Corporate Governance Report

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

BOARD MATTERS

Principle 1: Board's Conduct of its Affairs

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

The Board comprises:

Executive Directors

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

Non-Executive Directors

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

The Board currently has a total of 9 directors, one-third of whom are independent directors. The Board comprises members with a wealth of knowledge, expertise and experience. The Directors contribute valuable direction and insight, drawing from their vast experience such as accounting or finance, business and management.

The Board's role includes:

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

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

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

Corporate Governance Report

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

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

Details of Board and Board committee meetings held during the financial year ended 30 June 2007 since the Company's listing on the SGX-ST on 1 December 2006 are summarized in the table below:

Meeting	Board	Audit Committee	Nominating Committee	Remuneration Committee
Total held in FY2007	2	5	2	2
Hsu Chen	2	NA	NA	NA
Hu Chia-Hsun	2	NA	NA	NA
Hsu Hang	2	NA	NA	NA
Hsu Keng	2	NA	NA	NA
Hsu Tien	1	NA	NA	NA
Hoon Wee Teng, Will [1]	1	4	1	1
John Lim Kok Min	1	4	2	NA
Lim Hock San	2	5	NA	2
Lam Khin Khui	2	NA	2	2
Cheong Kok Yew [2]	NA	NA	NA	NA

Notes:

1. Hoon Wee Teng, Will resigned as a non-executive Director of the Company on 12 May 2007.
2. Cheong Kok Yew was appointed as a non-executive Director of the Company on 12 May 2007.

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

Principle 2: Board Composition and Guidance

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

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

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

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

Mr Hsu Keng, Ms Hsu Tien and Mr Lam Khin Khui will be retiring by rotation at the forthcoming Annual General Meeting ("AGM"). Ms Hsu Tien has, however, indicated her intention not to seek re-election. The NC had nominated Mr Hsu Pu as a non-executive director in her place at the forthcoming AGM. Mr Cheong Kok Yew who was appointed during the year will be retiring at the AGM.

The NC had also nominated Mr Hsu Keng, Mr Lam Khin Khui and Mr Cheong Kok Yew for re-appointment at the forthcoming AGM.

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

Principle 3: Chairman and Chief Executive Officer

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

The Nominating Committee is of an unanimous view that the appointment of a lead independent director is not necessary at this point of time given that there is sufficient number of independent directors on the Board to exercise objective judgement on decisions independently.

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

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

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

Corporate Governance Report

Principles 4 & 5 : Board Membership & Performance

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

John Lim Kok Min (Chairman)
Lam Khin Khui
Hoon Wee Teng Will (until 12 May 2007)
Cheong Kok Yew (appointed on 12 May 2007)

The principal functions of the NC are:

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

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

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

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

Principle 6: Access to Information

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

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

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
- Hoon Wee Teng Will (until 12 May 2007)
- Cheong Kok Yew (appointed on 12 May 2007)

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

Principle 8: Level and Mix of Remuneration

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

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

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

Corporate Governance Report

Principle 9: Disclosure on Remuneration

The level and mix of each individual director's remuneration band for the year ended 30 June 2007 is as follows:

	Directors' fees	Salary	Bonus	Benefits	Total
Above S$250,000 up to S$500,000					
Hsu Chen[1]	13.3%	40%	46.7%	–	100%
Hu Chia-Hsun	12.7%	51.9%	35.4%	–	100%
Below S$250,000					
Hsu Hang[1]	19.2%	38%	42.8%	–	100%
Hsu Keng[1]	15.6%	40.9%	43.5%	–	100%
Hsu Tien[2]	100%	–	–	–	100%
Cheong Kok Yew	100%	–	–	–	100%
John Lim Kok Min	100%	–	–	–	100%
Lim Hock San	100%	–	–	–	100%
Lam Khin Khui	100%	–	–	–	100%

Notes:

1. Hsu Chen, Hsu Hang and Hsu Keng are brothers.
2. Hsu Tien is the niece of Hsu Chen, Hsu Hang and Hsu Keng.

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

For the financial year ended 30 June 2007, the remuneration of top 5 executives of the Group is as follows:

	Salary	Bonus	Benefits	Total
Below S$250,000				
Peng Wu Tsai	100%	–	–	100%
Guo Qiang	67.8%	32.2%	–	100%
Ma Hao	75.4%	24.6%	–	100%
Wang Chang Han	58.3%	41.7%	–	100%
Yang Kun-Ti	61.4%	38.6%	–	100%

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

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

ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

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

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

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

Principle 11: Audit Committee ("AC")

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

Lim Hock San (Chairman)
John Lim Kok Min
Hoon Wee Teng Will (until 12 May 2007)
Cheong Kok Yew (appointed on 12 May 2007)

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

The AC held 5 meetings during the year.

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

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

The AC's functions are as follows:

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

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

Corporate Governance Report

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

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

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

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

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

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

(i) review due diligence procedures conducted by the management before the application of the proceeds from the Invitation to the expansion projects in Sichuan and Liaoning and the building of the agricultural products processing facility in Henan.

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

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

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

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

Principle 12: Internal Controls

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

Principle 13: Internal Audit

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

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

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

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

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

Information is communicated to shareholders on a timely basis through:

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

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

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

SECURITIES TRANSACTIONS

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

MATERIAL CONTRACTS

Save as disclosed under Material Contracts in the Company's Prospectus dated 22 November 2006, there were no material contracts of the Company, or its subsidiary involving the interests of the Chairman, CEO, any Director or controlling shareholder, either still subsisting at the end of the financial year or if not then subsisting, entered into since the end of the previous financial year.

Corporate Governance Report

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 2007 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 29 of the Notes to the Financial Statements, on page 73 of the Annual Report.

USE OF IPO PROCEEDS

Projects	Amount allocated RMB	Amount utilized RMB
(Exchange rate: S$1 = approximate RMB 5.0)		
1. Develop new markets and improvements to the Group's sales and distribution network and for financing new regional logistics centres and warehouses	50,000,000	19,226,132
2. Enhancing Group's marketing efforts	70,000,000	46,908,254
3. Financing new production facilities for confectionery products	334,000,000	210,477,625
4. General working capital	40,000,000	39,430,800
Total	**494,000,000 (S$98.5 million)**	**316,042,811 (S$62.91million)**

Financial Contents

Directors' Report

The directors are pleased to present their report to the members together with the audited consolidated financial statements of Hsu Fu Chi International Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 30 June 2007.

Directors

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

Hsu Chen (Executive Chairman)
Hu Chia-Hsun (President)
Hsu Hang (Chief Operating Officer)
Hsu Keng (Chief Technology Officer)
Hsu Tien (Non-executive Director)
Cheong Kok Yew (Non-executive Director, appointed on 12 May 2007)
John Lim Kok Min (Independent Director)
Lim Hock San (Independent Director)
Lam Khin Khui (Independent Director)

Arrangements to enable directors to acquire shares and debentures

The Company was incorporated in the Cayman Islands on 18 October 2006 under the Cayman Companies Law as an exempted company with limited liability. As of the date of incorporation, the Company's authorised share capital was S$10,000 comprising 1,000,000 ordinary shares of S$0.01 each, all of which were allotted and issued nil-paid to Mr Hsu Chen.

Pursuant to the Restructuring Exercise on 30 October 2006, the Company acquired the entire issued share capital of Hsu Fu Chi Holdings Ltd. at an aggregate consideration based on the net assets value of Hsu Fu Chi Holdings Ltd. and its subsidiaries of RMB981.5 million as of 30 June 2006, after taking into account the dividend payments of HK$40,000,000 in FY2004 and HK$50,116,000 in FY2006. The purchase consideration was satisfied by the Company crediting as fully paid the 1,000,000 existing nil paid shares that were held by Mr. Hsu Chen, and the allotment and issue of 669,000,000 shares in the capital of the Company, credited as fully paid, to the shareholders of Hsu Fu Chi Holdings, namely, Mr. Hsu Chen, Mr. Hu Chia-Hsun, Mr. Hsu Hang, Mr. Hsu Keng, Mr. Hsu Pu, Transpac Nominees Pte Ltd who was holding shares in Hsu Fu Chi Holdings Ltd. as a nominee of the beneficial owners of such shares, Transpac Industrial, Mr. Chang Hsiu-Cheng, Mr. Chan Wu-Yang and Mr. Yu Hung-Hsin.

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

Directors' interests in shares and debentures

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

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

Name of Director	Direct interest 1 July 2006 or date of appointment	Direct interest 30 June 2007	Deemed interest 1 July 2006 or date of appointment	Deemed interest 30 June 2007
The Company Hsu Fu Chi International Limited *(Ordinary shares)*				
Hsu Chen	1,000,000*	134,000,000	Nil	Nil
Hu Chia-Hsun	Nil	7,685,000	Nil	Nil
Hsu Hang [(1)]	Nil	Nil	Nil	107,200,000
Hsu Keng [(2)]	Nil	Nil	Nil	120,600,000

* allotted and issued nil paid.

(1) Ophira Finance Ltd holds 107,200,000 shares in the Company as at 30 June 2007. Mr Hsu Hang is deemed to be interested in the shares held by Ophira Finance Ltd because he owns all the shares in that entity.

(2) Suncove Investments Ltd holds 120,600,000 shares in the Company as at 30 June 2007. Mr Hsu Keng is deemed to be interested in the shares held by Suncove Investments Ltd because he owns all the shares in that entity.

There was no change in any of the above-mentioned interests between the end of the financial year and 21 July 2007.

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 date of appointment if later, 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.

Audit Committee

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

- Reviews the audit plans of the internal and external auditors of the Group and ensures the adequacy of the Group's system of accounting controls and the co-operation given by the Group's management to the external and internal auditors;
- Reviews the quarterly and annual financial statements and the auditors' report on the annual financial statements of the Group before their submission to the board of directors;

Directors' Report

Audit Committee (cont'd)

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

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 one meeting during the year with full attendance from all members. The AC has also met with external auditors, without the presence of the Group's management.

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

Auditors

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

On behalf of the Board of Directors

Hsu Chen
Director

Hsu Hang
Director

27 September 2007

Statement by Directors

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

(i) the accompanying balance sheets, consolidated profit and loss accounts, statements of changes in equity and consolidated cash flow statement together with notes thereto are drawn up so as to present fairly, in all material respects, the state of affairs of the Group and of the Company as at 30 June 2007 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

27 September 2007

Independent Auditors' Report

To the Members of Hsu Fu Chi International Limited

We have audited the accompanying financial statements of Hsu Fu Chi International Limited (the "Company") and its subsidiaries (collectively, the "Group"), set out on pages 33 to 77, which comprise the balance sheets of the Group and the Company as at 30 June 2007, the statement of changes in equity of the Group and the Company, the profit and loss account and cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with Singapore Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 judgement, 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 directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with Singapore Financial Reporting Standards so as to present fairly, in all material respects, the state of affairs of the Group and of the Company as at 30 June 2007 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
Certified Public Accountants

Singapore
27 September 2007

Consolidated Profit and Loss Account

For the year ended 30 June 2007 (Amounts expressed in Renminbi)

	Note	2007	2006
		Rmb'000	Rmb'000
Revenue	3	2,712,470	2,056,318
Cost of sales		(1,649,366)	(1,273,302)
Gross profit		1,063,104	783,016
Other income	4	9,835	32,759
Selling and distribution expenses		(497,850)	(381,195)
General and administrative expenses		(258,000)	(184,955)
Profit from operations	5	317,089	249,625
Financial income	8	9,995	2,427
Financial expenses	8	(17,050)	(10,116)
Profit before tax		310,034	241,936
Income tax	9	(54,705)	(30,575)
Net profit attributable to shareholders		255,329	211,361
Earnings per share (Rmb)	10	0.34	0.32

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

Balance Sheets

As at 30 June 2007 (Amounts expressed in Renminbi)

	Note	Group 2007 Rmb'000	Group 2006 Rmb'000	Company 2007 Rmb'000
Non-current assets				
Investment in subsidiaries	11	–	–	965,710
Property, plant and equipment	12	1,243,703	938,325	–
Intangible assets	13	151,622	138,759	–
Deferred tax assets	14	30,259	24,160	–
Current assets				
Inventories	15	182,961	197,735	–
Trade receivables	16	324,371	336,418	–
Bills receivable	17	8,403	15,853	–
Prepayments		149,885	68,046	2,648
Other receivables and deposits	18	15,992	20,936	469
Amount due from subsidiaries (non- trade)	19	–	–	93,565
Cash and bank balances		646,663	133,254	405,453
		1,328,275	772,242	502,135
Current liabilities				
Trade payables		134,795	85,696	–
Other payables and accruals	20	394,986	250,605	4,995
Bills payable	21	147,394	127,170	–
Amount due to subsidiary (non-trade)	19	–	–	947
Short-term bank loans	22	90,000	210,000	–
Term loans	23	30,000	20,000	–
Provision for income tax		13,585	5,583	–
		810,760	699,054	5,942
Net current assets		517,515	73,188	496,193
Non-current liability				
Term loans	23	50,000	30,000	–
Net assets		1,893,099	1,144,432	1,461,903
Equity				
Share capital	24	40,124	264,924	40,124
Share premium		1,445,020	–	1,445,020
Translation reserve		(10,294)	–	(26,143)
Reserve fund	25	118,802	95,765	–
Restructuring reserve		(716,588)	–	–
Accumulated profits		1,016,035	783,743	2,902
Total equity		1,893,099	1,144,432	1,461,903

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

Statements of Changes in Equity

For the year ended 30 June 2007 (Amounts expressed in Renminbi)

Group	Share capital (Note 24)	Share premium	Translation reserve	Reserve fund (Note 25)	Restructuring reserve	Accumulated profits/(loss)	Total equity
	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000
At 1 July 2005	264,924	–	–	54,521	–	665,392	984,837
Profit for the year, representing total recognised income for the year	–	–	–	–	–	211,361	211,361
Dividends (Note 26)	–	–	–	–	–	(51,766)	(51,766)
Appropriation to reserve fund	–	–	–	41,244	–	(41,244)	–
At 30 June 2006	264,924	–	–	95,765	–	783,743	1,144,432
At 1 July 2006	264,924	–	–	95,765	–	783,743	1,144,432
Adjustment pursuant to the Restructuring Exercise	(231,143)	947,731	–	–	(716,588)	–	–
Issue of new shares in connection with Initial Public Offering	6,343	497,289	–	–	–	–	503,632
Translation reserve	–	–	(10,294)	–	–	–	(10,294)
Net expenses recognised directly in equity	–	–	(10,294)	–	–	–	(10,294)
Profit for the year	–	–	–	–	–	255,329	255,329
Total recognised income and expenses for the year	–	–	(10,294)	–	–	255,329	245,035
Appropriation to reserve fund	–	–	–	23,037	–	(23,037)	–
At 30 June 2007	40,124	1,445,020	(10,294)	118,802	(716,588)	1,016,035	1,893,099

Notes:

Restructuring reserve:

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

Translation reserve:

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

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

Statements of Changes in Equity

For the year ended 30 June 2007 (Amounts expressed in Renminbi)

Company	Share capital (Note 24)	Share premium	Translation reserve	Accumulated profits	Total equity
	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000
As at date of incorporation, 18 October 2006	–	–	–	–	–
Issue of shares pursuant to the Restructuring Exercise	33,781	947,731	–	–	981,512
Issuance of new ordinary shares pursuant to the Initial Public Offering	6,343	497,289	–	–	503,632
Translation reserve	–	–	(26,143)	–	(26,143)
Net expenses recognised directly in equity	–	–	(26,143)	–	(26,143)
Profit for the period	–	–	–	2,902	2,902
Total recognised income and expenses for the period	–	–	(26,143)	2,902	(23,241)
As at 30 June 2007	40,124	1,445,020	(26,143)	2,902	1,461,903

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

Consolidated Statement of Cash Flows

For the financial year ended 30 June 2007 (Amounts expressed in Renminbi)

	2007 Rmb'000	2006 Rmb'000
Cash flows from operating activities		
Profit before tax	310,034	241,936
Adjustments:		
Depreciation of property, plant and equipment	136,106	104,987
Amortisation of intangible assets	2,620	2,980
Loss on disposal of property, plant and equipment	3,540	910
Bad debts written off	1,820	–
Allowance for doubtful trade receivables	15,806	27,111
Allowance for inventory obsolescence	6,554	6,169
Interest expense and bank charges	17,050	10,116
Interest income	(9,995)	(2,427)
Translation difference	(10,294)	–
Operating profit before working capital changes	473,241	391,782
Decrease/(increase) in inventories	8,220	(62,904)
Decrease/(increase) in trade and bills receivables	1,871	(12,547)
Increase in prepayments, other receivables and deposits	(44,436)	(4,271)
Increase/(decrease) in trade and bills payables	69,323	(114,428)
Increase/(decrease) in other payables and accruals	119,488	(75,486)
(Decrease)/increase in bank deposits subject to restricted application	(198)	72,089
Cash generated from operations	627,509	194,235
Interest income received	9,995	2,427
Interest expense and bank charges paid	(17,050)	(10,116)
Income taxes paid	(52,803)	(41,757)
Cash generated from operating activities	567,651	144,789
Cash flows from investing activities		
Purchase of property, plant and equipment (Note B)	(432,442)	(248,970)
Proceeds from sale of property, plant and equipment	3,215	2,640
Purchase of intangible assets (Note C)	(38,845)	(25,538)
Net cash used in investing activities	(468,072)	(271,868)
Cash flows from financing activities		
Proceeds from bank loans	485,000	455,000
Repayment of bank loans	(575,000)	(265,000)
Proceeds from the issue of new ordinary shares, net of share issue expenses	503,632	–
Dividend paid	–	(41,452)
Net cash generated from financing activities	413,632	148,548
Net increase in cash and cash equivalents	513,211	21,469
Cash and cash equivalents at beginning of year	131,898	110,429
Cash and cash equivalents at end of financial year (Note A)	645,109	131,898

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

Consolidated Statement of Cash Flows

For the financial year ended 30 June 2007 (Amounts expressed in Renminbi)

A. Cash and cash equivalents

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

	2007 Rmb'000	2006 Rmb'000
Cash and bank balances	646,663	133,254
Bank deposits subject to restricted application	(1,554)	(1,356)
Cash and cash equivalents	645,109	131,898

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 and bank balances earn interest at rates ranging from 0.2% to 3.2% (2006: 0.125% to 3%) per annum for the financial year ended 30 June 2007.

Cash and bank balances are denominated in the following currencies:

	2007 Rmb'000	2006 Rmb'000
Renminbi	207,178	113,192
Hong Kong Dollar	1,256	13,925
United States Dollar	10,532	5,594
Singapore Dollar	407,580	–
Euro	15,229	–
Japanese Yen	3,798	–
Pound Sterling	1,090	–
New Taiwan Dollar	–	543
	646,663	133,254

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

Consolidated Statement of Cash Flows

For the financial year ended 30 June 2007 (Amounts expressed in Renminbi)

B. Property, plant and equipment

	2007 Rmb'000	2006 Rmb'000
Current year additions to property, plant and equipment	448,239	254,353
Less: Payable to creditors	(66,000)	(17,746)
Prepayments made in prior year	(34,084)	(30,895)
	348,155	205,712
Add: Payments for prior year purchase	17,746	9,174
Prepayments made in current year	66,541	34,084
Net cash outflow for purchase of property, plant and equipment	432,442	248,970

C. Intangible assets

	2007 Rmb'000	2006 Rmb'000
Current year additions to intangible assets	23,420	–
Less: Amounts accrued	(5,354)	–
	18,066	–
Add: Payments for prior years acquisitions	20,779	25,538
Net cash outflow for purchase of intangible assets	38,845	25,538

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

Notes to The Consolidated Financial Statements

30 June 2007

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. The Company was incorporated for the purpose of acquiring the existing companies of the Group pursuant to the Group Restructuring Exercise.

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 11.

1.2 The Restructuring Exercise

On 30 October 2006, the Group undertook the Restructuring Exercise in preparation for the listing of the Company. Prior to the Restructuring Exercise, Mr. Hsu Chen was the sole shareholder of the Company, holding 1,000,000 nil paid shares of S$0.01 in the capital of the Company, issued as nil paid. The Restructuring Exercise involved the acquisition by the Company of all the issued shares of Hsu Fu Chi Holdings Ltd. (the "HFCH Shares") at a consideration of RMB981.5 million (the "Purchase Consideration"), which is based on the net asset value of Hsu Fu Chi Holdings Ltd. and its subsidiaries of RMB981.5 million as of 30 June 2006, after taking into account the dividend payments of HK$40,000,000 in FY2004 and HK$50,116,000 in FY2006. The Restructuring Exercise was completed when the Company acquired all HFCH Shares from the shareholders of Hsu Fu Chi Holdings (the "Transferors"), namely, Mr. Hsu Chen, Mr. Hu Chia-Hsun, Mr. Hsu Hang, Mr. Hsu Keng, Mr. Hsu Pu, Transpac Nominees Pte Ltd (who was holding shares in Hsu Fu Chi Holdings Ltd. as a nominee of the beneficial owners of such shares (the "Beneficial Owners")), Transpac Industrial, Mr. Chang Hsiu-Cheng, Mr. Chan Wu-Yang and Mr. Yu Hung-Hsin. The Purchase Consideration was satisfied by the Company crediting as fully paid the 1,000,000 existing nil paid Shares that were held by Mr. Hsu Chen, and the allotment and issue of 669,000,000 Shares in the capital of the Company, credited as fully paid, to the Transferors.

2. Summary of significant accounting policies

2.1 Basis of preparation

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

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

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

2.2 Changes in accounting policies

The accounting policies have been consistently applied by the Group during the financial years ended 30 June 2007 and 2006, except for the changes in accounting policies discussed below.

a) Adoption of new INT FRS

The new INT FRS mandatory for the financial year beginning 1 July 2007 but do not apply to the Group are as follows:

INT FRS 107	:	Applying the Restatement Approach under FRS 29, Financial Reporting in Hyperinflationary Economies
INT FRS 108	:	Scope of FRS 102, Share-based Payment
INT FRS 109	:	Reassessment of Embedded Derivatives

b) FRS and Interpretation of Financial Reporting Standard ("INT FRS") not yet effective

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

			Effective date (annual periods beginning on or after)
FRS 1	:	Amendment to FRS 1 (revised), Presentation of Financial Statements (Capital Disclosures)	1 January 2007
FRS 40	:	Investment Property	1 January 2007
FRS 107	:	Financial Instruments: Disclosures	1 January 2007
FRS 108	:	Operating Segments	1 January 2009
INT FRS 110	:	Interim Financial Reporting and Impairment	1 November 2006
INT FRS 111	:	Group and Treasury Share Transactions	1 March 2007
INT FRS 112	:	Service Concession Arrangements	1 January 2008

The directors expect that the adoption of the above pronouncements will have no material impact to the financial statements in the period of initial application, except for FRS 107 and the amendment to FRS 1 as indicated below.

FRS 107, Financial Instruments: Disclosures and amendment to FRS 1 (revised), Presentation of Financial Statements (Capital Disclosures)

FRS 107 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. The amendment to FRS 1 requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. The Group will apply FRS 107 and the amendment to FRS 1 from annual periods beginning 1 January 2007.

Notes to The Consolidated Financial Statements

30 June 2007

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

2.3 Significant accounting estimates and judgements

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) 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) Depreciation 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 life of the assets. Management estimates the useful life of the production lines to be 5 to 10 years. The carrying amount of the Group's plant and machinery as at 30 June 2007 was Rmb 772,353,000 (2006: Rmb 570,782,000). 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) Depreciation 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 2007 was approximately Rmb 338,907,000 (2006: Rmb 233,210,000). 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 2007, there are no indications that the remaining economic useful lives of the buildings are significantly lower than their respective remaining useful lives.

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

2.3 Significant accounting estimates and judgements (cont'd)

(a) Key sources of estimation uncertainty (cont'd)

(iii) Accruals for cost of land use rights

The total cost of the Group's land use rights as at 30 June 2007 amounted to approximately Rmb 164,501,000 (2006: Rmb 149,018,000), of which approximately Rmb 128,054,000 (2006: Rmb 89,208,000) has been paid up. As the transfer of certain land use rights from the relevant authorities to the Group has not been completed as of 30 June 2006, 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 2007 amounted to approximately Rmb 36,447,000 (2006: Rmb 59,810,000). The management believes that the preliminary transfer documents provide the best estimate of the cost of these land use rights and does not expect the eventual cost of the land use rights to be significantly different.

(iv) Income taxes

The Group has exposure to income taxes in the PRC. Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's tax payables at 30 June 2007 was Rmb 13,585,000 (2006 : Rmb 5,583,000).

Notes to The Consolidated Financial Statements

30 June 2007

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

2.3 Significant accounting estimates and judgements (cont'd)

(b) Critical judgement made in applying accounting policies

The following are the judgements made by management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

(i) Capitalisation of land use rights

The Group has land use rights included in intangible assets with carrying value as at 30 June 2007 amounting to approximately Rmb 151,622,000 (2006: Rmb 138,759,000). 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 2007. These land use rights which are subject to the completion of transfer from the authorities amounted to approximately Rmb 88,794,000 as at 30 June 2007 (2006: Rmb 119,399,000). 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.

2.4 Functional and foreign currency

(a) Functional currency

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

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

2.4 Functional and foreign currency (cont'd)

(b) Foreign currency transactions

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

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

(c) Foreign currency translation

The results and financial position of Hsu Fu Chi Foods Pte Ltd and the Company are translated into Rmb using the following procedures:

- Assets and liabilities for each balance sheet presented are translated at the exchange rate ruling at that balance sheet date; and
- Income and expenses for each income statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions.

All resulting exchange differences are recognised in a separate component of equity as foreign currency translation reserve.

On disposal of a foreign operation, the cumulative amount of exchange differences deferred in equity relating to that foreign operation is recognised in the profit and loss account as a component of the gain or loss on disposal.

Notes to The Consolidated Financial Statements

30 June 2007

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

2.5 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. The Group generally has such power when it directly or indirectly, holds more than 50% of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors.

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

The consolidated financial statements of the Group for the financial year ended 30 June 2007 have been prepared in accordance with the principles of merger accounting as the Restructuring Exercise completed as described in Note 1 is a legal reorganisation of entities under common control. Under this method, the Company has been treated as the holding company of all its subsidiaries for the financial years presented (or from the date of incorporation of the subsidiaries, if later) rather than from the date of completion of the Restructuring Exercise. Accordingly, the consolidated results of the Group for the financial years ended 30 June 2007 and 2006 include the results of the Company and subsidiaries for the entire periods.

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

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

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

2.6 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.

2.7 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

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

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

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

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

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

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

Notes to The Consolidated Financial Statements

30 June 2007

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

2.8 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. The amortisation expense on intangible assets with finite lives is recognised in the profit and loss account through the 'General and administrative expenses' line item.

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

(a) Land use rights

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

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

(b) Product development costs

Product development costs are expensed as incurred.

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, 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 or groups of assets. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses of continuing operations are recognised in the profit and loss account through the 'General and administrative expenses' line item.

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

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

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses recognised for an asset may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. 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 increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Reversal of an impairment loss is recognised in the profit and loss account. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

2.10 Financial assets

Financial assets are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. 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. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are carried at amortised cost using the effective interest method, less impairment losses. Gains and losses are recognised in the profit and loss account when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

The Group classifies the following financial assets as loans and receivables:

- cash and short term deposits;
- trade and other receivables, including amounts due from subsidiaries.

Notes to The Consolidated Financial Statements

30 June 2007

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

2.11 Cash and cash equivalents

Cash and cash equivalents comprise unpledged bank deposits and cash and bank balances. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value.

Cash and short-term deposits carried in the balance sheets are classified and accounted for as loans and receivables. The accounting policy for this category of financial assets is stated in Note 2.10.

2.12 Trade and other receivables

Trade and other receivables are classified and accounted for as loans and receivables under FRS 39. The accounting policy for this category of financial assets is stated in Note 2.10.

An allowance is made for uncollectible amounts when there is objective evidence that the Group will not be able to collect the debt. Bad debts are written off when identified. Further details on the accounting policy for impairment of financial assets are stated in Note 2.13 below.

2.13 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.

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 (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the profit and loss account.

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. Any subsequent reversal of an impairment loss is recognised in the profit and loss account, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

2.14 Derecognition of financial assets

A financial asset is derecognised where the contractual rights to receive cash flows from the asset have expired.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of (a) the consideration received and (b) any cumulative gain or loss that has been recognised directly in equity is recognised in the profit and loss account.

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

2.15 Inventories

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

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

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

2.16 Financial liabilities

Financial liabilities include trade payables, which are normally settled on 30-90 days, bills payable, other amount payables, payables to subsidiaries and interest-bearing loans and borrowings. 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 initially recognised at fair value of the consideration received less directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the profit and loss account when the liabilities are derecognised as well as through the amortisation process. The liabilities are derecognised when the obligation under the liability is discharged or cancelled or expired.

2.17 Borrowing costs

Borrowing costs are generally expensed as incurred.

2.18 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) where, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

2.19 Operating lease

Operating lease payments are recognised as an expense in the profit and loss account 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.

Notes to The Consolidated Financial Statements

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

2.20 Employee benefits

(a) Defined contribution plans - pension benefits

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

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

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

(b) Provision for PRC statutory welfare expenses

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

(c) Provision for retirement benefits

The cost of providing benefits under the 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 exceeds 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. Summary of significant accounting policies (cont'd)

2.21 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.

(a) Sale of goods

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

(b) Interest income

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

2.22 Government grant

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

2.23 Income taxes

(a) Current tax

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

(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.

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Notes to The Consolidated Financial Statements

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

2.23 Income taxes (cont'd)

(b) Deferred tax (cont'd)

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

- Where the deferred tax liability arises from the initial recognition of goodwill or 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; and

- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences (other than those mentioned above), carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred income tax assets 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 income tax asset to be utilised. Unrecognised deferred income 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 recovered.

Deferred income 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.

Income tax relating to items recognised directly in equity is recognised in equity.

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

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

2.23 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. Input tax on purchases can be deducted from output VAT. The net VAT receivable or payable is included in "Other receivables" or "Other payables". The Group's export sales are not subject to VAT.

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

(a) 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

(b) 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.

3. Revenue

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

4. Other income

	Group	
	2007	**2006**
	Rmb'000	**Rmb'000**
Sale of scrap materials	5,924	3,426
Fines charged to logistics service providers	549	633
Government grant	1,000	300
Tax refund *	–	27,010
Others	2,362	1,390
	9,835	32,759

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

Notes to The Consolidated Financial Statements

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5. Profit from operations

This is determined after charging (crediting) the following and the items in Notes 4 and 6:

	Group	
	2007	2006
	Rmb'000	Rmb'000
Allowance for doubtful trade receivables	15,806	27,111
Bad trade debts written off	1,820	–
Allowance for inventory obsolescence	6,554	6,169
Amortisation of intangible assets	2,620	2,980
Contractual payment fees	168,268	145,924
Depreciation of property, plant and equipment	136,106	104,987
Directors' fees	1,842	–
Directors' remuneration	4,750	3,416
Foreign exchange loss, net	1,558	2,131
Loss on disposal of property, plant and equipment	3,540	910
Operating lease expense	19,073	12,431
Personnel expenses, including directors' remuneration (Note 6)	360,555	236,149
Product development expenses	8,802	9,538
Transportation expenses	120,366	93,102

6. Personnel expenses

	Group	
	2007	2006
	Rmb'000	Rmb'000
Salaries and bonus	317,669	210,758
Contribution to defined contribution plans	25,109	12,949
Welfare expenses	17,229	11,856
Retirement benefits	548	586
	360,555	236,149
Number of employees	14,273	12,448

7. 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 year ended 30 June 2007 on terms agreed between the parties:

	Group	
	2007	2006
	Rmb'000	Rmb'000
Sale of goods	5,765	747
Office rental expense	145	153
Interest expense on loan from a director	–	340

(b) Compensation of key management personnel

	Group	
	2007	2006
	Rmb'000	Rmb'000
Directors' fees	1,842	–
Directors' remuneration	4,750	3,416
Other key management personnel	2,496	797
	9,088	4,213

8. Financial income and financial expenses

	Group	
	2007	2006
	Rmb'000	Rmb'000
Interest income		
– bank balances	9,995	2,427
Interest expense		
– bank loans	14,627	9,204
– loan from a director	–	340
	14,627	9,544
Bank charges	2,423	572
	17,050	10,116

Notes to The Consolidated Financial Statements

30 June 2007

9. Income tax

Major components of income tax expense for the years ended 30 June 2007 and 2006 were:

	Group	
	2007	2006
	Rmb'000	Rmb'000
Current tax		
– current year	60,943	44,036
– overprovision in respect of prior year	(139)	–
Deferred tax		
– current year	(6,099)	(13,461)
Tax expense	54,705	30,575

A reconciliation between tax expense and the product of profit before tax multiplied by the applicable tax rate for the years ended 30 June 2007 and 2006 is as follows:

	2007	2006
	Rmb'000	Rmb'000
Profit before tax	310,034	241,936
Tax at the domestic tax rates applicable to profit in the respective countries	53,461	41,217
Tax effect of:		
– income not subject to taxation	–	(5,293)
– expenses not deductible for tax purposes	213	–
Impact on deferred tax asset resulting from change in tax rate	–	(5,349)
Over provision in respect of prior years	(139)	–
Deferred tax assets not recognised	1,170	–
Tax expense	54,705	30,575

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

Dongguan Hsu Chi is engaged in a manufacturing business established in a coastal economic zone and is entitled to a reduced tax of 27% (EIT of 24% and local tax rate of 3%). In addition, based on the Income Tax Law of the PRC for Enterprises with Foreign Investment, it is entitled to an exemption from PRC Enterprise Income Tax (EIT) for two years commencing from its first profit-making year of operation and a 50% relief from PRC EIT for the following three years.

On 30 December 2001, Dongguan Hsu Chi was granted the technologically advanced foreign invested enterprise status which entitled it to extend its 50% relief from PRC EIT as well as exemption from local tax for another 3 years up to 31 December 2005. Accordingly, it is subject to the reduced tax rate of 12% for the first half of FY2006.

9. Income tax (cont'd)

(i) Dongguan Hsu Chi Food Co., Ltd. (Dongguan Hsu Chi) (cont'd)

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

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

As these subsidiaries are engaged in a manufacturing business established in a coastal economic zone, they are entitled to a reduced tax of 27% (EIT of 24% and local tax rate of 3%). In addition, based on the Income Tax Law of the PRC for Enterprises with Foreign Investment, they are entitled to an exemption from PRC Enterprise Income Tax (EIT) for two years commencing from their first profit-making year of operation and a 50% relief from PRC EIT for the following three years.

Dongguan Hsu Fu Chi and Dongguan Anco are no longer in the tax holiday period and are subject to a tax rate of 27% (EIT of 24% and local tax of 3%) for FY2007 and FY2006.

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

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

Based on the Income Tax Law of the PRC for Enterprises with Foreign Investment, these subsidiaries are entitled to an exemption from PRC Enterprise Income Tax (EIT) for two years commencing from their first profit-making year of operation and a 50% relief from PRC EIT for the following three years.

The income tax rate for Henan Hsu Chi, Henan Hua Tai Xin, Henan Zhongyuan Madian and Chengdu Hsu Chi is 33% (EIT of 30% and local tax rate of 3%). These subsidiaries were incorporated in FY2007 and have no taxable income in FY2007.

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9. Income tax (cont'd)

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

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

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

Hsu Fu Chi Hong Kong is subject to a tax rate of 17.5% for FY2007 and FY2006.

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

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

10. Earnings per share

Earnings per share is calculated by dividing the net profit attributable to shareholders of the Company by the weighted average share capital of 742,602,000 (2006: 670,000,000) ordinary shares.

11. Investment in subsidiaries

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

11. 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	
				2007	2006
				%	%
Hsu Fu Chi Holdings Ltd.[(1)]	British Virgin Islands	PRC	Investment holding	100	100
Held by Hsu Fu Chi Holdings Ltd.					
Hsu Fu Chi (Hong Kong) Trading Company Limited[(1)]	Hong Kong	Hong Kong	Sale and distribution of confectionery products	100*	100*
Top Ocean Trading Limited[(1)]	Western Samoa	Hong Kong	Sale and distribution of confectionery products	100	100
Dongguan Hsu Chi Food Co., Ltd[(2)]	PRC	PRC	Manufacture of confectionery products and sale and distribution of self-manufactured confectionery products	100	100
Dongguan Hsu Fu Chi Food Co., Ltd.[(1)]	PRC	PRC	Manufacture of confectionery products	100	100
Dongguan Anco Food Co., Ltd.[(1)]	PRC	PRC	Manufacture of preserved fruits	100	100

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

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11. Investment in subsidiaries (cont'd)

Name of company	Country of incorporation	Country of operation	Principal activities	Effective equity interest held by the Group	
				2007	2006
				%	%
Hsu Fu Chi Foods Pte. Ltd.(1) (3)	Singapore	Singapore	Sale and distribution of confectionery products	100	–
Chengdu Hsu Chi Co., Ltd (1) (3)	PRC	PRC	Manufacture of confectionery products and sale and distribution of self-manufactured confectionery products	100	–
Huzhou Hsu Chi Foods Co., Ltd.(1) (3)	PRC	PRC	Manufacture of confectionery products and sale and distribution of self-manufactured confectionery products	100	–
Huzhou Hsu Fu Chi Foods Co., Ltd.(1) (3)	PRC	PRC	Manufacture of confectionery products and sale and distribution of self-manufactured confectionery products	100	–

11. Investment in subsidiaries (cont'd)

Name of company	Country of incorporation	Country of operation	Principal activities	Effective equity interest held by the Group	
				2007	2006
				%	%
Henan Hsu Fu Chi Co., Ltd[(1) (3)]	PRC	PRC	Processing of agricultural products	100	–
Dongguan Andegu Plastic Packaging Material Ltd[(1) (3)]	PRC	PRC	Production of plastic products, plastic packaging materials (including printing process) for sale to domestic and overseas markets	100	–
Henan Hua Tai Xin Foodstuff and Commodity Limited[(1) (3)]	PRC	PRC	Sales, production and storage of foodstuff, fruits and vegetables, processed meats, poultry and food commodities	100	–
Henan Zhongyuan Madian Foodstuff and Commodity Limited[(1) (3)]	PRC	PRC	Sales and production of nuts, groceries and food additives	100	–
Dongguan Ruihuashi Biotechnology Ltd.[(1) (3)]	PRC	PRC	Sales and production of functional food, nutritious candies and health care food	100	–

(1) Insignificant subsidiaries

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

(3) Incorporated in the financial year ended 30 June 2007

Notes to The Consolidated Financial Statements

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12. Property, plant and equipment

Group	Buildings	Plant and machinery	Office equipment	Motor vehicle	Construction–in–progress	Total
30 June 2007	**Rmb'000**	**Rmb'000**	**Rmb'000**	**Rmb'000**	**Rmb'000**	**Rmb'000**
Cost						
At the beginning of the year	278,947	900,542	37,038	36,690	89,867	1,343,084
Additions	20,933	301,848	10,831	15,283	99,344	448,239
Disposals	(2,786)	(12,460)	(3,104)	(5,875)	–	(24,225)
Reclassifications	107,516	1,436	–	–	(108,952)	–
At the end of the year	404,610	1,191,366	44,765	46,098	80,259	1,767,098
Accumulated depreciation						
At the beginning of the year	45,737	329,760	16,279	12,983	–	404,759
Depreciation charge for the year	22,490	99,056	7,026	7,534	–	136,106
Disposals	(2,524)	(9,803)	(1,211)	(3,932)	–	(17,470)
At the end of the year	65,703	419,013	22,094	16,585	–	523,395
Net carrying amount						
At the end of the year	338,907	772,353	22,671	29,513	80,259	1,243,703
30 June 2006						
Cost						
At the beginning of the year	202,100	776,506	28,527	29,330	62,950	1,099,413
Additions	240	129,087	10,812	10,690	103,524	254,353
Disposals	–	(5,051)	(2,301)	(3,330)	–	(10,682)
Reclassifications	76,607	–	–	–	(76,607)	–
At the end of the year	278,947	900,542	37,038	36,690	89,867	1,343,084
Accumulated depreciation						
At the beginning of the year	36,112	249,755	11,136	9,900	–	306,903
Depreciation charge for the year	9,625	84,452	6,197	4,713	–	104,987
Disposals	–	(4,447)	(1,054)	(1,630)	–	(7,131)
At the end of the year	45,737	329,760	16,279	12,983	–	404,759
Net carrying amount						
At the end of the year	233,210	570,782	20,759	23,707	89,867	938,325

Certain buildings with total net book value of Rmb 21,840,000 (2006: Rmb 23,385,000) have been mortgaged to Industrial and Commercial Bank of China to secure banking facilities.

13. Intangible assets

Intangible assets comprise land use rights.

	Group	
	2007	**2006**
	Rmb'000	**Rmb'000**
Cost		
At the beginning of the year	149,018	149,018
Additions	23,420	–
Reversal of over accrual in prior years	(7,937)	–
At the end of the year	164,501	149,018
Accumulated amortisation		
At the beginning of the year	10,259	7,279
Amortisation charge for the year	2,620	2,980
At the end of the year	12,879	10,259
Net carrying amount		
At the end of the year	151,622	138,759

Land use rights with net carrying amount of Rmb 6,167,000 (2006: Rmb 6,307,000) have been mortgaged to Industrial and Commercial Bank of China to secure banking facilities.

14. Deferred tax assets

Deferred tax assets arise as a result of:

	Group	
	2007	**2006**
	Rmb'000	**Rmb'000**
Differences in depreciation	6,582	3,781
Differences in amortisation	1,075	978
Provisions	18,421	15,031
Other timing differences	4,181	4,370
	30,259	24,160

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15. Inventories

	Group	
	2007	2006
	Rmb'000	Rmb'000
Raw materials	89,323	122,598
Finished goods	93,638	75,137
Total inventories at lower of cost and net realisable value	182,961	197,735

16. Trade receivables

	Group	
	2007	2006
	Rmb'000	Rmb'000
Trade receivables	401,078	412,379
Less: allowance for doubtful trade receivables	(76,707)	(75,961)
	324,371	336,418

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

Trade receivables are denominated in the following currencies:

	Group	
	2007	2006
	Rmb'000	Rmb'000
Renminbi	318,432	325,093
Hong Kong Dollar	682	2,457
United States Dollar	5,257	8,868
	324,371	336,418

17. Bills receivable

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

18. Other receivables and deposits

	Group		Company
	2007	2006	2007
	Rmb'000	Rmb'000	Rmb'000
Other receivables	10,942	3,727	469
VAT receivable	–	6,839	–
Deposits	5,050	10,370	–
	15,992	20,936	469

19. Amount due from subsidiaries / due to subsidiary (non-trade)

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

20. Other payables and accruals

	Group		Company
	2007	2006	2007
	Rmb'000	Rmb'000	Rmb'000
Advances from customers	20,477	261	–
Deposits from distributors	34,702	21,234	–
Accrued payroll	38,709	11,573	–
Accruals for land use rights	36,447	59,810	–
Accrued operating expenses	116,885	104,290	1,035
Accruals for purchase of property, plant and equipment	65,999	17,746	–
Accrued directors' remuneration	1,819	–	1,819
VAT and other operating taxes	4,166	–	–
Provision for PRC statutory welfare expenses	14,236	7,428	–
Provision for retirement benefits	4,580	4,032	–
Provision for sales return	10,791	–	–
Provision for potential loss arising from exchange of goods from distributors	1,029	–	–
Dividends payable	–	10,314	–
Other payables	45,146	13,917	2,141
	394,986	250,605	4,995

21. 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 68,275,000 (2006: Rmb 43,833,000) and Rmb 23,613,000 (2006: Rmb 10,974,000) are secured by corporate guarantees from Dongguan Hsu Fu Chi Food Co., Ltd. and Hsu Fu Chi Holdings Ltd. respectively.

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22. Short-term bank loans

The short-term bank loans have interest rates ranging from 5.050% to 5.103% (2006: 4.698% to 4.860%) per annum. These loans are repayable in full over the period from July 2007 to September 2007 (2006: August 2006 to December 2006). Certain short-term bank loans amounting to Rmb Nil (2006: Rmb 40,000,000) and Rmb 50,000,000 (2006: Rmb 80,000,000) are secured by corporate guarantees from Dongguan Hsu Fu Chi Food Co., Ltd. and Hsu Fu Chi Holdings Ltd. respectively.

23. Term loans

	Group	
	2007	2006
	Rmb'000	Rmb'000
Industrial and Commercial Bank of China[1]	50,000	–
Bank of China[2]	30,000	30,000
Industrial and Commercial Bank of China[3]	–	10,000
Industrial and Commercial Bank of China[3]	–	10,000
	80,000	50,000

1 This term loan is unsecured and bears interest at 5.670% per annum. It is repayable in full in September 2009.

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

3 These term loans are unsecured and bear interest at 5.022% per annum. They were repaid in full in December 2006.

24. Share capital

	Group and Company	
Share capital	Number of shares	Value
	'000	S$'000
Authorised:		
At date of incorporation, 18 October 2006 – 1,000,000 ordinary shares of S$0.01 each	1,000	10
Increase via creation of 2,999,000,000 ordinary shares of S$0.01 each	2,999,000	29,990
At end of year – 3,000,000,000 ordinary shares of S$0.01 each	3,000,000	30,000

24. Share capital (cont'd)

Share capital	Group and Company Number of shares '000	Value S$'000
Issued and fully paid:		
At date of incorporation, 18 October 2006		
– issued and nil paid 1,000,000 ordinary shares of S$0.01 each	1,000	–
Crediting of 1,000,000 nil paid ordinary shares of S$0.01 each as fully paid	–	10
Issue of 669,000,000 new ordinary shares of S$0.01 each pursuant to the Restructuring Exercise	669,000	6,690
Issue of 125,000,000 new ordinary shares of S$0.01 each pursuant to the public offering of the Company	125,000	1,250
At end of year		
– 795,000,000 ordinary shares of S$0.01 each	795,000	7,950*

* Equivalent to Rmb 40,124,000.

By written resolutions of the Shareholders dated 30 October 2006 the Shareholders approved, inter alia, the following:

(a) the increase in the Company's authorised share capital from S$10,000 divided into 1,000,000 ordinary shares of S$0.01 each to S$30,000,000 divided into 3,000,000,000 ordinary shares of S$0.01 each;

(b) the acquisition by the Company of the entire issued share capital of Hsu Fu Chi Holdings Ltd. (including the crediting, as fully paid, of the nil paid shares of the Company held by Mr. Hsu Chen and the issue of 669,000,000 Shares, credited as fully paid);

(c) the allotment and issue of the New Shares which are the subject of the Invitation. The New Shares, when allotted, issued and fully paid up, will rank *pari passu* in all respects with the existing issued and fully paid up Shares;

The Company issued 125,000,000 ordinary shares of S$0.01 each at S$0.85 per share in connection with its initial public offering. The net proceeds arising thereon amounted to Rmb 503,632,000.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions.

Notes to The Consolidated Financial Statements

30 June 2007

25. 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 2007 and 2006 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.

26. Dividends

	Group and Company	
	2007	2006
	Rmb'000	Rmb'000
Dividend declared by subsidiary to the then existing shareholders prior to the Restructuring Exercise – Hsu Fu Chi Holdings Ltd.	–	51,766
Proposed but not recognised as a liability as at 30 June 2007 Dividends on ordinary shares, subject to shareholders' approval at the AGM : – First and final exempt (one–tier) dividend for 2007: Rmb 13 cents (2006: Nil) per share	103,350	–

27. Segment information

Reporting format

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

27. Segment information (cont'd)

Business segments

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

(i) Candy Products

This category consists primarily of candies, such as Chinese New Year Candies. Jelly and pudding and chocolate products are also included under this category as secondary products.

(ii) Cake and Cookie Products

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

(iii) Sachima Products

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

Geographical segments

The Group's revenue by geographical segments is based on the location of its customers. With the exception of the People's Republic of China ("PRC"), no other individual country contributed more than 10% of consolidated turnover during the financial years ended 30 June 2007 and 2006.

Allocation basis and transfer pricing

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

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

Notes to The Consolidated Financial Statements

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27. Segment information (cont'd)

Group	Candy Products	Cake and Cookie Products	Sachima Products	Total
FY 2007	**Rmb'000**	**Rmb'000**	**Rmb'000**	**Rmb'000**
Revenue	1,354,970	766,822	590,678	2,712,470
Gross profit	596,964	318,812	147,328	1,063,104
Unallocated expenses, net				(746,015)
Financial expenses, net				(7,055)
Profit before tax				310,034
Income tax				(54,705)
Net profit attributable to shareholders				255,329
Allowance for inventory obsolescence	6,149	349	56	6,554
Allowance for doubtful trade receivables				15,806
Depreciation of property, plant and equipment				136,106
Amortisation of intangible assets				2,620
FY 2006				
Revenue	1,003,159	595,199	457,960	2,056,318
Gross profit	426,659	240,281	116,076	783,016
Unallocated expenses, net				(533,391)
Financial expenses, net				(7,689)
Profit before tax				241,936
Income tax				(30,575)
Net profit attributable to shareholders				211,361
Allowance for inventory obsolescence	5,791	171	207	6,169
Allowance for doubtful trade receivables				27,111
Depreciation of property, plant and equipment				104,987
Amortisation of intangible assets				2,980

28. Commitments

(a) Capital expenditure and other commitments

	Group	
	2007	**2006**
	Rmb'000	**Rmb'000**
Capital expenditure		
Commitments in respect of purchase of property, plant and equipment	44,957	59,490
Commitment in respect of contracts entered into for construction-in-progress	34,505	28,685
Others		
Commitments in respect of purchase of raw materials	–	96,039

(b) Operating lease commitments

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

	Group	
	2007	**2006**
	Rmb'000	**Rmb'000**
Not later than 1 year	16,751	2,865
1 year through 5 years	18,028	4,141
More than 5 years	7,009	6,172
	41,788	13,178

29. Financial risk management objectives and policies

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

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.

Notes to The Consolidated Financial Statements

30 June 2007

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

The Group does not hold or issue derivative financial instruments for trading purposes.

(a) Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's bank borrowings. The Group obtains additional financing through bank borrowings. The Group's policy is to obtain the most favourable interest rates available.

Surplus funds are placed with reputable banks.

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

(b) Liquidity risk

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.

(c) Foreign currency risk

The Group has transactional currency exposure arising from sales in United States Dollars and Hong Kong Dollars. As such, the Group has trade receivables denominated in the respective currencies as disclosed in the consolidated financial statements. The Group has also bank balances denominated in United States Dollar and Hong Kong Dollars. Accordingly, the Group's balance sheets can be affected by movements in the United States Dollar/Rmb and Hong Kong Dollar/Rmb exchange rates.

The Group has not entered into any hedges.

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

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

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

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

(d) Credit risk

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.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents and other receivables, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

30. Financial instruments

(a) Credit risk

As at 30 June 2007 and 2006, there was no significant concentration of credit risk within the Group.

(b) Fair values

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

Financial instruments carried at fair value

The Group has no financial instruments that are classified as held for trading, available-for-sale financial assets, or derivative financial instruments, which would have been carried at their respective fair values as required by FRS 39.

Financial instruments whose carrying amount approximate fair value

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

Financial instruments carried at other than fair value

The Group has no financial instrument, whose carrying amount does not reasonably estimate fair value and is carried in the financial statements at other than fair value, as at 30 June 2007.

Notes to The Consolidated Financial Statements

30 June 2007

30. Financial instruments (cont'd)

(c) Interest rate risk

The following table sets out the carrying amount, by maturity, of the Group's financial instruments, that are exposed to interest rate risk:

2007	**Within 1 year**	**1–2 years**	**2–3 years**	**More than 3 years**	**Total**
Group	**Rmb'000**	**Rmb'000**	**Rmb'000**	**Rmb'000**	**Rmb'000**
Fixed rate					
Term loans	30,000	–	50,000	–	80,000
Short-term bank loans	90,000	–	–	–	90,000
Floating rate					
Bank balances	643,307	–	–	–	643,307
Company					
Floating rate					
Bank balances	405,453	–	–	–	405,453

2006	**Within 1 year**	**1–2 years**	**2–3 years**	**More than 3 years**	**Total**
Group	**Rmb'000**	**Rmb'000**	**Rmb'000**	**Rmb'000**	**Rmb'000**
Fixed rate					
Term loans	20,000	30,000	–	–	50,000
Short-term bank loans	210,000	–	–	–	210,000
Floating rate					
Bank balances	128,351	–	–	–	128,351

The other financial instruments of the Group and the Company that are not included in the above tables are not subject to interest rate risks.

Notes to The Consolidated Financial Statements

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31. Subsequent events

Subsequent to the financial year ended 30 June 2007,

(i) On 15 August 2007, the Board of Directors of the Company announced that the winding up of its indirect wholly-owned subsidiary, Dongguan Anco had been completed.

(ii) On 28 August 2007, Dongguan Hsu Chi Foods Co., Ltd acquired land use rights for a land area of 91,452 square metres situated at Sangyuan Suburban Industrial Park, Dongcheng District in Guangzhou Province from the Office of Dongcheng District, Dongguan City for a consideration of Rmb 35,118,000. As at the date of this report, an amount of Rmb 8,779,000 has been paid up.

(iii) On 1 September 2007, Dongguan Hsu Chi Foods Co., Ltd finalised the transfer of certain land use rights with cost amounting to Rmb 3,933,000 from the relevant authorities.

(iv) On 11 September 2007, Huzhou Hsu Chi Foods Co., Ltd and Huzhou Hsu Fu Chi Foods Co., Ltd finalised the transfer of certain land use rights with cost amounting to Rmb 6,697,000 and Rmb 6,719,000 respectively from the relevant authorities.

32. Authorisation of financial statements

The consolidated financial statements for the year ended 30 June 2007 were authorised for issue in accordance with a resolution of the directors on 27 September 2007.

Group's Land and Buildings

(a) The particulars of the buildings owned by the Group at Factory No. 3 as of 30 June 2007 are set out below:

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

Group's Land and Buildings

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

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

Notes:

(1) The Group has mortgaged these properties to the Industrial and Commercial Bank of China for the purpose of securing bank loans. The Group's existing bank loans from the Industrial and Commercial Bank of China have been granted on an unsecured basis and are therefore not secured by these mortgages.

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

Statistics of Shareholdings

As at 12 September 2007

Authorised share capital	:	S$30,000,000
Issued and fully paid up capital	:	S$7,950,000
No. of shares issued	:	795,000,000 of S$0.01 each
Class of shares	:	Ordinary Share
Voting rights	:	One vote per share

Distribution of Shareholdings

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 999	3	0.46	1,000	0.00
1,000 – 10,000	495	76.63	1,913,000	0.24
10,001 – 1,000,000	129	19.97	10,293,000	1.30
1,000,001 and above	19	2.94	782,793,000	98.46
TOTAL :	646	100.00	795,000,000	100.00

Twenty Largest Shareholders

No.	Name	No. of Shares	%
1.	Hsu Chen	134,000,000	16.86
2.	Suncove Investments Ltd.	120,600,000	15.17
3.	Mellberg Limited	120,122,475	15.11
4.	Ophira Finance Ltd.	107,200,000	13.48
5.	Hsu Pu	107,200,000	13.48
6.	Great Horizon Investments Limited	47,377,525	5.96
7.	Citibank Nominees Singapore Pte Ltd	36,045,000	4.53
8.	United Overseas Bank Nominees Pte Ltd	31,977,000	4.02
9.	DBS Nominees Pte Ltd	24,370,000	3.07
10.	Raffles Nominees Pte Ltd	9,871,000	1.24
11.	HSBC (Singapore) Nominees Pte Ltd	9,439,000	1.19
12.	Hu Chia-Hsun	7,685,000	0.97
13.	UOB Kay Hian Pte Ltd	6,873,000	0.86
14.	Lim & Tan Securities Pte Ltd	6,503,000	0.82
15.	DB Nominees (S) Pte Ltd	4,876,000	0.61
16.	DBSN Services Pte Ltd	4,726,000	0.59
17.	Morgan Stanley Asia (Singapore) Securities Pte Ltd	1,370,000	0.17
18.	Royal Bank of Canada (Asia) Ltd	1,370,000	0.17
19.	DBS Vickers Securities (S) Pte Ltd	1,188,000	0.15
20.	HL Bank Nominees (S) Pte Ltd	660,000	0.08
	TOTAL :	783,453,000	98.53

Statistics of Shareholdings

As at 12 September 2007

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
Hsu Chen	134,000,000	16.9	–	–
Hsu Hang[1]	–	–	107,200,000	13.5
Hsu Keng[2]	–	–	120,600,000	15.2
Hsu Pu	107,200,000	13.5	–	–
Ophira Finance Ltd	107,200,000	13.5	–	–
Suncove Investments Ltd	120,600,000	15.2	–	–
Mellberg Limited	120,122,475	15.1	–	–
Great Horizon Investments Limited	47,377,525	6.0	–	–
Transpac Capital 1996 Investment Trust[3]	–	–	120,122,475	15.1
Transpac Industrial Holdings Limited4	–	–	47,377,525	6.0
V-Nee Yeh[5]	–	–	47,377,525	6.0
ASM Ventures Limited[5]	–	–	47,377,525	6.0
Argly Street Management Limited[5]	–	–	47,377,525	6.0
ASM Asia Recovery (Master) Fund[5]	–	–	47,377,525	6.0
ASM Hudson River Fund[5]	–	–	47,377,525	6.0
Orchard Partners Limited[5]	–	–	47,377,525	6.0
Riverview Management Limited[5]	–	–	47,377,525	6.0
Kin Chan[5]	–	–	47,377,525	6.0
Li Yick Yee Angie[5]	–	–	47,377,525	6.0
Transpac Capital Pte Ltd[6]	–	–	167,500,000	21.1
Bastion Associates Limited[7]	–	–	167,500,000	21.1
Techno-Ventures Hong Kong Limited[7]	–	–	167,500,000	21.1
Leong Ka Cheong Christopher[8]	–	–	167,500,000	21.1

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. Transpac Capital 1996 Investment Trust is deemed interested in all the shares held by Mellberg Limited ("Mellberg") as it owns more than 90% of the shares in Mellberg.
4. Transpac Industrial Holdings Limited is deemed interested in all the shares held by Great Horizon Investments Limited ("Great Horizon") as it owns all the shares in Great Horizon.
5. V-Nee Yeh, ASM Ventures Limited, Argly Street Management Limited, ASM Asia Recovery (Master) Fund, ASM Hudson River Fund, Orchard Partners Limited, Riverview Management Limited, Kin Chan and Li Yick Yee Angie are to be interested in the shares held by Transpac Industrial Holdings.
6. Transpac Capital Pte Ltd is deemed interested in all shares held by Mellberg and Great Horizon because these shares are managed by it.
7. Bastion Associates Limited ("Bastion Associates) and Techno-Ventures Hong Kong Limited ("Techno-Ventures Hong Kong") owns Transpac Capital Pte Ltd and accordingly, both are deemed interested in the shares held by Transpac Capital Pte Ltd.
8. Leong Ka Cheong Christopher is deemed interested in the shares held by Transpac Capital Pte Ltd through his interests held in Bastion Associates and Techno-Ventures Hong Kong.

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

16% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGT-ST.

Notice of Annual General Meeting

HSU FU CHI INTERNATIONAL LIMITED

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

NOTICE IS HEREBY GIVEN that the Annual General Meeting of HSU FU CHI INTERNATIONAL LIMITED (the "Company") will be held on Friday, 26 October 2007 at Grand Plaza Park Hotel, Ballroom II, Level 2, 10 Coleman Street, Singapore 179809 at 10.00 am for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Accounts of the Company for the year ended 30 June 2007 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a first and final dividend of RMB13 cents per share (tax not applicable) for the year ended 30 June 2007 (2006 : Nil). **(Resolution 2)**

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

Mr Cheong Kok Yew	(Retiring under Article 85(6))	**(Resolution 3)**
Mr Hsu Keng	(Retiring under Article 86(1))	**(Resolution 4)**
Mr Lam Khin Khui	(Retiring under Article 86(1))	**(Resolution 5)**

   Mr Cheong Kok Yew will, upon re-election as a Director of the Company, remain a member of the Audit, Remuneration and Nominating 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.

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

4. To note the retirement of Ms Hsu Tien retiring pursuant to Article 86(1) of the Company's Articles of Association and who is not seeking re-election and to appoint Mr Hsu Pu as a Director in place thereof.
   [See Explanatory Note (i)] **(Resolution 6)**

5. To approve the payment of Directors' fees of S$368,400 for the year ended 30 June 2007 (2006: Nil). **(Resolution 7)**

6. To re-appoint Ernst & Young as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 8)**

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

Notice of Annual General Meeting

AS SPECIAL BUSINESS

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

8. **Authority to allot and issue shares up to 50 per centum (50%) of issued shares**

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

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

(b) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (a) above, the percentage of issued shares shall be based on the issued 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 consolidation or subdivision of Shares;

(c) And that such authority shall, unless revoked or varied by the Company in general meeting, continue in force (i) until the conclusion of the Company's next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier or (ii) in the case of shares to be issued in accordance with the terms of convertible securities issued, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of such convertible securities.
[See Explanatory Note (ii)] **(Resolution 9)**

By Order of the Board

Hazel Chia/Josephine Toh
Company Secretaries

Singapore, 9 October 2007

Notice of Annual General Meeting

Explanatory Notes :

(i) The Board of Directors, in consultation with the Nominating Committee, recommends to members the appointment of Mr Hsu Pu as a Director of the Company. Mr Hsu Pu is a substantial shareholder of the Company and brother of Mr Hsu Chen, Mr Hsu Hang, Mr Hsu Keng and father of Ms Hsu Tien.

(ii) The Ordinary Resolution 9 proposed in item 8 above, if passed, will empower the Directors from the date of the above Meeting until the date of the next Annual General Meeting, to allot and issue Shares and convertible securities in the Company up to an amount not exceeding fifty per centum (50%) of the issued shares in the capital of the Company, of which up to twenty per centum (20%) may be issued other than on a pro rata basis.

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, Lim Associates (Pte) Ltd, 3 Church Street #08-01, Samsung Hub, Singapore 049483, at least forty-eight (48) hours before the time of the Meeting.

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