歡樂徐福記・吃得真開心
Making Life's Sweet Delights

徐福記國際集團
Hsu Fu Chi International Limited
http://www.hsufuchifoods.com

Hsu Fu Chi International Limited
Annual Report 2010

Annual Report 2010

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

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BACKGROUND

Hsu Fu Chi was founded in China in 1992 by the Hsu brothers from Taiwan. Backed by 16 years of previous 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 ("Transpac"), a private equity firm, invested in and introduced new ideas and visions into the company. Hsu Fu Chi Holdings was then incorporated and Dongguan Hsu Chi was established as its subsidiary to oversee the development of the Hsu Fu Chi brand in China's confectionery market.

In 2000, Hsu Fu Chi together with its subsidiaries (the "Group") subscribed to operating in the modern trade, which entrenched Hsu Fu Chi's solid foundation to make the leap in China's retail market.

In 2006, Hsu Fu Chi was successfully listed on the main board of the Singapore Exchange Securities Trading Limited ("SGX-ST") and set a milestone in pursuing its goal of becoming a leading global brand.

In 2009, Star Candy Ltd, which is indirectly owned by Baring Private Equity Asia GP IV (Baring Asia) took over Transpac's shares and actively engaged itself in the board and corporate operation activities aiming at adding further value to the Group.

In June 2010, Hsu Fu Chi's fully owned subsidiary Henan Hsu Fu Chi Foods Co. commenced production of its cake products which has laid the ground for the construction of the Group's nation-wide production and logistic bases.

PRODUCTION

Currently, Hsu Fu Chi's three core production bases are all located in Dongguan in China. With a combined land area exceeding 500,000 sqm, there are 47 large-scale automated production workshops, over 217 state-of-the-art production lines and 672 automated packaging units. Being one of the largest producers of confectionery products in China, the Group produces three main product categories - Candy, Cake and Cookie, and Sachima.

BUSINESS

Over 99.5% of the Group's confectionery products are sold in China. As at the financial year ended 30 June 2010, there are 110 sales branches under the Group in China. Sales teams with over 9,000 sales personnel manage a mix of modern and traditional sales channels consisting of more than 17,353 direct retail points; and among which 3,321 specialty counters staffed by dedicated promoters are deployed in hypermarkets and supermarkets.

AWARDS AND ACCOLADES

Consistent quality, food safety and great taste are reasons Hsu Fu Chi's products have been repeatedly chosen by consumers as their preferred confectionery products brand. According to the National Bureau of Statistics of China's annual survey in 2009, Hsu Fu Chi's Candy Products topped the sales for this product category again and extended its record to twelve consecutive years since 1998. It was conferred the accolade of "China Top Brand" for its candy products in 2004 and 2007, and for its biscuits products in 2006. In year 2009, the "Hsu Fu Chi" trademark has been accredited as the "Chinese Well-Known Trademark" by the State Administration for Industry and Commerce of China.

MESSAGE FROM CHAIRMAN

Looking ahead, the Group will continue to focus on its core business of confectionery products. The Group will continue to enhance consumer loyalty to the corporate brand "Hsu Fu Chi", while further developing the Group's portfolio of brands.

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 2010 ("FY2010").

Review of Operations

For the year in review, the Group maintained its policy of building on its solid foundation. The Group has made improvement to its systems and operation platforms which facilitated its information technology management control. The Group achieved a record revenue of RMB 4.305 billion, an increase of 13.8% compared to RMB 3.784 billion in FY2009. Despite the lack of consumers' confidence in the post-financial crisis market, the Group, with its years of experience and accumulated capabilities, was able to achieve a new high gross profit of RMB 2.025 billion with a record high margin rate of 47% representing a 1.8% increase compared to the previous year. Net profit attributable to shareholders increased 30.8% over the last year, and reached RMB 602 million.

Outlook

The Group has established direct control over its modern trade channels since year 2000. It has successfully laid a solid foundation after ten years of eleborated works in its first phase of development. An effective sales and distribution platform was established nation-wide, which provided the advantage of powerful marketing execution and repetitive model for further expansion. In year 2011, the Group will embark on its second phase of development to create efficiency and sustain its performance.

Looking ahead, the Group will continue to focus on its core business of confectionery products. The Group will continue to enhance consumer loyalty to the corporate brand "Hsu Fu Chi", while further developing the Group's portfolio of brands. Following the Groups' 2009 debut of its ("Dr. Bear") first independent brand for the children, the Group will launch "Mobao" as its brand for its series of muffin cake. Leveraging on its high food quality and European product image, the Group intends to build a high-end bakery brand to further penetrate the confectionery market and expand its prospective consumer groups.

Dividend

After due consideration of the Group's earnings, operation expenses, and capital investment needs, the Board of Directors is pleased to propose a dividend of RMB 0.75 per share, comprising a final dividend of RMB 0.38 and a special dividend of RMB 0.37, for approval by the shareholders at the forthcoming Annual General Meeting, in appreciation of shareholders' trust and support in the Group.

Appreciation

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

On behalf of the Board, I would like to record our thanks to Mr Cheong Kok Yew who stepped down from the Board in October 2009, and a warm welcome to Mr Shaw Sun Kan Gordon who joined the Board on 1 November 2009.

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 FY2010, the Group achieved a revenue of RMB 4.305 billion, a 13.8% growth from the previous year, 99.5% of which was contributed by the China mainland market. Among the three key product categories, revenue from cake and cookie products, candy products and sachima products increased by 8.5%, 16.6% and 15.8% respectively, compared to the previous year. All product categories experienced stable growth.

The Group was able to maintain its performance and growth despite the weak market and low consumption in the post-financial crisis period. With continuing expansion of production capacity and launch of new products, the Group's strong brand and consumer loyalty combined with a versatile product mix and successful route-to-market, management have paved the way to its steady growth.

The total production capacity for the FY2010 increased by 8.7% to 343,417 tonnes, due to the completion of certain facilities in Dongguan.

Raw material prices stayed low for the first half of FY2010, as the worldwide market gradually recovered. Sales margin was driven up due to lower production cost as compared to the

same period of FY2009. The Group's gross profit margin reached RMB 2.025 billion, outperforming the previous year's result by 1.7%. Net profit attributable to shareholders increased 30.8% to RMB 602 million with a new high net profit margin of 14%.

For FY2010, the Group expanded its sales network by 13% to 110 branch offices. On top of that, 20 regional operational offices have been set up to facilitate execution of sales plans and monitor results. Retail points under direct operational control expanded to 17,353, representing an over 30% increase, whereas the pick-and-mix specialty counters in the super and hyper markets grew by 8.5% to 3,321 counters. In product development, the Group introduced over 20 new products, which brought the total number of product items under the Group's three key categories to over 480 items.

Targeting the children's market, the Group launched a new brand 'Dr. Bear' in year 2009. Highly profiled as the 'confectionery expert', Dr. Bear sets out to attend to the Chinese children and to grow up with them. The Group plans to build up a renowned children's brand in 3 to 5 years, with diligent branding effort.

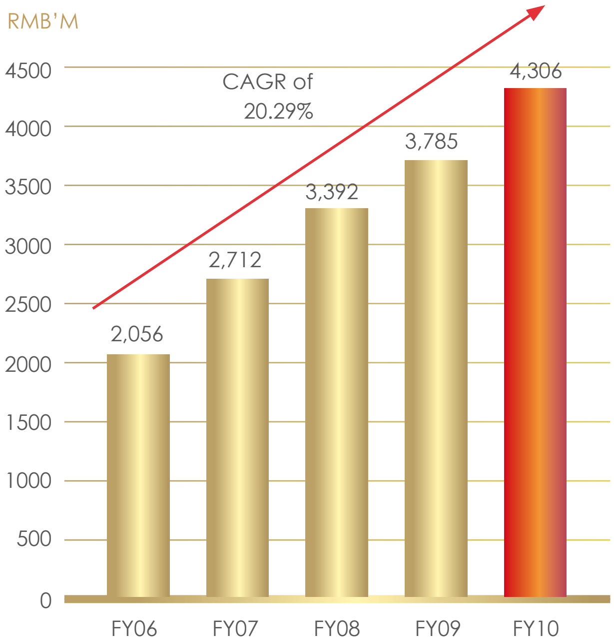
At the same time, the Group enhanced its promotion on Sachima and bulk-packed bakeries by advertising during peak festive seasons, in addition to its Chinese New Year Confectioneries. This further strengthened its brand recognition by customers.

The Group's candy products maintained its position as the top seller this year. According to the National Bureau of Statistics of China, Hsu Fu Chi's candy has topped the sales in China for 12 consecutive years since 1998. The Group was awarded the honor of "New and High Technology Enterprise", and was granted a tax incentive.

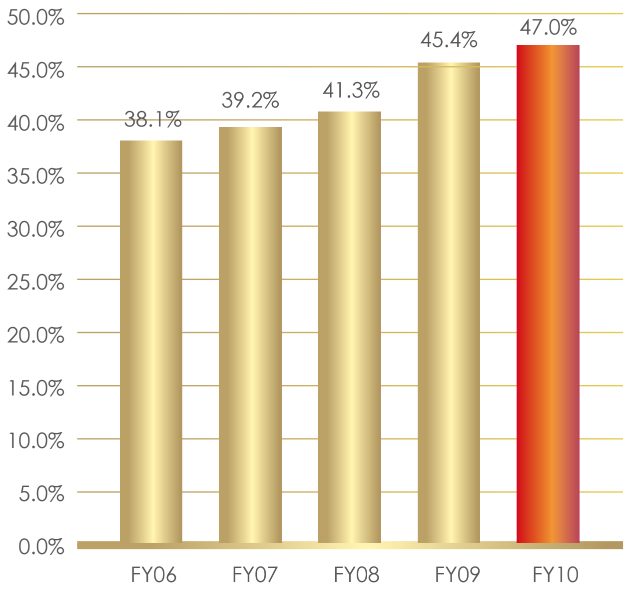
FINANCIAL HIGHLIGHTS

Revenue

RMB'M

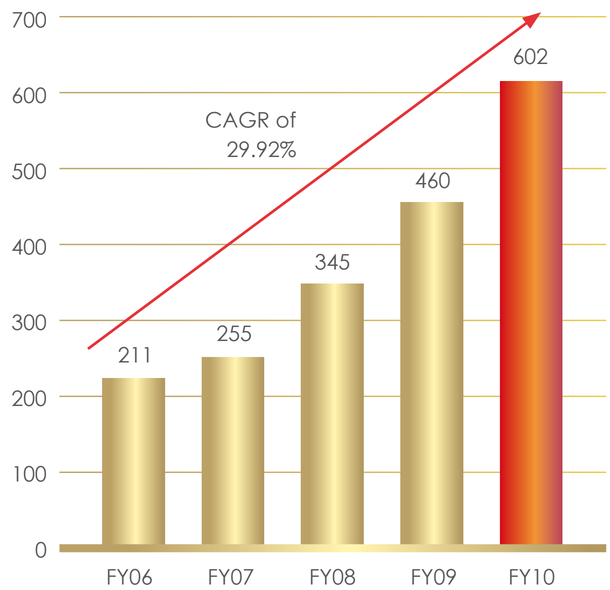


Gross Profit Margin

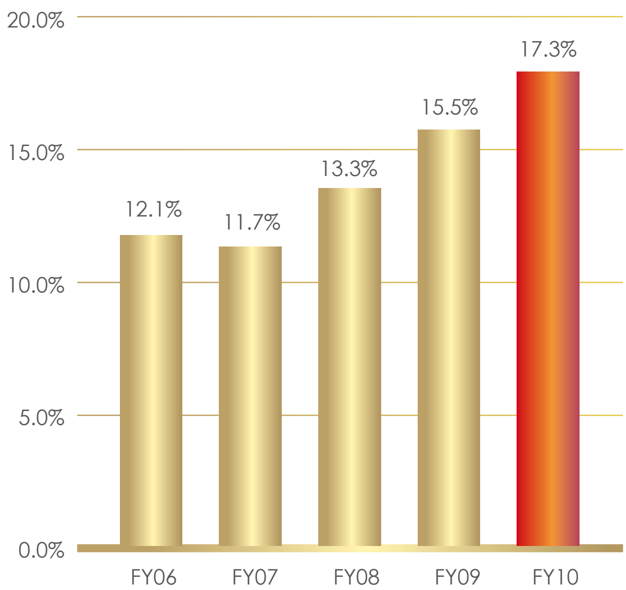


Net Profit Attributable to Shareholders

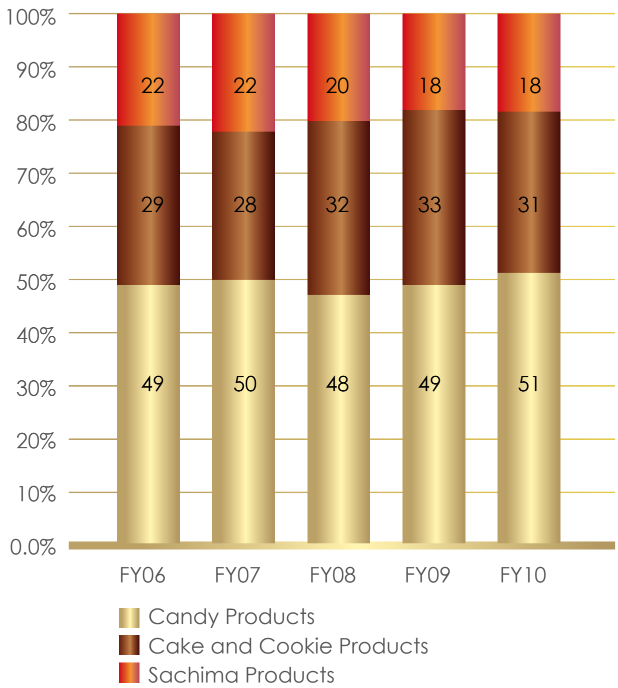
RMB'M



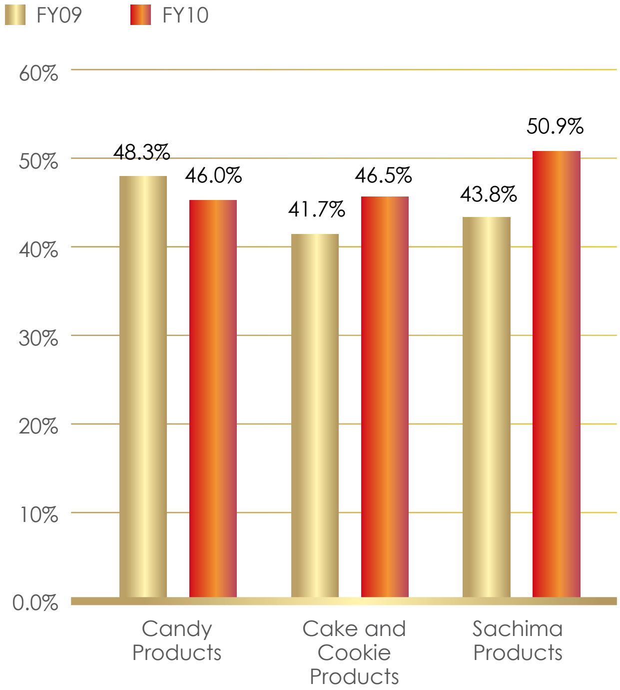
EBIT Margin



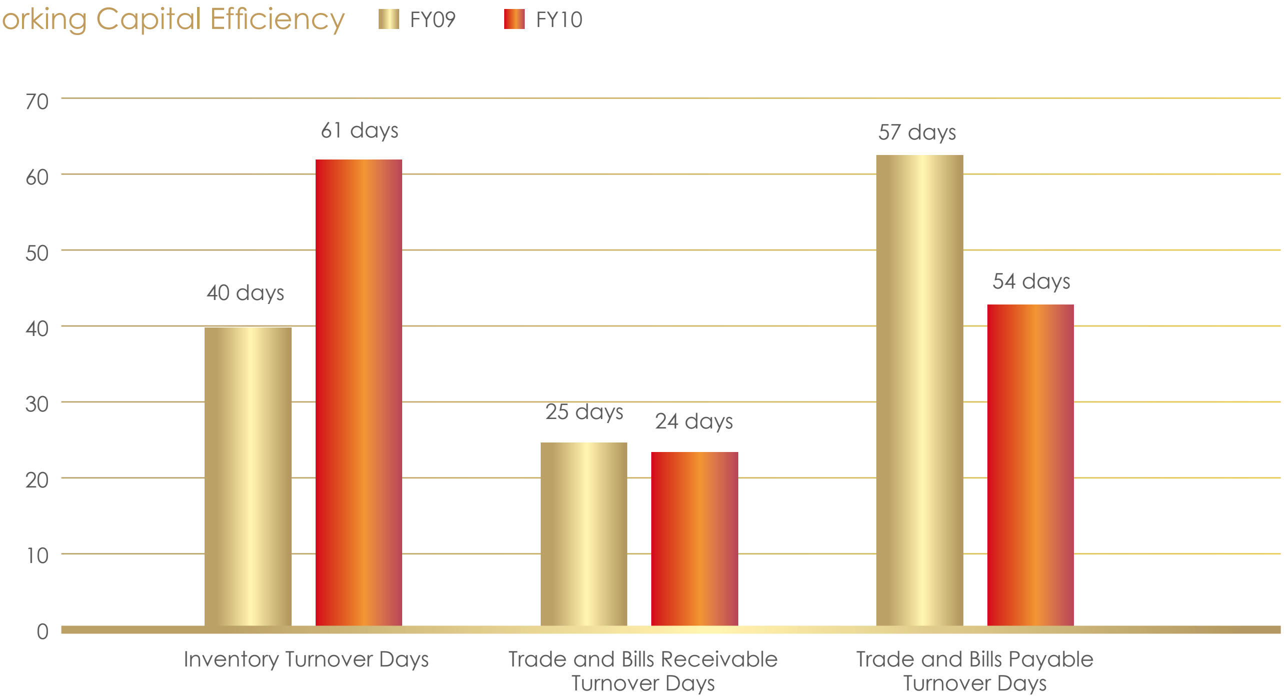
Percentage of Total Revenue by Product Categories



Gross Profit Margin by Product Categories



Working Capital Efficiency



CORPORATE STRUCTURE

- **Hsu Fu Chi International Limited**
  - 100% **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 Commdity Limited
    - Huzhou Hsu Fu Chi food Co.Ltd.
  - 100% **Hsu Fu Chi Holdings Ltd.**
    - Top Ocean Trading Limited
    - Hsu Fu Chi (HongKong) Trading Company Limited
      - Kyoichido Co., Ltd. (formerly known as Marukyo Confectionery Co. Limited)

CORPORATE SALES NETWORK

By FY2010, the Group has established more than 110 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,Nantong,Xiaogan,Yangzhou,Jinzhou,Ganzhou,Yichang,Nanping,Zhangzhou,Guannan,Taizhou, Xiangtan,Luoyang,Xinyang,Linfen,Jingdezhen.Xuzhou,Weifang,Jining,Hanjiang,Yueyang,Shaoyang,Leshan, Anqing,Jiujiang,Changping,Anshan,Qiqihaer,Huaihua,Qingshan,Nanchong,Liuzhou,Dali,Qujing, Fuyang, Fenggang,Longgang,Baoan,Zhongshan,Pudong.

Note: The Haifeng branch was struck off in May 2010.

BOARD OF DIRECTORS

Hsu Chen
Executive Director

Mr. Hsu Chen is the Executive Chairman and one of the founders of the Group. He oversees the Sales Department, Marketing Department and Product Development Department. He is also currently the director of certain subsidiaries of the Company. He was appointed a Director on 8 October 2006 and was last re-elected on 23 October 2009. Mr. Hsu Chen has extensive experience in the confectionery and snack food industry. Prior to the founding of the Group in 1992, Mr. Hsu Chen was the general manager of Hsu Chi (Taiwan) Foods Co., Ltd., a company in the business of processing and selling candies, dried bean curd, preserved fruits, melon seeds, peanuts and barbecued pork, from 1976 to 1992. He was also the general manager of Taiwan An Gu Foods (Marketing) Industrial Co. Ltd, which was involved in the import, marketing and sales of the products of Hsu Chi (Taiwan) Foods Co. Ltd. during the same period. From 1991 to 1995, Mr. Hsu Chen was the general manager of Hsu Chi (Indonesia) Food (Manufacturing) Company and was responsible for its overall operations. He was also the general manager of Thailand Hua Tai Liang He Company (a company in the business of production and trading of preserved fruits) from 1985 to 1995. Mr. Hsu Chen attended Ming Hsin Institute of Industrial Technology from 1969 to 1970.

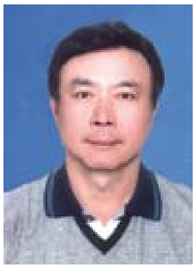
Hu Chia-Hsun
Executive Director

Mr. Hu Chia-Hsun joined the Group as the President in 2005, and 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 market research, project undertaking and business coordination. He founded Central Human-Resource & Management Co., Ltd. and ITAI Engineering & Construction Co. Ltd. in 1991 and 1997 respectively, and operated the two companies successfully. Mr. Hu Chia-Hsun holds a Bachelor Degree of Science in civil engineering from Tamkang University, Taiwan and a Master's degree in Business Administration from Andrews University, Chicago, United States.

Hsu Hang
Executive Director

Mr. Hsu Hang is the Chief Operating Officer and 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. He is currently the director of certain subsidiaries of the Company. He is currently the Vice-president of Dongguan Taiwan Investment Enterprise Association. He was the President of the Dongcheng Branch of Dongguan Taiwan Investment Enterprise Association from 1999 to 2001. Prior to founding the Group in 1992, Mr. Hsu Hang was a sales director of Taiwan An Gu Foods (Marketing) Industrial Co., Ltd., a company in the business of selling and distributing snack food products from 1981 to 1992. Mr. Hsu Hang received his degree of Executive Master in Business Administration from the Pacific Western University in the United States. He holds a diploma from the Institute of World's Journalism in Taiwan.

Hsu Pu
Non-executive Director



Mr. Hsu Pu is one of the founders of the Group. He was appointed a Non-executive Director on 26 October 2007 and was last re-elected on 23 October 2009. He is currently the director of certain subsidiaries of the Company, and also the Executive Director of Hong Kong Kalitex Industrial Limited and Strong Power International Enterprise Limited. Prior to that, Mr. Hsu Pu was the director of Taiwan An Gu Foods (Marketing) Industrial Co. Ltd. and Taiwan Hsu Chi Food from 1976 to 1992. He studied in Taiwan's National Cheng-Chi University between 1974 and 1975.

Shaw Sun Kan Gordon
Non-executive Director

Mr. Shaw was appointed as Director on 1 November 2009. Mr. Shaw has over years of private equity background with broad deal experience across Asia. Mr. Shaw was previously a Director at AIG Investment Corp (Asia) Ltd., as well as the head of Equity Investments at Nan Shan Life Insurance in Taiwan.

Prior to AIG, Mr. Shaw was with various departments in Citibank including Corporate Finance and Direct Investment. Before returning to Asia, Mr. Shaw was Senior Design Engineer at Schlumberger Technologies in San Jose, California. Mr. Shaw holds a Bachelor of Science in Electrical Engineering from Massachusetts Institute of Technology, and a Master in Business Administration from Columbia University.

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 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, 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 degree of Accountancy 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 of 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 as a Director on 24 October 2008 and was last re-elected on 23 October 2009. 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 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 Taipei Medical University.

Kenneth Cheong

Alternate Director

Mr. Kenneth Cheong was appointed an alternate director to Mr Gordon Shaw on 31 March 2010. Mr. Cheong is a managing director of Baring Private Equity Asia which advises over US$2.5 billion in capital in Asia. He joined Baring Private Equity Asia in 1998 and has over 12 years of experience in the private equity industry and 6 years of experience in the financial services industry. Mr. Cheong is responsible for investment activities in Southeast Asia and cross border investment activities between Southeast Asia and China. From 1995 to 1998, Mr. Cheong was a Manager at BZW Asia Ltd where he was involved in mergers & acquisitions and equity capital market transactions. From 1992 to 1995, Mr Cheong was an Assistant Treasurer with DBS Bank Ltd where he was involved in corporate banking. Mr. Cheong graduated with First Class Honors in Econometrics and Mathematical Economics from the London School of Economics.

SENIOR 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 had worked in Zhengyi Foods, Ting Hsin International and Optimis Group, and hold experience in various positions from production/sales managers, vice general manager, general manager, to board director. He has over 21 years of experience in the food and related industries.

Greg Chou

Mr. Greg Chou is the Financial Controller of the Group. He joined the Group in 2008 and is responsible for the company's financial operations. Mr. Chou has 8 years of diverse work experience from working in accounting firm (PWC) to stock listed company (EVA) mostly in 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.

Daniel Chang

Mr. Daniel Chang is the Accounting Director of the Group. He joined the Group in 2009 and is responsible for general accounting and financial operations. Mr. Daniel Chang has 25 years of working experience from working in multi-national manufacturing companies (Philips) to stock listed companies (Primax and Taiwan Cement) focussing mostly on the area of accounting and business controlling. He majored in accounting at Taiwan's Fong-Chia University.

Kuo Hong-Chen

Mr. Kuo Hong-Chen joined the Group in October 2007 as the Vice General Manager in charge of Research & Development (R&D) and Quality Assurance (QA). Mr. Kuo Hong Chen is responsible for supervising functions of R&D and QA, to ensure effective coordination with production. Mr. Kuo holds a Master Degree in Food Manufacturing from Taiwan University. Prior to joining the Group he worked in a few well-known food companies in Hong Kong, Taiwan, and China. He has over 30 years of experience in development and production of dairy produce and various food products.

Ma Hao

Mr. Ma Hao is the Head of 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，the Member of National Technical Committee on Foods for Special Dietary Use of Standardization Administration of China, the Member of National Technical Committee on Snack Food Standardization, and the Member of Expert Committee of China National Food Industry Association. Mr. Ma joined Dongguan Hsu Chi in 1997. Prior to joining Dongguan Hsu Chi, Mr. Ma was the Deputy Factory Manager of Dongguan Hao Le Ice-cream Factory from 1992 to 1994 and was responsible for quality control of its products and technology. Mr. Ma holds a Bachelor degree in food engineering from South China University of Technology in 1988.

Yang Kun-Ti

Mr. Yang Kun-Ti is the Deputy Head of Sales Operations Department and is responsible for sales distribution, logistics and receivable collection management. 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 studied at the National Open University in Taiwan.

Peng Wu-Tsai

Mr. Peng Wu-Tsai was appointed the Group's Financial Director in May 2008. He is dedicated in supervising financial and tax functions of all the sales offices. Prior to joining the Group he was an Assistant to General Manager of Feipeng Industry Co. Ltd., a Finance Director of Hangzhou Tingyi Food Co. Ltd., and a 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 of experience in finance operation and management.

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 developing the direct retail operations which is expected to become a new route to market for the company's products. Prior to joining the Group he was the General Manager of Singapore Tiangu Ltd. Hong Kong office from 1996 to 2000, and between 2000 to 2005 he was the General Manager of the Shanghai Niufu Food Industrial Ltd.

Wang Li-Lien

Mr. Wang Li–Lien (formerly Wang, Yung-Chiang) is the Head of Plant Logistics Department. He joined the Group in November 2008, and took over the position in February 2009. Prior to that, he was in professional military service, and had eight-year experience in the field of logistics management.

CORPORATE INFORMATION

BOARD OF DIRECTORS
Executive:
Hsu Chen (Chairman)
Hu Chia-Hsun
Hsu Hang

Non-Executive:
Lim Hock San (Independent)
Lam Khin Khui (Independent)
Lee Tsu-Der (Independent)
Hsu Pu (Non-Independent)
Shaw Sun Kan Gordon (Non-Independent)
(appointed on 1/11/2009)
Cheong Tuck Kuen Kenneth
(Alternate Director to Shaw Sun Kan Gordon)
(appointed on 31/3/2010)
Cheong Kok Yew
(resigned on 23/10/2009)

AUDIT COMMITTEE
Lim Hock San (Chairman)
Lee Tsu-Der
Shaw Sun Kan Gordon

NOMINATING COMMITTEE
Lam Khin Khui (Chairman)
Lim Hock San
Lee Tsu-Der
Shaw Sun Kan Gordon

REMUNERATION COMMITTEE
Lam Khin Khui (Chairman)
Lim Hock San
Shaw Sun Kan Gordon

COMPANY SECRETARIES
Busarakham Kohsikaporn, FCIS
Toh Lei Mui, ACIS

ASSISTANT SECRETARY
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Grand Cayman KY1-1111
Cayman Islands

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Guangdong, 523118
PRC
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Fax: 0769-22264864
Website: http://www.hsufuchifoods.com

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Boardroom Corporate & Advisory Services Pte. Ltd.
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#32-01 Singapore Land Tower
Singapore 048623

CAYMAN ISLANDS SHARE REGISTRAR
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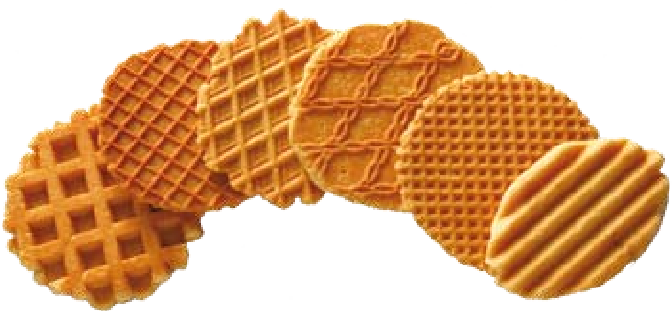
Grand Cayman KY1-1111
Cayman Islands

AUDITORS
Ernst & Young LLP
1 Raffles Quay #18-01
North Tower
Singapore 048583

AUDIT PARTNER-IN-CHARGE
Max Loh Khum Whai
(Appointed with effect from the financial year ended 30 June 2007)

CORPORATE COUNSEL
Loo & Partners LLP
16 Germmill Lane
Singapore 069254



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 they are 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)
Lim Hock San (Independent)
Lam Khin Khui (Independent)
Lee Tsu-Der (Independent)
Shaw Sun Kan Gordon (Non-independent)
Cheong Tuck Kuen Kenneth (Alternate to Shaw Sun Kan Gordon)

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

The Board's role 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 Management's performance;

(iv) overseeing the process related to 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 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. All Board Committees have been constituted with clear written terms of reference and are chaired by an Independent Director and all members 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 the delegated power to make decisions, execute actions or make recommendations in their specific areas respectively, the ultimate responsibility for the decisions and actions reside with the Board. As and when required, additional Board meetings are also held to address significant transactions or issues that arise.

The Company's articles provide for meetings to be held via telephone and video-conferencing through which all persons participating in the meetings can communicate with each other simultaneously and instantaneously. When a physical Board or Board Committee meeting is not possible, timely communication with members of the Board or Board Committee can be achieved through electronic means and the circulation of written resolution for approval by the relevant members of the Board of Board Committee.

Details of Board and Board committee meetings held during the financial year ended 30 June 2010 ("FY2010") are summarized in the table below:

Meeting	Board	Audit Committee	Nominating Committee	Remuneration Committee
Total held in FY2010	4	4	2	2
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[1]	2	2	2	1
Lim Hock San	4	4	2	2
Lam Khin Khui	4	NA	2	2
Lee Tsu-Der	3	3	1	NA
Shaw Sun Kan Gordon (Alternate : Cheong Tuck Kuen Kenneth)[2]	2	2	NA	1

Notes:

1. Cheong Kok Yew resigned as a non-executive Director on 23 October 2009.

2. Shaw Sun Kan Gordon was appointed a non-executive Director on 1 November 2009 and Cheong Tuck Kuen Kenneth was appointed an alternate director to Mr Shaw on 31 March 2010.

The Board is kept informed of the new updates regarding the requirements of the Singapore Exchange Securities Trading Limited ("SGX-ST") and other statutory and regulatory requirements 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 and visit the Group's operational facilities 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.

Principle 2: Board Composition and Guidance

The size and composition of the Board are reviewed by the Nominating Committee ("NC") to ensure that the Board has the appropriate mix of expertise and experience and collectively possess 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 for the 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 bring independent judgment to bear on business activities and transactions involving conflicts of interest and other complexities.

The Articles of Association of the Company provide that each director should retire at least once every three years (Article 86(1)). 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 (Article 85(6)).

Mr Lam Khin Khui (pursuant to Article 86(1)) and Mr Shaw Sun Kan Gordon (pursuant to Article 85(6)) will be retiring at the forthcoming AGM.

The NC having considered the attendance and participation of the Directors at Board and Board Committees meetings, in particular, their contributions to the business and operations of the Company as well as Board processes, had nominated the abovenamed persons for re-appointment at the forthcoming AGM.

The Board has accepted the NC's nomination and the abovenamed directors will be offering themselves for re-election.

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 provides the Group with a strong leadership and vision. He is responsible for business strategy and direction, formulation of the Group's corporate plans and policies and executes 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 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 briefed 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 & CEO on 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 & 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 any undue influence on any decision made by the Board.

As such, the Board does not consider segregating the role of Chairman & 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 Secretary assists 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)
Lim Hock San
Lee Tsu-Der
*Shaw Sun Kan Gordon

Mr Shaw was appointed as member of the NC on 1 November 2009.

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.

Pursuant to its terms of reference, the NC is required to determine if a Director has been adequately carrying out his duties as a Director of the Company, particularly if he has multiple board representations. Having considered the confirmations received from Mr Lam Khin Khui, Mr Lim Hock San, Dr Lee Tsu-Der and Mr Shaw Sun Kan Gordon, the NC concluded that each Director had been adequately carrying out his duties despite his multiple board representation.

The NC has adopted a Process for Selection and Appointment of New Directors which provides 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.

A formal letter is sent to newly-appointed Directors setting out the terms and conditions of his appointment.

The 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 NC also deems a director who is directly associated with a substantial shareholder as non-independent, although such a relationship has not been expressly adopted in the Code as one that may deem a director not to be independent.

The NC has also reviewed the independence of the Board members and has determined Lam Khin Khui, Lim Hock San and Lee Tsu-Der to be independent and free from any of the relationships as outlined in the Code. The remaining non-executive directors namely Hsu Pu (a substantial shareholder) and Shaw Sun Kan Gordon, by virtue of his nomination made by a substantial shareholder, are deemed non-independent by the NC.

The NC has 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 the Board composition, information flow to the Board, Board procedures, Board accountability matters and standards of conduct of the Board members.

As part of the process, the directors complete a Board Evaluation Questionnaire which is then collated by the Company Secretary and presented to the NC together with comparatives from the last 2 years. The NC will also discuss the feedback with Board members.

For FY2010, the NC is generally satisfied with the Board evaluation results, which indicated areas for improvement, but no significant problems were identified. The NC had discussed these results with Board members who 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 pages 12 to 13 of the Annual Report.

Principle 6: Access to Information

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

The Company Secretaries attends 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
*Shaw Sun Kan Gordon

**Mr Shaw was appointed as member of the RC on 1 November 2009.*

The RC is responsible for the following:

(a) reviews and recommends 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) reviews and determines the remuneration package for the CEO, executive directors & key executives. The recommendations of the RC on the remuneration package shall be submitted to the entire Board for approval.

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

(d) recommends to the Board term incentive schemes which may be set up from time to time.

(e) carries 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.

Principle 8: Level and Mix of Remuneration

Each director is paid a basic fee. The RC, having regard to the level of contribution and time spent, had recommended Directors' fees amounting to S$456,000 which have been endorsed by the Board 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.

As part of its responsibilities, the RC reviews the remuneration of each of the executive directors and senior management's remuneration packages annually and makes recommendations to the Board for approval. The RC ensures that their remuneration commensurate with their performance, giving due regard to the financial and commercial health and business needs of the Group. Each member of the RC shall abstain from voting on any resolutions and making recommendations and/or participating in any deliberations of the RC in respect of his remuneration package or fees.

The service contract between the Company and the Chairman was renewed for a period of 2 years commencing on 1 December 2009. The service contract consists of a salary and a performance bonus depending on the profit level of the Group.

Principle 9: Disclosure on Remuneration

The level and mix of each individual director's remuneration band for FY2010 is as follows:

	Directors' fees	Salary	Bonus	Benefits	Total
Above S$500,000					
Hsu Chen[1]	8%	27%	65%	–	100%
Below S$250,000					
Hu Chia-Hsun	22%	68%	10%	–	100%
Hsu Hang[1]	18%	46%	36%	–	100%
Hsu Pu[1]	100%	–	–	–	–
Cheong Kok Yew[2]	100%	–	–	–	–
Shaw Sun Kan Gordon[3] (Alternate : Cheong Tuck Yew Kenneth)	100%	–	–	–	–
Lim Hock San	100%	–	–	–	–
Lam Khin Khui	100%	–	–	–	–
Lee Tsu Der	100%	–	–	–	–

Notes:

1. Hsu Chen, Hsu Hang and Hsu Pu are brothers.
2. Cheong Kok Yew resigned as a non-executive Director on 23 October 2009.
3. Shaw Sun Kan Gordon was appointed a non-executive Director on 1 November 2009 and Cheong Tuck Kuen Kenneth was appointed as an alternate director to Mr Shaw on 31 March 2010.

For FY2010, the remuneration of the top 5 executives of the Group is as follows:

	Salary	Bonus	Benefits	Total
Below S$250,000				
Peng Wu Tsai	92%	8%	–	100%
Greg Chou	92%	8%	–	100%
Yang Kun-Ti	92%	8%	–	100%
Kuo Hong Chen	87%	13%	–	100%
Lee Kok Lee	61%	39%	–	100%

Notes:

1. Mr Hsu Chin is the son of Hsu Pu and nephew of Hsu Chen and Hsu Hang and his remuneration did not exceed S$150,000 during the year.
2. Mr Hsu Hao is the son of Hsu Chen and nephew of Hsu Pu and Hsu Hang. 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 as at 30 June 2010.

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)
Lee Tsu-Der
*Shaw Sun Kan Gordon

**Mr Shaw was appointed as member of the AC on 1 November 2009.*

The AC members have numerous years of experience in senior management positions. The Board believes that the AC Member are appropriately qualified, having the necessary accounting or related financial management expertise to discharge their duties and responsibilities.

The AC held four 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 AC's functions are outlined below :

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

(b) reviews 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) reviews 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 management, where necessary);

(d) reviews 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 management's response;

(e) reports to the Board its findings from time to time on matters arising and requiring the attention of AC;

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

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

(h) reviews transactions falling within the scope of Chapter 9 and Chapter 10 of the Listing Manual.

(i) reviews potential conflicts of interest, if any;

(j) undertakes 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

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

The Group has adopted a "Whistle-Blowing Policy" programme which provides an avenue for staff of the Group to raise concerns about possible improprieties which may cause financial or non-financial loss of the Company. There were no reports received for FY2010 under the 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.

For FY2010, the AC had also met with the external auditors separately, without the presence of the Management. The external auditors confirmed that they had received full co-operation from the Management and no restrictions were placed on the scope of the audit. The AC had also reviewed the non-audit related work carried out by the external auditors during FY2010 and is satisfied that their independence and objectivity has not been impaired by the provision of those services.

The AC, with the concurrence of the Board, 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 ("IA")

The Group has previously outsourced its internal audit function to KPMG Risk Advisory Services. The Management is of the view that the internal audit function will be better run by having an in-house internal audit department as it will possess a better understanding of the Group's operations. The Group has therefore put in place an internal audit department ("IAD") to oversee the internal audit function from September 2010 onwards.

The IAD will report directly to the AC on audit matters and the CEO on administrative matters.

The AC will review the adequacy of the internal audit function annually, the effectiveness of the Group's material internal controls and ensure that the internal audit function is adequately resourced and has appropriate standing within the Group.

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

The Company is committed to regular and open 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 ("AGM"), shareholders will be given the opportunity to voice their views and seek clarification. An alternate meeting venue is arranged in Singapore for shareholders who are unable to attend its AGM in Dongguan, People's Republic of China.

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 and implication of insider trading. 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 unpublished price-sensitive information. The Group confirmed that it had adhered to its policy for securities transaction for FY2010.

MATERIAL CONTRACTS

Save for the service agreements entered into between the Company and the Board Chairman/CEO, there were no material contracts of the Company, or its subsidiaries involving the interests of the Chairman/CEO, any Director or controlling shareholder subsisting as at 30 June 2010.

INTERESTED PERSON TRANSACTIONS

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

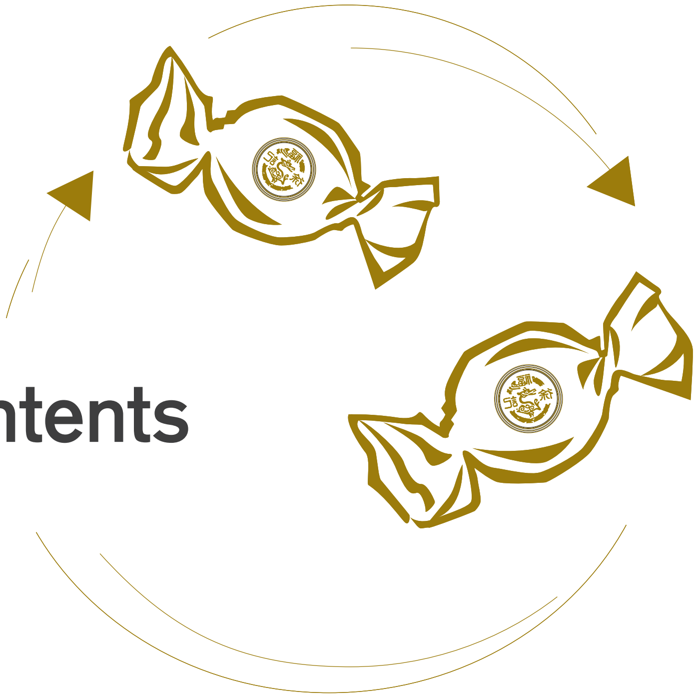
The AC and Board had reviewed these transactions in the financial year 2010 and ascertained that these transactions were carried out at arm's length and under normal commercial terms.

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 27 of the Notes to the Financial Statements, on page 62 to 66 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 2010.

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)
Shaw Sun Kan Gordon	(Non-executive Director)
Lim Hock San	(Independent Director)
Lam Khin Khui	(Independent Director)
Dr Lee Tsu-Der	(Independent Director)
Cheong Tuck Kuen Kenneth	(Alternate Director to Shaw Sun Kan Gordon)

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 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/date of appointment	At the end of financial year	At the beginning of financial year/date of appointment	At the end of financial year
The Company				
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	87,200,000	87,200,000	Nil	Nil
Shaw Sun Kan Gordon	Nil	Nil	7,000	7,000
Cheong Tuck Kuen Kenneth (Alternate director to Shaw Sun Kan Gordon)	36,000	36,000	36,000	36,000

(1) Ophira Finance Ltd holds 107,200,000 shares in the Company as at 30 June 2010. 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.

There was no change in any of the above-mentioned interests between the end of the financial year and 21 July 2010.

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 2010, there were no options on the unissued shares of the Company or its subsidiaries which are outstanding.

The Company does not have any share option scheme.

Audit Committee

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

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

The AC, having reviewed all non-audit services provided by the external auditors to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditors. The AC has also conducted a review of interested person transactions.

The AC convened four meetings during the year with full attendance from all members. The AC has also met with the external auditors, without the presence of the Company's management, at least once a year.

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

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

Auditors

Ernst & Young LLP has expressed its willingness to accept reappointment as auditors.

On behalf of the board of directors:

Hsu Chen
Director

Hsu Hang
Director

1 October 2010

STATEMENT BY DIRECTORS

30 June 2010

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 statement of comprehensive income, 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 2010 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

1 October 2010

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 31 to 68, which comprise the balance sheets of the Group and the Company as at 30 June 2010, the statements of changes in equity of the Group and the Company, the statement of comprehensive income and consolidated 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 2010, 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

1 October 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Financial Year ended 30 June 2010 (Amounts expressed in Renminbi)

	Note	30.06.10 Rmb'000	30.06.09 Rmb'000 (Restated)
Revenue	4	4,305,656	3,784,874
Cost of sales		(2,279,968)	(2,068,390)
Gross profit		2,025,688	1,716,484
Other items of income			
Other income	5	39,119	39,242
Financial income	6	12,961	9,894
Other items of expense			
Selling and distribution expenses		(1,122,337)	(957,709)
General and administrative expenses		(198,617)	(211,607)
Financial expenses	6	(2,341)	(11,934)
Profit before tax	7	754,473	584,370
Income tax	10	(152,278)	(123,946)
Profit net of tax		602,195	460,424
Other comprehensive income:			
Foreign currency translation reserve		(8)	1,424
Other comprehensive income for the year, net of tax		(8)	1,424
Total comprehensive income attributable to shareholders		602,187	461,848
Basic and diluted earnings per share (Rmb)	11	0.76	0.58

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

BALANCE SHEETS

As at 30 June 2010 (Amounts expressed in Renminbi)

	Note	Group 30.06.10 Rmb'000	Group 30.06.09 Rmb'000 (Restated)	Group 01.07.08 Rmb'000 (Restated)	Company 30.06.10 Rmb'000	Company 30.06.09 Rmb'000
Investment in subsidiaries	12	–	–	–	982,197	982,197
Property, plant and equipment	13	1,591,299	1,693,374	1,403,407	–	–
Land use rights	14	211,803	218,529	206,284	–	–
Intangible assets	15	2,029	1,262	1,358	–	–
Prepayments for property, plant and equipment		210,015	139,685	130,431	–	–
Deferred tax assets	16	97,107	90,562	87,771	–	–
		2,112,253	2,143,412	1,829,251	982,197	982,197
Current assets						
Inventories	17	381,650	227,725	216,289	–	–
Trade, bills and other receivables	18	314,401	287,347	245,005	878,658	879,448
Prepayments		47,208	29,265	122,927	1,111	1,587
Cash and bank balances		1,291,828	1,008,135	846,636	2,968	52,593
		2,035,087	1,552,472	1,430,857	882,737	933,628
TOTAL ASSETS		4,147,340	3,695,884	3,260,108	1,864,934	1,915,825
EQUITY AND LIABILITIES						
Current liabilities						
Trade and other payables	19	608,525	571,934	381,607	2,443	2,590
Other liabilities	20	542,889	480,094	416,960	3,192	4,051
Short-term bank loans		–	–	160,000	–	–
Term loans	21	–	–	20,000	–	–
Provision for income tax		29,363	51,523	69,231	–	–
		1,180,777	1,103,551	1,047,798	5,635	6,641
NET CURRENT ASSETS		854,310	448,921	383,059	877,102	926,987
Non-current liabilities						
Term loans	21	–	30,000	50,000	–	–
Deferred tax liabilities	16	109,007	76,414	18,989	–	–
		109,007	106,414	68,989	–	–
TOTAL LIABILITIES		1,289,784	1,209,965	1,116,787	5,635	6,641
NET ASSETS		2,857,556	2,485,919	2,143,321	1,859,299	1,909,184
Equity attributable to equity holders of the parent						
Share capital	22	40,124	40,124	40,124	40,124	40,124
Share premium		1,445,020	1,445,020	1,445,020	1,445,020	1,445,020
Translation reserve		(101)	(93)	(1,517)	–	–
Reserve fund	23	282,193	207,963	152,678	–	–
Restructuring reserve		(716,588)	(716,588)	(716,588)	–	–
Accumulated profits		1,806,908	1,509,493	1,223,604	374,155	424,040
TOTAL EQUITY		2,857,556	2,485,919	2,143,321	1,859,299	1,909,184
TOTAL EQUITY AND LIABILITIES		4,147,340	3,695,884	3,260,108	1,864,934	1,915,825

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 2010 (Amounts expressed in Renminbi)

Group	Share capital (Note 22) 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 2009	40,124	1,445,020	(93)	207,963	(716,588)	1,509,493	2,485,919
Profit net of tax	–	–	–	–	–	602,195	602,195
Other comprehensive income for the year	–	–	(8)	–	–	–	(8)
Total comprehensive income for the year	–	–	(8)	–	–	602,195	602,187
Dividends (Note 24)	–	–	–	–	–	(230,550)	(230,550)
Appropriation to reserve fund	–	–	–	74,230	–	(74,230)	–
Closing balance at 30 June 2010	40,124	1,445,020	(101)	282,193	(716,588)	1,806,908	2,857,556
Opening balance at 1 July 2008	40,124	1,445,020	(1,517)	152,678	(716,588)	1,223,604	2,143,321
Profit net of tax	–	–	–	–	–	460,424	460,424
Other comprehensive income for the year	–	–	1,424	–	–	–	1,424
Total comprehensive income for the year	–	–	1,424	–	–	460,424	461,848
Dividends (Note 24)	–	–	–	–	–	(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

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.

Company	Share capital (Note 22) Rmb'000	Share premium Rmb'000	Translation reserve Rmb'000	Accumulated profits Rmb'000	Total equity Rmb'000
Opening balance at 1 July 2009	40,124	1,445,020	–	424,040	1,909,184
Profit net of tax	–	–	–	180,665	180,665
Other comprehensive income	–	–	–	–	–
Total comprehensive income for the year	–	–	–	180,665	180,665
Dividends (Note 24)	–	–	–	(230,550)	(230,550)
Closing balance at 30 June 2010	40,124	1,445,020	–	374,155	1,859,299
Opening balance at 1 July 2008	40,124	1,445,020	(4,220)	298,722	1,779,646
Profit net of tax	–	–	–	244,568	244,568
Other comprehensive income	–	–	4,220	–	4,220
Total comprehensive income for the year	–	–	4,220	244,568	248,788
Dividends (Note 24)	–	–	–	(119,250)	(119,250)
Closing balance at 30 June 2009	40,124	1,445,020	–	424,040	1,909,184

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

CONSOLIDATED CASH FLOW STATEMENT

For the Financial Year ended 30 June 2010 (Amounts expressed in Renminbi)

	30.06.10 Rmb'000	30.06.09 Rmb'000
Cash flows from operating activities		
Profit before tax	754,473	584,370
Adjustments for:		
Depreciation of property, plant and equipment	216,195	200,278
Amortisation of land use rights	4,801	4,755
Amortisation of intangible assets	383	305
Loss on disposal of property, plant and equipment	2,533	2,892
Impairment of plant and machinery	28,029	–
Allowance for doubtful trade receivables	634	94
Allowance for inventory obsolescence	2,165	11,271
Interest expense and bank charges	2,341	11,934
Interest income	(12,961)	(9,894)
Translation difference	(8)	1,424
Operating cash flows before changes in working capital	998,585	807,429
Changes in working capital:		
Increase in inventories	(156,090)	(22,707)
Increase in trade, bills and other receivables	(27,688)	(42,436)
(Increase)/decrease in prepayments	(17,943)	93,662
Increase in trade and other payables	36,591	207,116
Increase in other liabilities	145,118	63,134
Decrease/(increase) in bank deposits subject to restricted application	1,644	(2,922)
Cash flows generated from operations	980,217	1,103,276
Interest income received	12,961	9,894
Interest expense and bank charges paid	(2,341)	(11,934)
Income taxes paid	(148,390)	(87,020)
Net cash generated from operating activities	842,447	1,014,216
Cash flows from investing activities		
Purchase of property, plant and equipment (Note B)	(270,783)	(520,629)
Proceeds from sale of property, plant and equipment	17,643	1,449
Purchase of intangible assets - Land use rights (Note C)	(42,270)	(17,000)
Purchase of intangible assets - Computer software	(1,150)	(209)
Net cash used in investing activities	(296,560)	(536,389)
Cash flows from financing activities		
Proceeds from bank loans	–	261,000
Repayment of bank loans	(30,000)	(461,000)
Dividends paid	(230,550)	(119,250)
Net cash used in financing activities	(260,550)	(319,250)
Net increase in cash and cash equivalents	285,337	158,577
Cash and cash equivalents at beginning of the financial year	1,000,046	841,469
Cash and cash equivalents at the end of the financial year (Note A)	1,285,383	1,000,046

CONSOLIDATED CASH FLOW STATEMENT (cont'd)

For the Financial Year ended 30 June 2010 (Amounts expressed in Renminbi)

Notes to the Consolidated Cash Flows Statement

A. Cash and cash equivalents

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

	30.06.10 Rmb'000	30.06.09 Rmb'000
Cash at bank and in hand	470,890	389,020
Short term deposits	820,938	619,115
Cash and bank balances	1,291,828	1,008,135
Bank deposits subject to restricted application	(6,445)	(8,089)
Cash and cash equivalents	1,285,383	1,000,046

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.

B. Property, plant and equipment

		30.06.10 Rmb'000	30.06.09 Rmb'000
Current year additions to property, plant and equipment		162,325	494,586
Less:	Payables to creditors in current year	(5,973)	(44,101)
	Prepayments in prior year	(139,685)	(130,431)
		16,667	320,054
Add:	Payables to creditors in prior year	44,101	60,890
	Prepayments in current year	210,015	139,685
Net cash outflow for purchase of property, plant and equipment		270,783	520,629

C. Land use rights

	30.06.10 Rmb'000	30.06.09 Rmb'000
Current year additions to land use rights	–	17,000
Add: Payments for prior year acquisitions	42,270	–
Net cash outflow for purchase of land use rights	42,270	17,000

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 *Changes in accounting policies*

The accounting policies adopted are consistent with those of the previous financial year except as follows:

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

On 1 July 2009, the Group adopted the following standards and interpretations mandatory for annual financial periods beginning on or after 1 January 2009.

- FRS 1 Presentation of Financial Statements (Revised)
- Amendments to FRS 18 Revenue
- Amendments to FRS 23 Borrowing Costs
- FRS 27 Consolidation and Separate Financial Statements (Revised)
- Amendments to FRS 32 Financial Instruments: Presentation and FRS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation
- Amendments to FRS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Item
- Amendments to FRS 101 First-time Adoption of Financial Reporting Standards and FRS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- Amendments to FRS 102 Share-based Payment – Vesting Conditions and Cancellations
- FRS 103 Business Combination (Revised)
- FRS 105 Non-current Assets Held for Sale and Discontinued Operations
- Amendments to FRS 107 Financial Instruments: Disclosures
- FRS 108 Operating Segments
- Improvements to FRSs issued in 2008
- Improvements to FRSs issued in 2009
- INT FRS 116 Hedges of a Net Investment in a Foreign Operation
- INT FRS 117 Distributions of Non-cash Assets to Owners
- Amendments to INT FRS 109 Reassessment of Embedded Derivatives and FRS 39 Financial Instruments: Recognition and Measurement – Embedded Derivatives
- INT FRS 118 Transfers of Assets from Customers

2. Summary of significant accounting policies

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

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

Adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group. They did however give rise to additional disclosures, including, in some cases, revisions to accounting policies.

The principal effects of these changes are as follows:

FRS 1 Presentation of Financial Statements – Revised Presentation

The revised FRS 1 separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented in the statement of other comprehensive income. In addition, the Standard introduces the statement of comprehensive income which presents income and expense recognised in the period. This statement may be presented in one single statement, or two linked statements. The Group has elected to present this statement as one single statement.

Amendments to FRS 107 Financial Instruments: Disclosures

The amendments to FRS 107 require additional disclosure about fair value measurement and liquidity risk. Fair value measurements are to be disclosed by source of inputs using a three level hierarchy for each class of financial instrument. In addition, reconciliation between the beginning and ending balance for Level 3 fair value measurements is now required, as well as significant transfers between Level 1 and Level 2 fair value measurements. The amendments also clarify the requirements for liquidity risk disclosures. The fair value measurement disclosures and liquidity risk disclosures are presented in Note 28(b) and Note 27(b) to the financial statements respectively.

FRS 108 Operating Segments

FRS 108 requires disclosure of information about the Group's operating segments and replaces the requirement to determine primary and secondary reporting segments of the Group. The Group determined that the reportable operating segments are the same as the business segments previously identified under FRS 14 Segment Reporting. Additional disclosures about each of the segments are shown in Note 25, including revised comparative information.

Improvements to FRSs issued in 2008

In 2008, the Accounting Standards Council issued an omnibus of amendments to FRS. There are separate transitional provisions for each amendment. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group:

- FRS 1 Presentation of Financial Statements: Assets and liabilities classified as held for trading in accordance with FRS 39 Financial Instruments: Recognition and Measurement are not automatically classified as current in the balance sheet. The Group amended its accounting policy accordingly and analysed whether Management's expectation of the period of realisation of financial assets and liabilities differed from the classification of the instrument. This did not result in any re-classification of financial instruments between current and non-current in the balance sheet.

- FRS 16 Property, Plant and Equipment: Replaces the term "net selling price" with "fair value less costs to sell". The Group amended its accounting policy accordingly, which did not result in any change in the financial position.

- FRS 23 Borrowing Costs: The definition of borrowing costs is revised to consolidate the two types of items that are considered components of "borrowing costs" into one – the interest expense calculated using the effective interest rate method calculated in accordance with FRS 39. The Group has amended its accounting policy accordingly which did not result in any change in its financial position.

2. Summary of significant accounting policies

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

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

Improvements to FRSs issued in 2009

In 2009, the Accounting Standards Council issued another set of amendments to FRS. There are separate transitional provisions for each amendment. The adoption of the following amendments for annual financial periods beginning on or after 1 July 2009 resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group:

- FRS 27 Consolidated and Separate Financial Statements (Revised) require that a change in the ownership interests of a subsidiary (without loss of control) is accounted for as an equity transaction. The Group amended its accounting policy accordingly, which did not result in any change in the financial position.

- FRS 103 Business Combinations (Revised) introduces a number of changes that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. The Group amended its accounting policy accordingly, which did not result in any change in the financial position.

- Amendments to FRS 108 Operating Segments require the disclosures of total assets and liabilities for each reportable segment if such measures are regularly provided to the chief operating decision maker. The Group presented the measures of segment assets and liabilities as shown in Note 25.

(b) FRS and INT FRS not yet effective

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

Description	Effective for annual periods beginning on or after
FRS 102 Share-based Payment – Group Cash-settled Share-based Payment Transactions	1 January 2010
Improvements to FRSs issued in 2009:	
– Amendments to FRS 1 Presentation of Financial Statements	1 January 2010
– Amendments to FRS 7 Statement of Cash Flows	1 January 2010
– Amendments to FRS 17 Leases	1 January 2010
– Amendments to FRS 36 Impairment of Assets	1 January 2010
– FRS 39 Financial Instruments: Recognition and Measurement	1 January 2010
– Amendments to FRS 105 Non-current Assets Held for Sale and Discontinued Operations	1 January 2010
Amendments to FRS 32 – Classification of Rights Issues	1 February 2010
INT FRS 119 Extinguishing Financial Liabilities with Equity Instruments	1 July 2010
FRS 24 Related Party Disclosures (Revised)	1 January 2011

The directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application.

2. Summary of significant accounting policies

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 (Hong Kong) Trading Company Limited is Hong Kong Dollars (HKD).

(b) *Foreign currency transactions*

Transactions in foreign currencies are measured and recorded in the functional currencies of the Company and its subsidiaries and are recorded on 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 profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

(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 statement of comprehensive incomes are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

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.

2. Summary of significant accounting policies

2.4 *Subsidiaries and principles of consolidation (cont'd)*

(b) Principles of consolidation (cont'd)

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 statement of comprehensive income 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.

2.5 *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 profit or loss in the year the asset is derecognised.

2. Summary of significant accounting policies

2.7 *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. Changes in the expected useful life or expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

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. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognised in profit or loss when the asset is de-recognized.

(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.

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 using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. 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 profit or loss.

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 profit or loss.

2. Summary of significant accounting policies

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 other comprehensive income is recognised in profit or loss.

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 profit or loss 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 profit or loss.

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

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

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

2. Summary of significant accounting policies

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

(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
Semi-finished goods and finished goods	-	cost of direct materials and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs

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

2.14 *Provisions*

Provisions are recognised when the Group has a present obligation (legal or constructive) 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, derivatives are measured at fair value. Other financial liabilities (except for financial guarantees) are measured at amortised cost using the effective interest method.

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 profit or loss 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 profit or loss. Net gains or losses on derivatives include exchange differences.

2.16 *Borrowing costs*

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalization of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

2. Summary of significant accounting policies

2.17 *Operating lease*

As lessee

Operating lease payments are recognised as an expense in profit or loss 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.

2.18 *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 profit or loss 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.

2.19 *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. Summary of significant accounting policies

2.20 *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 value 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 profit or loss 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 profit or loss, 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 profit or loss over the expected useful life of the relevant asset by equal annual instalments.

2.21 *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 profit or loss except that tax relating to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(b) Deferred tax

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

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

- Where the deferred tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction affects neither accounting profit nor taxable profit or loss;

- In respect of temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future; and

- In respect of deductible temporary differences and carry-forward of unused tax credits and unused tax losses, if it is not probable that taxable profit will be available against which the deductible temporary differences and carry-forward of unused tax credits and unused tax losses can be utilised.

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

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

Deferred income tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred income tax assets and deferred income tax liabilities are offset, of a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

2. Summary of significant accounting policies

2.21 *Income taxes (cont'd)*

(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 and 13% for agricultural products. Input tax on purchases can be deducted from output VAT. The Group's export sales are not subject to VAT.

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

- Where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of VAT included.

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

2.22 *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.

2.23 *Segment reporting*

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance.

The Group's segments are based on products or categories 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.

2.24 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.

3.1 *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 2010 amounting to approximately Rmb 211,803,000 (2009: Rmb 218,529,000). 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 2010. These land use rights which are subject to the completion of transfer from the authorities amounted to approximately Rmb 49,046,000 as at 30 June 2010 (2009: Rmb 50,089,000). 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 2010 was Rmb 763,864,000 (2009: Rmb 939,975,000). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of the plant and machinery.

(ii) Useful lives of buildings

The cost of construction of buildings is depreciated on a straight-line basis over 20 years. The carrying amount of the Group's buildings as at 30 June 2010 was approximately Rmb 592,971,000 (2009: Rmb 402,727,000). 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 2010, there are no indications that the remaining economic useful lives of the buildings are significantly lower than their respective remaining useful lives.

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

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

(iii) Impairment of loans and receivables

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables as at the balance sheet date is disclosed in Note 18 to the financial statements.

(iv) Accruals for cost of land use rights

The total cost of the Group's land use rights as at 30 June 2010 amounted to approximately Rmb 238,686,000 (2009: Rmb 240,611,000), of which approximately Rmb 225,912,000 (2009: Rmb 185,566,000) has been paid up. There was an over-accrual of Rmb 1,925,000 that was reversed in the current year. As the transfer of certain land use rights from the relevant authorities to the Group has not been completed as of 30 June 2010, 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 2010 amounted to approximately Rmb 12,774,000 (2009: 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.

(v) Provision for sales return

The Group's provision for sales return as at 30 June 2010 amounted to Rmb 10,435,000 (2009: 11,504,000). The provision for sales return is assessed based on the historical sales return and can vary from year to year.

4. Revenue

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

5. Other income

	Group	
	30.06.10 Rmb'000	30.06.09 Rmb'000
Sale of scrap materials	10,848	8,648
Penalty charges on logistics service providers	460	66
Government grant	24,894	27,327
Others	2,917	3,201
	39,119	39,242

6. Financial income and financial expenses

	Group	
	30.06.10 Rmb'000	30.06.09 Rmb'000
Interest income		
- bank balances	12,961	9,894
Interest expense		
- bank loans	859	10,373
Bank charges	1,482	1,561
	2,341	11,934

7. Profit from operations

This is determined after charging/(crediting) the following:

	Group	
	30.06.10 Rmb'000	30.06.09 Rmb'000
Allowance for doubtful trade receivables, net	634	94
Allowance for inventory obsolescence	2,165	11,271
Amortisation of land use rights	4,801	4,755
Amortisation of intangible assets	383	305
Depreciation of property, plant and equipment	216,195	200,278
Loss on disposal of property, plant and equipment	2,533	2,892
Impairment of plant and machinery	28,029	–
Directors' fees	2,217	2,249
Directors' remuneration	6,055	4,491
Personnel expenses, including directors' remuneration (Note 8)	406,710	441,939
Operating lease expense	39,109	31,272
Contractual payment fees to distributors	173,254	152,477
Product development expenses	167,586	213,248
Transportation expenses	171,182	145,521
Foreign exchange (gain)/loss, net	(10,141)	28,422

8. Personnel expenses

	Group	
	30.06.10 Rmb'000	30.06.09 Rmb'000
Salaries and bonus	317,892	353,476
Contribution to defined contribution plans	69,524	63,055
Welfare expenses	18,284	24,945
Retirement benefits	1,010	463
	406,710	441,939

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 2010 and 2009 on terms agreed between the parties:

	Group	
	30.06.10 Rmb'000	30.06.09 Rmb'000
Sale of goods	381	1,463
Office rental expense	127	127

(b) Compensation of key management personnel

	Group	
	30.06.10 Rmb'000	30.06.09 Rmb'000
Directors' fees	2,217	2,249
Directors' remuneration	6,055	4,491
Other key management personnel	4,037	2,408
	12,309	9,148

10. Income tax

Major components of income tax expense for the years ended 30 June 2010 and 2009 were:

	Group	
	30.06.10 Rmb'000	30.06.09 Rmb'000
Current tax		
- current year	121,093	92,434
- under/(over) provision in respect of prior year	5,137	(23,393)
Deferred tax		
- current year	26,048	54,905
Tax expense	152,278	123,946

A reconciliation between tax expense and the product of profit before tax multiplied by the applicable tax rate for the year ended 30 June 2010 and 2009 is as follows:

Profit before tax	754,473	584,370
Tax at the domestic tax rates applicable to profit in the countries where the Group operates	115,108	95,742
Adjustments:		
- Expenses not deductible for tax purposes	387	105
- Deferred tax provision relating to withholding tax for undistributed profits of PRC subsidiaries (Note 16)	32,593	57,425
- Under/(over) provision in respect of prior year	5,137	(23,393)
- Deferred tax assets not recognised	2,473	1,354
- Income not subject to tax	(3,420)	(7,302)
- Others	–	15
Tax expense	152,278	123,946

10. Income tax (cont'd)

(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.

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

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

(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), 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) and 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 entitled to a 50% reduction in income tax for the three years beginning from 1 January 2010 to 31 December 2012.

(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%.

11. Basic and diluted earnings per share

As there are no dilutive potential ordinary shares, the basic and diluted earnings per share are the same.

Basic and diluted earnings per share are calculated by dividing the net profit attributable to equity shareholders of the Company by the weighted average share capital of 795,000,000 (2009: 795,000,000) ordinary shares.

12. Investment in subsidiaries

	Company	
	30.06.10	30.06.09
	Rmb'000	Rmb'000
Unquoted shares, at cost	982,197	982,197

12. Investment in subsidiaries (cont'd)

The Company had the following subsidiaries as at 30 June:

Name of company	Country of incorporation	Country of operation	Principal activities	Effective equity interest held by the Group	
				30.06.10	30.06.09
				%	%
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	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[3]	Hong Kong	Hong Kong	Sale and distribution of confectionery products	100*	100*
Hsu Fu Chi Foods Pte Ltd[4]	Singapore	Singapore	Sale and distribution of confectionery products	–	100
Dongguan Hsu Fu Chi Foods Co., Ltd[5]	PRC	PRC	Manufacture of confectionery products	100	100

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

Name of company	Country of incorporation	Country of operation	Principal activities	30.06.10	30.06.09
Held by Hsu Fu Chi International Holdings Limited					
Dongguan Hsu Chi Food Co., Ltd[5]	PRC	PRC	Manufacture of confectionery products and sale and distribution of self-manufactured confectionery products	100	100
Dongguan Andegu Plastic Packaging Material Ltd[5]	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[6][9]	PRC	PRC	Manufacture of confectionery products and sale and distribution of self-manufactured confectionery products	100	100
Huzhou Hsu Chi Food Co., Ltd[7][9]	PRC	PRC	Manufacture of confectionery products and sale and distribution of self-manufactured confectionery products	100	100
Huzhou Hsu Fu Chi Food Co., Ltd[7][9]	PRC	PRC	Manufacture of confectionery products and sale and distribution of self-manufactured confectionery products	100	100
Henan Zhongyuan MaDian Foodstuff and Commodity Limited[8][9]	PRC	PRC	Sale and production of nuts, groceries and food additives	100	100

12. Investment in subsidiaries (cont'd)

Name of company	Country of incorporation	Country of operation	Principal activities	Effective equity interest held by the Group	
				30.06.10	30.06.09
				%	%
Held by Hsu Fu Chi International Holdings Limited					
Henan Hsu Fu Chi Foods Co., Ltd[8][9]	PRC	PRC	Processing of agricultural products	100	100
Henan Hua Tai Xin Foodstuff and Commodity Limited[8]	PRC	PRC	Sale, 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					
Kyiochido Co., Ltd[9] (Formerly known as Marukyo Confectionery Co, Ltd)	Japan	Japan	Manufacturing, sale and export of confectionery products	100	100

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

(2) Audited by Ernst & Young, Hong Kong

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

(4) On 22 January 2010, the subsidiary was struck off from the Register of Companies pursuant to Section 344(4) of the Companies Act, Cap. 50.

(5) Audited by Dongguan City Diligent Certified Public Accountants, PRC. As announced on 9/9/2010 on SGX-ST, the de-registration of the Company had been completed.

(6) Audited by Chengdu Zhongda Certified Public Accountants, PRC

(7) Audited by Zhejiang Zhengchenglianhe Certified Public Accountants, PRC

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

(9) Dormant

(1)-(3), (5)-(9) Audited by Ernst & Young LLP, Singapore, for the purposes of consolidation

13. Property, plant and equipment

Group	Buildings Rmb'000	Plant and machinery Rmb'000	Office equipment Rmb'000	Motor vehicles Rmb'000	Construction-in-progress Rmb'000	Total Rmb'000
30 June 2010						
Cost						
At the beginning of the year	501,931	1,618,103	59,758	74,528	278,277	2,532,597
Additions	–	28,466	11,859	19,908	102,092	162,325
Disposals	(5,831)	(16,382)	(2,876)	(9,873)	–	(34,962)
Reclassifications	217,397	–	–	–	(217,397)	–
At the end of the year	713,497	1,630,187	68,741	84,563	162,972	2,659,960
Accumulated depreciation and impairment loss						
At the beginning of the year	99,204	678,128	29,976	31,915	–	839,223
Depreciation charge for the year	24,366	165,040	11,521	15,268	–	216,195
Disposals	(3,044)	(4,874)	(1,397)	(5,471)	–	(14,786)
Impairment loss	–	28,029	–	–	–	28,029
At the end of the year	120,526	866,323	40,100	41,712	–	1,068,661
Net carrying amount						
At the end of the year	592,971	763,864	28,641	42,851	162,972	1,591,299

An impairment loss of Rmb 28,029,000 was recognised in "Cost of Sales", representing the full write-down of certain plant and machinery to their recoverable amounts.

Group	Buildings Rmb'000	Plant and machinery Rmb'000	Office equipment Rmb'000	Motor vehicles Rmb'000	Construction-in-progress Rmb'000	Total 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

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30 June 2010

14. Land use rights

	Group 30.06.10 Rmb'000	Group 30.06.09 Rmb'000
Cost		
At 30 June and 1 July	240,611	223,611
Additions	–	17,000
Reversal of over accrual in prior years	(1,925)	–
At 30 June	238,686	240,611
Accumulated amortisation		
At 30 June and 1 July	22,082	17,327
Amortisation charge for the year	4,801	4,755
At 30 June	26,883	22,082
Net carrying amount		
At 30 June	211,803	218,529

Land use rights have remaining amortisation period of approximately 41.58 to 47.77 years (2009: 42.58 to 48.77 years) as at 30 June 2010.

15. Intangible assets – Computer software

	Group 30.06.10 Rmb'000	Group 30.06.09 Rmb'000
Cost		
At 30 June and 1 July	1,742	1,533
Additions	1,150	209
At 30 June	2,892	1,742
Accumulated amortisation		
At 30 June and 1 July	480	175
Amortisation charge for the year	383	305
At 30 June	863	480
Net carrying amount		
At 30 June	2,029	1,262

Computer software has a remaining amortisation period of approximately 2.33 to 4.83 years (2009: 3.33 to 5.00 years) as at 30 June 2010.

16. Deferred tax assets/(liabilities)

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

	Group		
	30.06.10	30.06.09	01.07.08
	Rmb'000	Rmb'000	Rmb'000
		(Restated)	(Restated)
Deferred tax assets			
Differences in depreciation	18,693	14,716	17,219
Differences in amortisation	1,409	1,293	1,875
Provisions	71,302	66,520	62,015
Other timing differences	5,703	8,033	6,662
	97,107	90,562	87,771
Deferred tax liabilities			
Withholding tax on undistributed profits by PRC subsidiaries*	109,007	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 19,795,000 (2009: Rmb 4,237,000) 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	
	30.06.10	30.06.09
	Rmb'000	Rmb'000
Balance sheet:		
Raw materials	151,661	149,986
Semi-finished goods	68,265	–
Finished goods	161,724	77,739
Total inventories at lower of cost and net realisable value	381,650	227,725
Statement of comprehensive income:		
Inventories recognised as an expense in cost of sales	2,279,968	2,068,390
Inclusive of the following charge:		
- Inventories written-down	2,165	11,271

18. Trade, bills and other receivables

	Group		Company	
	30.06.10 Rmb'000	30.06.09 Rmb'000	30.06.10 Rmb'000	30.06.09 Rmb'000
Trade receivables	271,064	256,680	–	–
Bills receivables	9,547	5,532	–	–
Other receivables and deposits	33,790	25,135	–	790
Due from subsidiary (non-trade)	–	–	878,658	878,658
	314,401	287,347	878,658	879,448

Trade receivables

	Group	
	30.06.10 Rmb'000	30.06.09 Rmb'000
Trade receivables	333,243	322,516
Less: allowance for doubtful trade receivables	(62,179)	(65,836)
	271,064	256,680

The Group's trade receivables that are impaired at the balance sheet date and the movement of the allowance accounts used to record the impairment are as follows:

	Group	
	30.06.10 Rmb'000	30.06.09 Rmb'000
Trade receivables – nominal amounts	62,179	65,836
Less: Allowance for impairment	(62,179)	(65,836)
At end of financial year	–	–
At beginning of financial year	65,836	68,005
Write back for the financial year	(14,445)	(18,550)
Allowance for the financial year	15,079	18,644
Write off against allowance	(4,291)	(2,263)
At end of financial year	62,179	65,836

Trade receivables that are individually determined to be impaired at the balance sheet date relate to debtors that are in financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements. Trade receivables are non-interest bearing and are normally settled on 90 to 180 days' terms. 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 80,374,000 (2009: Rmb 67,659,000) 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	
	30.06.10 Rmb'000	30.06.09 Rmb'000
Trade receivables past due:		
Less than 30 days	42,951	26,403
30 to 60 days	28,328	17,666
60 to 90 days	5,537	17,093
More than 90 days	3,558	6,497
At end of financial year	80,374	67,659

Bills receivables

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

Due from subsidiary (non-trade)

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

19. Trade and other payables

	Group		Company	
	30.06.10 Rmb'000	30.06.09 Rmb'000	30.06.10 Rmb'000	30.06.09 Rmb'000
Trade payables	287,526	270,441	–	–
Bills payables	49,720	53,898	–	–
Due to directors	2,217	2,259	2,217	2,259
Due to subsidiaries (non-trade)	–	–	226	226
Deposits from distributors	44,614	36,982	–	–
Other payables	224,448	208,354	–	105
Total trade and other payables	608,525	571,934	2,443	2,590

Trade payables

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

Bills payable

Bills payable to banks are interest-free and have maturity periods ranging from 90 to 180 days. Certain bills payable to banks amounting to Rmb Nil (2009: Rmb 7,880,000) and Rmb 13,000,000 (2009: Rmb 29,531,000) are secured 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 comprise accrued directors' remuneration.

20. Other liabilities

	Group		Company	
	30.06.10 Rmb'000	30.06.09 Rmb'000	30.06.10 Rmb'000	30.06.09 Rmb'000
Advances from customers	23,633	24,857	–	–
Accrued payroll	185,691	141,533	–	–
Accruals for land use rights	12,775	55,045	–	–
Accrued operating expenses	269,869	174,833	3,192	4,051
Accruals for purchase of property, plant and equipment	5,973	44,101	–	–
Provision for PRC statutory welfare expenses	19,073	17,105	–	–
Provision for retirement benefits	14,426	6,656	–	–
Provision for sales return	10,435	11,504	–	–
Provision on potential loss arising from exchange of goods with distributors	1,014	4,460	–	–
	542,889	480,094	3,192	4,051

21. Term loans

Term loans were fully repaid during the financial year.

22. Share capital

	Group and Company	
	Number of shares '000	Value 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

23. 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 2010 and 2009 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.

24. Dividends

	Group and Company	
	30.06.10	30.06.09
	Rmb'000	Rmb'000
Declared and paid during the financial year:		
Dividends on ordinary shares		
Final exempt (one-tier) dividend for 2009: Rmb 29 cents (2008: 15 cents) per share	230,550	119,250
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 2010: Rmb 75 cents (2009: Rmb 29 cents) per share	596,250	230,550

25. Segment information

For management purposes, the Group is organised into business segments based on their product categories, and has three reportable operating segments as follows:

(i) *Candy Products*

This category consists primarily of candies, jelly, 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.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

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 materially to the consolidated turnover during the financial years ended 30 June 2010 and 2009.

Allocation basis

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 which are managed on a group basis.

Group assets and liabilities are managed on a group basis and therefore cannot be directly attributable to individual segments. Accordingly, it is not meaningful to disclose assets, liabilities and capital expenditure by business segments.

Information about a major customer

The Group does not have any major customer who contributes to ten percent or more of its revenues for the financial years ended 30 June 2010 and 2009.

25. Segment information (cont'd)

Business segments

Group	Candy Products Rmb'000	Cake and Cookie Products Rmb'000	Sachima Products Rmb'000	Total Rmb'000
FY 2010				
Revenue from external customers	2,178,186	1,355,945	771,525	4,305,656
Gross profit	1,002,446	630,224	393,018	2,025,688
Unallocated expenses, net				(1,281,835)
Financial income				12,961
Financial expenses				(2,341)
Profit before tax				754,473
Income tax				(152,278)
Net profit attributable to shareholders				602,195
Allowance for inventory obsolescence	1,055	784	326	2,165
Allowance for doubtful trade receivables				634
Depreciation of property, plant and equipment				216,195
Amortisation of land use right				4,801
Amortisation of intangible assets				383
Impairment of plant and machinery				28,029
FY 2009				
Revenue from external customers	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 income				9,894
Financial expenses				(11,934)
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

26. 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	
	30.06.10 Rmb'000	30.06.09 Rmb'000
Capital expenditure		
Commitments in respect of purchase of property, plant and equipment	129,549	13,568
Commitments in respect of contracts entered into for construction-in-progress	35,400	52,603

(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. 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	
	30.06.10 Rmb'000	30.06.09 Rmb'000	30.06.10 Rmb'000	30.06.09 Rmb'000
Not later than 1 year	30,252	22,629	–	–
1 year through 5 years	28,322	18,421	–	–
More than 5 years	6,581	5,310	–	–
	65,155	46,360	–	–

27. Financial risk management objectives and policies

The Group is exposed to financial risks arising from its operations and use of financial instruments. The Group's principal financial instruments comprise bills payable, cash and short term deposits. The main purpose of these financial instruments is to raise funds 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.

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's policy is to obtain the most favourable interest rates available.

Surplus funds are placed with reputable banks.

Sensitivity analysis for interest rate risk

At the balance sheet date, if RMB interest rates had been 100 basis points (2009: 100 basis points) lower/higher with all other variables held constant, the Group's profit net of tax would have been Rmb 3,905,000 (2009: Rmb 3,046,000) lower/higher, arising mainly as a result of lower/higher interest income/expenses on floating rate cash at bank balances and bank borrowings.

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

(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's and Company's financial assets and financial liabilities at the balance sheet date based on contractual undiscounted payments.

	1 year or less Rmb'000	1 to 5 years Rmb'000	Total Rmb'000
2010			
Group			
Financial assets:			
Trade, bills and other receivables	314,401	–	314,401
Cash and bank balances	1,291,828	–	1,291,828
	1,606,229	–	1,606,229
Financial liabilities:			
Trade and other payables	608,525	–	608,525
Accrued payroll (Note 20)	185,691	–	185,691
Accruals for land use rights (Note 20)	12,775	–	12,775
Accrued operating expenses (Note 20)	269,869	–	269,869
Accruals for purchase of property, plant and equipment (Note 20)	5,973	–	5,973
	1,082,833	–	1,082,833
Total net undiscounted financial assets	523,396	–	523,396
2010			
Company			
Financial assets:			
Trade, bills and other receivables	878,658	–	878,658
Cash and bank balances	2,968	–	2,968
	881,626	–	881,626
Financial liabilities:			
Trade and other payables	2,443	–	2,443
Accrued operating expenses (Note 20)	3,192	–	3,192
	5,635	–	5,635
Total net undiscounted financial assets	875,991	–	875,991

27. 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			
Financial assets:			
Trade, bills and other receivables	287,347	–	287,347
Cash and bank balances	1,008,135	–	1,008,135
	1,295,482	–	1,295,482
Financial liabilities:			
Trade and other payables	571,934	–	571,934
Accrued payroll (Note 20)	141,533	–	141,533
Accruals for land use rights (Note 20)	55,045	–	55,045
Accrued operating expenses (Note 20)	174,833	–	174,833
Accruals for purchase of property, plant and equipment (Note 20)	44,101	–	44,101
Term loans (Note 21)	–	32,041	32,041
	987,446	32,041	1,019,487
Total net undiscounted financial assets	308,036	(32,041)	275,995
2009			
Company			
Financial assets:			
Trade, bills and other receivables	879,448	–	879,448
Cash and bank balances	52,593	–	52,593
	932,041	–	932,041
Financial liabilities:			
Trade and other payables	2,590	–	2,590
Accrued operating expenses (Note 20)	4,051	–	4,051
	6,641	–	6,641
Total net undiscounted financial assets	925,400	–	925,400

(c) *Foreign currency risk*

The Group has transactional currency exposures arising from sales that are denominated in a currency other than the respective functional currencies of Group entities, primarily Renminbi (RMB) and Hong Kong Dollar (HKD). The Group's trade receivable balances at the balance sheet date have similar exposures. During the financial year ended 30 June 2010, approximately 0.12% and 0.23% (2009: 0.18% and 0.03%) of the Group's sales were denominated in USD and HKD respectively.

The Group and Company also hold cash and cash equivalents denominated in foreign currencies for working capital purposes. At the balance sheet date, such foreign currency balances, mainly in USD and SGD, amounted to $36,257,000 and $58,814,000 respectively.

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

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

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

(c) Foreign currency risk (cont'd)

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 affected at all times.

Sensitivity analysis for foreign currency risk

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

	Group	
	30.06.10	30.06.09
	Profit net of tax Rmb'000	Profit net of tax Rmb'000
USD – strengthened 3% (2009: 3%)	828	1,590
USD – weakened 3% (2009: 3%)	(828)	(1,590)
SGD – strengthened 3% (2009: 3%)	1,549	1,745
SGD – weakened 3% (2009: 3%)	(1,549)	(1,745)

(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.

Credit risk concentration profil

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			
	30.06.10		30.06.09	
	Rmb'000	% of total	Rmb'000	% of total
By industry sectors:				
Supermarkets	269,277	80.8	237,454	73.6
Distributors	18,116	5.4	56,454	17.5
Mini-marts or provision shops	45,850	13.8	28,608	8.9
	333,243	100.0	322,516	100.0

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

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

Credit risk concentration profil (cont'd)

At the balance sheet date, approximately 25% (2009: 29%) of the Group's trade receivables were due from 5 major customers located in the PRC.

Financial assets that are neither past due nor impaired

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

Financial assets that are either past due or impaired

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

28. Financial instruments

(a) *Financial assets and liabilities*

The carrying amount by category of financial assets and liabilities are as follows:

	2010 Rmb'000	2009 Rmb'000
Loan and receivables		
Trade, bills and other receivables	314,401	287,347
Cash and bank balances	1,291,828	1,008,135
Total	1,606,229	1,295,482
Financial liabilities carried at amortised cost		
Trade and other payables	608,525	571,934
Accrued payroll (Note 20)	185,691	141,533
Accruals for land use rights (Note 20)	10,200	53,359
Accruals for land use tax (Note 20)	2,575	1,686
Accrued operating expenses (Note 20)	269,869	174,833
Accruals for purchase of property, plant and equipment (Note 20)	5,973	44,101
Term loans	–	30,000
Total	1,082,833	1,017,446

(b) *Fair values*

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	
	30.06.10 Rmb'000	30.06.09 Rmb'000	30.06.10 Rmb'000	30.06.09 Rmb'000
Term loans (Note 21):				
Carrying amount	–	30,000	–	–
Fair value	–	32,041	–	–

28. Financial instruments (cont'd)

(b) Fair values (cont'd)

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 statement of comprehensive income in relation to the change in fair value of financial assets or financial liabilities estimated using a valuation technique.

29. 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 2010 and 2009.

As disclosed in Note 23, 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 2010 and 2009.

The Group monitors capital using a gearing ratio, which is total debt divided by total capital plus total debt. The Group includes within total debt, trade and other payables and other liabilities. Capital includes equity attributable to the equity holders of the parent less the restricted statutory reserve fund.

	Group and Company	
	30.06.10	30.06.09
	Rmb'000	Rmb'000
Trade and other payables (Note 19)	608,525	571,934
Other liabilities (Note 20)	542,889	480,094
Bank loans	–	30,000
Total debt	1,151,414	1,082,028
Equity attributable to equity holders of the Company	2,857,556	2,485,919
Less: Reserve fund	(282,193)	(207,963)
Total capital	2,575,363	2,277,956
Capital and total debt	3,726,777	3,359,984
Gearing ratio	30.9%	32.3%

30. Reclassification of Comparatives

During the year, the Group reclassified sales office expenses from general and administration expenses to selling and distribution expenses. The effects of the reclassification for the financial year ended 30 June 2009 are as follows:

	Group		
	As previously reported 30.06.09 Rmb'000	Reclassification Rmb'000	As restated 30.06.09 Rmb'000
Profit or loss			
Selling and distribution	786,025	171,684	957,709
General and administrative expenses	383,291	(171,684)	211,607

The Group has reclassified the following amounts to better reflect the nature of the balances.

	Group		
	As previously reported 30.06.09 Rmb'000	Adjustment Rmb'000	As restated 30.06.09 Rmb'000
Balance sheet			
Deferred tax assets	33,537	57,025	90,562
Income tax recoverable	5,502	(5,502)	–
Provision for tax	–	(51,523)	(51,523)

31. Authorisation of financial statements

The consolidated financial statements for the year ended 30 June 2010 were authorised for issue in accordance with a resolution of the directors on 1 October 2010.

GROUP'S LAND AND BUILDINGS

Buildings

(a) The particulars of the buildings owned by the Group at Factory No. 3 as of 30 June 2010 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	Till March 2054	6,600[(1)]	Industrial use
Yinzhu Road, Zhouwu Village, Dongcheng District, Dongguan, Guangdong, PRC	C1888535	Till March 2054	6,100[(1)]	Industrial use
Yinzhu Road, Zhouwu Village, Dongcheng District, Dongguan, Guangdong, PRC	C1888537	Till March 2054	3,100[(1)]	Industrial use
Yinzhu Road, Zhouwu Village, Dongcheng District, Dongguan, Guangdong, PRC	C1888538	Till March 2054	3,000[(1)]	Industrial use
Yinzhu Road, Zhouwu Village, Dongcheng District, Dongguan, Guangdong, PRC	C1888539	Till March 2054	18,400[(1)]	Industrial use
Yinzhu Road, Zhouwu Village, Dongcheng District, Dongguan, Guangdong, PRC	C1888540	Till March 2054	8,100[(1)]	Industrial use
Yinzhu Road, Zhouwu Village, Dongcheng District, Dongguan, Guangdong, PRC	0384251	N/A	5,900[(1)]	N/A
The Third Ring Road, Zhouwu Village, Dongcheng District, Dongguan, Guangdong, PRC	C4260769	Till February 2054	5,900[(1)]	Industrial use
The Third Ring Road, Zhouwu Village, Dongcheng District, Dongguan, Guangdong, PRC	C4260770	Till February 2054	9,100[(1)]	Industrial use
Kengweiling Area, Zhouwu Village, Dongcheng District, Dongguan, Guangdong, PRC	C4260800	Till February 2054	3,900[(1)]	Industrial use
The Third Ring Road, Zhouwu Village, Dongcheng District, Dongguan, Guangdong, PRC	C4269401	Till February 2054	4,400[(1)]	Industrial use
Kengweiling Area, Zhouwu Village, Dongcheng District, Dongguan, Guangdong, PRC	C4269403	Till February 2054	700[(1)]	Industrial use
Kengweiling Area, Zhouwu Village, Dongcheng District, Dongguan, Guangdong, PRC	C4269405	Till February 2054	2,100[(1)]	Industrial use
Kengweiling Area, Zhouwu Village, Dongcheng District, Dongguan, Guangdong, PRC	C4269406	Till February 2054	11,400[(1)]	Industrial use

(b) The material property interests leased by the Group at Factory No. 1 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[1]	Dormitory, warehouse	Zhouwu Administrative District, Dongcheng, Dongguan, Guangdong, PRC
Zhouwu Industrial District, Dongcheng, Dongguan, Guangdong, PRC	Till 31 March 2011	9,800[1]	Dormitory, factory, office, warehouse	Zhouwu Administrative District, Dongcheng, Dongguan, Guangdong, PRC
Zhouwu Industrial District, Dongcheng, Dongguan, Guangdong, PRC	Till 11 June 2055	400[1]	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[1]	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) 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(1)	Industrial use
Kengweiling Area, Zhouwu Village, Dongcheng District, Dongguan, Guangdong, PRC	148 of 2004	Till February 2054	14,900(1)	Industrial use
Yinzhu Road, Zhouwu Village, Dongcheng District, Dongguan, Guangdong, PRC	149 of 2004	Till March 2054	28,800(1)	Industrial use
Third Ring Road, Zhouwu Village, Dongcheng District, Dongguan, Guangdong, PRC	150 of 2004	Till February 2054	16,900(1)	Industrial use
Zhouwu Village Area, Dongcheng District, Dongguan, Guangdong, PRC	319 of 2004	Till March 2054	9,700(1)	Industrial use
Land of the General Factory				
Sangyuan Village, Zhouwu Community, Dongcheng District, Dongguan, Guangdong, PRC	580 of 2006	Till May 2056	150,900(1)	Industrial use
Land of Factory No. 5				
Shichang Road, Zhouwu Industrial District, Dongcheng, Dongguan, Guangdong, PRC	46 of 2008	Till June 2057	157,200(1)	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(1)	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(1)	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(1)	Industrial use
Land of Henan Hsu Fu Chi Food Co. Ltd				
Zhumadian City Sui Peng County Hehan Province PRC	15 of 2009	Till January 2059	333,330(1)	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(1)	Industrial use
Land of Dongguan Hsu Chi Food Co. Ltd				
Sangyuan Village, Zhouwu Community, Dongcheng District, Dongguan, Guangdong, PRC	1900020200724 of 2010	Till May 2060	92,160(1)	Industrial use

Notes:

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

STATISTICS OF SHAREHOLDINGS

As at 17 September 2010

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	6	2.08	898	0.00
1,000 - 10,000	211	73.27	611,216	0.08
10,001 - 1,000,000	57	19.79	3,862,761	0.48
1,000,001 - AND ABOVE	14	4.86	790,525,125	99.44
TOTAL:	288	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.	UOB KAY HIAN PTE LTD	138,024,854	17.36
2.	HSU, CHEN	134,000,000	16.86
3.	SUNCOVE INVESTMENTS LTD.	120,600,000	15.17
4.	OPHIRA FINANCE LTD.	107,200,000	13.48
5.	HSU, PU	87,200,000	10.97
6.	HSBC (SINGAPORE) NOMINEES PTE LTD	81,016,000	10.19
7.	CITIBANK NOMINEES SINGAPORE PTE LTD	40,748,462	5.13
8.	UNITED OVERSEAS BANK NOMINEES PTE LTD	29,769,160	3.74
9.	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	21,679,000	2.73
10.	DBS NOMINEES PTE LTD	14,806,809	1.86
11.	HU, CHIA-HSUN	7,685,000	0.97
12.	RAFFLES NOMINEES (PTE) LTD	4,214,000	0.53
13.	DBSN SERVICES PTE LTD	2,241,840	0.28
14.	KIM ENG SECURITIES PTE. LTD.	1,340,000	0.17
15.	BNP PARIBAS SECURITIES SERVICES SINGAPORE PTE LTD	566,611	0.07
16.	LIN, SHIH-MING	345,000	0.04
17.	WU, SUNG-PAI	345,000	0.04
18.	YANG KUN-TI	243,000	0.03
19.	OCBC SECURITIES PRIVATE LTD	208,000	0.03
20.	PHILLIP SECURITIES PTE LTD	206,000	0.03
	TOTAL :	792,438,736	99.68

STATISTICS OF SHAREHOLDINGS

As at 17 September 2010

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 Asia Consumer Fund Limited (formerly known as Arisaig Asia Fund Limited) [3]	71,176,000	8.95	–	–
Arisaig Partners (Mauritius) Limited [4]	–	–	71,176,000	8.95
Arisaig Partners (Asia) Pte Ltd [4]	–	–	71,176,000	8.95
Arisaig Partners (Holdings) Ltd [4]	–	–	71,176,000	8.95
Skye Partners Limited [4]	–	–	71,176,000	8.95
Perivoli Trust [4]	–	–	71,176,000	8.95
Lindsay Cooper [4]	–	–	71,176,000	8.95
Sannox Trust [4]	–	–	71,176,000	8.95
Star Candy Ltd	117,738,854	14.81	–	–
Baring Private Equity Asia IV Holding (12) Limited [5]	–	–	131,062,854	16.49
The Baring Asia Private Equity Fund IV, L.P. [5]	–	–	131,062,854	16.49
Baring Private Equity Asia GP IV, L.P. [5]	–	–	131,062,854	16.49
Baring Private Equity Asia GP IV Limited [6]	–	–	131,062,854	16.49
Jean Eric Salata [7]	–	–	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. Until 31 March 2010 Arisaig Asia Fund Limited ("AAF") has been organized as a "feeder fund" which has invested indirectly in Asia Securities through its investments in the shares of a number of wholly-owned (100%) underlying funds which include Arisaig Korea Fund Limited, Arisaig Greater China Fund Limited and Arisaig ASEAN Fund Limited (the "Underlying Funds").

   On 31 March 2010 Shareholders in AAF approved a restructuring as a result of which, from 1 April 2010, AAF would directly own the securities previously held by the Underlying Funds. AAF's name was changed to Arisaig Asia Consumer Fund Limited ("Asia Consumer Fund").

   The process to transfer these securities was effected on 1 April 2010 and hence from this date Arisaig Asia Consumer Fund Limited is the owner of securities previously held by the Underlying Funds.

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

   Arisaig Partners (Asia) Pte Ltd ("AP Asia"), being the investment adviser of Asia Consumer Fund is deemed to be interested in the shares of the Company held by Asia Consumer Fund.

   Arisaig Partners (Holdings) Ltd ("AP Holdings") has a controlling interest in AP Mauritius and AP Asia, and is therefore deemed interested in all the shares of the Company in which AP Mauritius and AP Asia are deemed interested in.

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

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

5. Star Candy Ltd is a wholly-owned subsidiary of Baring Private Equity Asia IV Holding (12) Limited ("BPEA(12)").

   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") I is the general partner of BPE Fund IV L.P.

   By virtue of Section 7 of the Companies Act, Chapter 50 of Singapore, BPE GP I is deemed to be interested in the shares held by Star Candy Ltd.

6. Baring Private Equity Asia GP IV Limited ("BPE GP II") is the general partner of BPE GPI.

   By virtue of Section 7 of the Companies Act, Chapter 50 of Singapore, BPE GP II is deemed to be interested in the shares held by Star Candy Ltd.

7. Jean Eric Salata is the holder of all the issued share capital of BPE GP II.

   By virtue of Section 7 of the Companies Act, Chapter 50 of Singapore, Jean Eric Salata is deemed to be interested in the shares held by Star Candy Ltd. Jean Eric Salata disclaims beneficial ownership of the shares owned by Star Candy Ltd.

PERCENTAGE OF SHAREHOLDINGS IN PUBLIC'S HANDS

18.37% of the company's shares are held in the hands of public. Accordingly, the company has complied with Rule 723 of the Listing Manual of the SGT-ST.

NOTICE OF ANNUAL GENERAL MEETING

HSU FU CHI INTERNATIONAL LIMITED

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

NOTICE IS HEREBY GIVEN that the Annual General Meeting of HSU FU CHI INTERNATIONAL LIMITED (the "Company") will be held at Meeting Room 707, Dongguan Hsu Chi Foods Co. Ltd, Zhouwu Industrial District, Dongcheng, Dongguan, Guangdong, 523118, People's Republic of China on Friday, 29 October 2010 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 2010 together with the Auditors' Report thereon. (Resolution 1)

2. To declare a final dividend of RMB38 cents per share and a special dividend of RMB37 cents per share, tax not applicable, for the year ended 30 June 2010 (2009: a first and final dividend of RMB29 cents per share, tax not applicable). (Resolution 2)

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

Mr Lam Khin Khui	(Retiring under Article 86(1))	(Resolution 3)
Mr Shaw Sun Kan Gordon	(Retiring under Article 85(6))	(Resolution 4)

Mr Lam Khin Khui will, upon re-election as a Director of the Company, remain a Chairman of the Nominating and Remuneration Committees respectively.

Mr Shaw Sun Kan Gordon will, upon re-election as a Director of the Company, remain a member of the Audit, Nominating and Remuneration Committees and will be considered non-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$456,000 for the year ended 30 June 2010 (2009: S$476,750). (Resolution 5)

5. To re-appoint Ernst & Young LLP as the Company's Auditors and to authorise the Directors to fix their remuneration. (Resolution 6)

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

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following 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 percent (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 percent (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 percent (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 7)

8. DISCOUNT FOR NON PRO-RATA SHARE ISSUE

(a) That subject to and conditional upon the passing of Ordinary Resolution 7 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 percent (20%) (or such other discount as may be permitted by the SGX-ST from time to time) 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 8)

By Order of the Board

Busarakham Kohsikaporn
Toh Lei Mui
Company Secretaries
Singapore, 13 October 2010

Explanatory Notes to Resolutions to be passed –

(i) The Ordinary Resolution 7 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 percent (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to twenty percent (20%) may be issued other than on a pro-rata basis.

This increased limit of up to one hundred percent (100%) [referred to in sub-paragraph (d)] for renounceable pro-rata rights issue will be effective up to 31 December 2010, unless extended by SGX-ST, 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 8 proposed in item 8 above, if passed, will enable Directors to issue, on a non pro-rata basis, new Shares (excluding convertible securities) at a discount of not more than twenty percent (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. This measure shall be effective up to 31 December 2010, unless extended by SGX-ST.

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., 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623, 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. 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 telecommunication facilities:

   108 Robinson Road, Level 11 Room 11.05, The Finexis Building, Singapore 068900.

   Please be on time to avoid disrupting the Meeting which will commence sharply at 10.00 am on 29 October 2010.