier.
[See Explanatory Note (ii)] **(Resolution 9)**

By Order of the Board

Busarakham Kohsikaporn
Toh Lei Mui
Company Secretaries

Singapore, 7 October 2009

Explanatory Notes to Resolutions to be passed –

(i) 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.

This increased limit of up to 100% [referred to in sub-paragraph (d)] for renounceable pro-rata rights issue will be effective up to 31 December 2010 pursuant to SGX-ST's news release of 19 February 2009. The increased limit is subject to the condition that the issuer makes periodic announcements on the use of the proceeds as and when the funds are materially disbursed and, provides a status report on the use of proceeds in the annual report.

(ii) Ordinary Resolution 9 proposed in item 8 above, if passed, will enable Directors to issue, on a non pro-rata basis, new Shares (excluding convertible securities) on a non pro-rata basis, at a discount of not more than 20% to the weighted average market price of the Company's shares, determined in accordance with the requirements of SGX-ST. The discount in issue price of non pro-rata new Share issue is one of the interim measures announced by the SGX to accelerate and facilitate listed issuer's fund-raising efforts in a volatile and difficult market condition.

Notice of Annual General Meeting

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 need not be a Member of the Company.

2. If a Depositor wishes to appoint a 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.

4. The Meeting for this year is held in Dongguan, PRC due to several important business meetings of the Executive Directors during the mid to late October 2009 which coincide with the scheduled AGM date.

5. If a Depositor in Singapore wishes to attend the Meeting, arrangements have been made at the following venue to facilitate participation in the Meeting via video conferencing or other tele-communication facilities:

   Suntec Singapore International Convention & Exhibition Centre,
   Meeting Room 313, Level 3,
   1 Raffles Boulevard, Suntec City
   Singapore 039593

   Please be on time to avoid disrupting the Meeting which will commence sharply at 10.00 am on 23 October 2009.

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