Heng Tai Consumables Group Limited

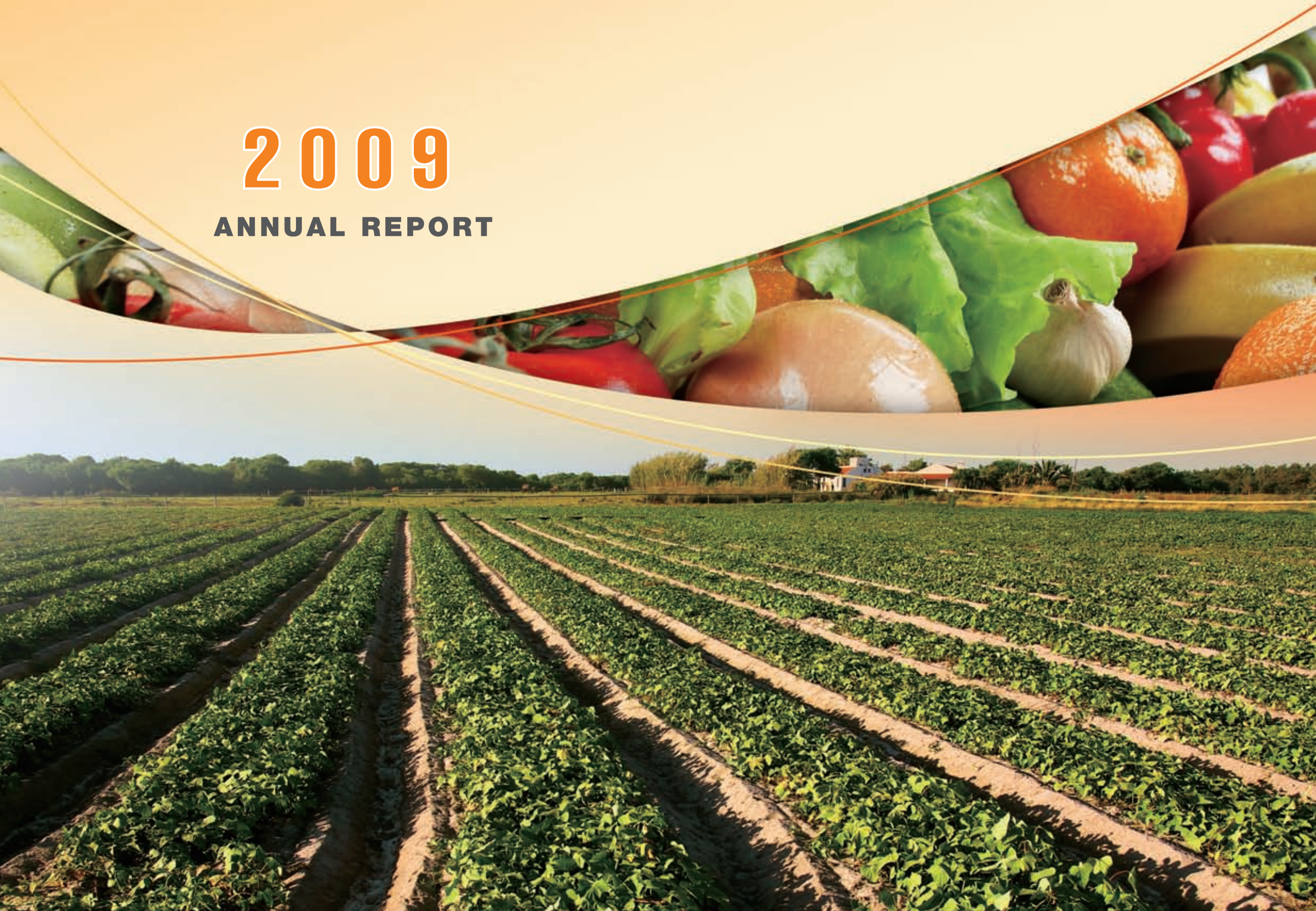
亨泰消費品集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 0197)

2009

ANNUAL REPORT



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:
Mr. Lam Kwok Hing *(Chairman)*
Mr. Chu Ki
Ms. Lee Choi Lin, Joecy

Non-Executive Director:
Ms. Chan Yuk, Foebe

Independent Non-Executive Directors:
Mr. John Handley
Mr. Poon Yiu Cheung, Newman
Ms. Mak Yun Chu

COMPANY SECRETARY

Mr. Wong Siu Hong

AUDITOR

RSM Nelson Wheeler
Certified Public Accountants
29th Floor, Caroline Centre
Lee Gardens Two
28 Yun Ping Road
Hong Kong

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

31st Floor, Guangdong Finance Building
88 Connaught Road West
Sheung Wan
Hong Kong

PRINCIPAL BANKERS

Bayerische Hypo-und Vereinsbank AG
CITIC Ka Wah Bank Limited
DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited
Industrial and Commercial Bank of China (Asia) Limited
The Hongkong and Shanghai Banking Corporation Limited
Wing Hang Bank Limited

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "Board" or "Directors") of Heng Tai Consumables Group Limited (the "Company"), I would like to present to the shareholders the annual report of the Company and its subsidiaries (collectively the "Group") for the year ended 30 June 2009.

FINANCIAL PERFORMANCE

The past financial year was unprecedentedly underperformed since its public listing in 2001. The Group's business was significantly affected by the turmoil in the financial markets and the global economic downturn. The Group's turnover had dropped by 16.6% to HK$1,897 million while the net profit had declined by 56.3% to HK$110.0 million for the year ended 30 June 2009. The decline was principally attributed to the sales shrinkage of the Group's products in the business segment relating to the distribution of packaged food, beverages, household consumable products and cold chain products, and substantial provision for doubtful debts from some of our customers affected by the global economic downturn mainly during the last quarter of 2008 and the first quarter of 2009.

DIVIDENDS

The Board does not recommend the payment of the final dividend in respect of the year ended 30 June 2009. In view of the prevailing capital intensive period, the Board decided to maintain adequate cash reserve in order to protect the Group in a more solvent position as well as fulfill its ongoing commitments in the agro business development in the coming year.

PROPOSED BONUS OF SHARES

The Board proposes to make a bonus issue of new shares of the Company by way of a special dividend on the basis of one bonus share for every twenty existing shares of the Company to the shareholders whose names appear on the register of members of the Company on 21 December 2009. The bonus shares issue is conditional upon the Stock Exchange granting the listing of and permission to deal in the bonus shares. The bonus shares, upon issue, will be credited as fully paid at par and will rank pari passu in all respects with the existing issued shares of the Company with effect from the date of issue. Further details regarding the bonus shares issue will be set out in a circular to be despatched to the shareholders of the Company.

BUSINESS MODEL AND DEVELOPMENT, GROWTH STRATEGIES AND PROSPECT

In principle, the Group has consistently performed as a one-stop service platform provider incorporating the functions of traders, marketing agent and supply chain solutions in the fast moving consumable goods, cold chain and cosmetic products and agro industry in the People's Republic of China (the "PRC").

CHAIRMAN'S STATEMENT

During the year under review, the Group's distribution business in fast moving consumable goods and cold chain products had been affected with significant decrease in sales volume due to weakening market demand and tightening credit control imposed to customers by the Group in view of worsening market conditions. In such a tough market environment, the Group had been undergoing a series of rationalization programs to refurbish the earning model on product and customer portfolio, services scope and business stream extension in the hope of regulating business momentum by securing additional income streams. In the product side, the Group carried out its product extension plans in cosmetic business by commencing distribution of cosmetics products and toiletries of PRC domestic brands sold to the pharmacy, department and retail chain stores with a more affordable price. The Group also secured the distribution rights of more quality brands for packaged food and household consumable products to enrich its product portfolio to prepare for the expected surge in demand in the gradually recovering world economy. The Group also carried out its clientele extension plans in its agro business through acquiring certain distribution businesses in agro products with sales network in northern and northeast areas of the PRC. The increased distribution volume in agro products was also expected to leverage up the Group's business volume in our cold chain logistics services.

In respect of services scope, the Group extended its logistics offices and operations to Beijing, Guangzhou and Shenzhen to strengthen its door-to-door deliver services and transportation management on the whole supply chain. Post-harvest and fresh cut processing operations of agro products in Zhongshan logistics hub were also set up and commenced operations to extend our service coverage. The post-harvest and fresh cut processing business would also be regarded as our pilot operations to the forthcoming large scale processing operations in the second phase development of Zhongshan logistics hub, which would encompass the establishment of a government licensed central warehouse equipped with a hygiene and quarantine centre of internationally recognised standards and with various processing, repackaging and storage facilities for agro products for domestic sale in its initial stage and for export sale in appropriate course.

In the business stream development, the Group had redeveloped part of its storage and logistics facilities in Zhongshan logistics hub in order to enable it to meet various stringent quarantine, specification and quality requirements to carry out the distribution business of frozen products with official endorsement from the Guangdong Entry-Exit Inspection and Quarantine Bureau as the accredited cold-chain storage facilities for imported frozen products. Such business stream expansion by Zhongshan logistics hub in the southern region of the PRC would complement the distribution network of the Group's frozen product business currently mainly covered in the eastern region by our Shanghai logistics hub.

Further, during the year under review, the Group had been vertically integrated into upstream farming business other than its trader role in perishable business. The first cultivation base wholly invested by the Group in Jiangxi of the PRC had been properly set up and operated with its expected harvest time in 2011. In the coming year, the Group would further its farmland reserve from 20,000 mu to 30,000 mu and through such scale established itself as a significant player in the upstream farming business to benefit from government policies and also to attract fragmented farmers to contribute their farmland and labour for the Group's production through contract farming arrangement to minimize the Group's upfront investment in future agro business development.

CHAIRMAN'S STATEMENT

During the year under review, the Group had successfully implemented its diversification plan to become a one-stop vertically integrated service platform provider for cultivation, value-added processing, logistics and distribution of agro products in the PRC. This diversification process would also complement the Group's entire supply chain by utilizing and leveraging its well acquired distribution expertise and well extended sales network in the downstream, well established cold chain logistics infrastructure in the midstream and well controlled source of stable supply of safe and marketable produces in the upstream.

Given the forthcoming production scale in upstream farming and expansion extent in midstream logistics facilities and service scope, in the coming year, the Group would also consider building up its own brands and setting aside appropriate budget to establish sales windows for agro products to capture cross opportunities in each dependent streams of its entire supply chain and most importantly to maximize its profit margin and return.

Looking forward, we believe there are more opportunities than challenges ahead of us and the Group is still cautiously optimistic towards the consumer retail market and forthcoming development in the entire supply chain of agro products in the PRC. It is expected the PRC government will continue its support, favourable policies and measures, fiscally and administratively, for agro industry and domestic consumer market to maintain a stable rural economy. These supportive policies and measures are beneficial for the growth and development of agro's upstream, midstream and downstream business in which the Group is well positioned to capitalize.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to extend my sincere appreciation to our shareholders and my fellow colleagues for their dedication, effort and commitment during the past year. I would also like to thank our shareholders and business partners for their full support and trust in our business development blueprint.

On behalf of the Board
Lam Kwok Hing
Chairman

Hong Kong, 28 October 2009

MANAGEMENT DISCUSSION AND ANALYSIS

Heng Tai Consumables Group Limited (the "Company") and its subsidiaries (collectively the "Group") are principally engaged in (i) distribution of packaged food, beverages, household consumable products, cosmetics and skincare products and cold chain products; (ii) the provision of cold chain logistics services; and (iii) cultivation and distribution of agro products. During the year under review, the Group has consistently performed as a one-stop service platform provider incorporating the functions of traders, marketing agent and supply chain solutions in the fast moving consumable goods, cold chain and cosmetic products and agro industry in the PRC.

BUSINESS ENVIRONMENT

China's retail and consumer markets continued to be the market place where the Group secured its business and further its development. Despite the recent global economic downturn, China's real GDP increased by 9.0% in 2008. The Chinese government has adopted a series of positive economic stimulus plans, and in particular, initiated more favourable policies to spur the rural sector. In addition, population in China is still increasing and demand for consumable and fresh produce products is also growing at a steady pace. In 2009, China will provide a total of RMB123 billion in various rural subsidies for the agro business, which is a rise of about 20% over last year. In addition, the government has implemented supportive measures to promote scale farming by large corporations in order to address the food safety issues and enhance the utilization efficiency of farmland in a more systematic and effective way. Consequently, the trend of industrialised farming has maintained a high-momentum. Given China's strength in its underlying economy and domestic growth and favourable government policies in place, the management is cautiously optimistic that China's retail consumer markets for consumables and agro products would continue to offer enormous opportunities for our business to sustain.

FINANCIAL PERFORMANCE

During the year under review, the Group's turnover decreased by approximately 16.6% to approximately HK$1,897 million, from approximately HK$2,274 million in the previous financial year. The decrease in turnover was principally attributed to the decrease in sales volume of the Group's products in the business segment relating to the distribution of packaged food, beverages, household consumable products and cold chain products though the Group had managed to achieve growth in its diversified cultivation and distribution business of agro products by approximately 14% over the preceding financial year.

Gross profit margin was approximately 21.4% when compared with approximately 22.4% in last year. The slight drop in gross profit margin was mainly attributed to the increased sale volume of domestically produced agro products and cosmetic products of PRC domestic brands with their relatively lower profit margin and enlarged sales of other cosmetic brands to sales outlets, such as pharmacy and retail chain stores at a more affordable price.

MANAGEMENT DISCUSSION AND ANALYSIS

Selling and distribution expenses were approximately HK$142.1 million, which was at a similar amount or represented an increase from approximately 6.2% to 7.5% of the turnover when compared with the preceding financial year. The increase in percentage was mainly attributable to the extra outlays in increased marketing activities and certain one-off promotion campaigns for the business segment relating to the distribution of fast moving consumable goods and cosmetic and cold chain products to reinforce market position in view of the expected sluggish market from economic downturn.

Administrative expenses were approximately HK$108.1 million, which represented a decrease of approximately HK$3.6 million when compared with approximately HK$111.7 million in the preceding financial year. During the year under review, although the Group expanded its business scale in the upstream farming and extended its logistics offices and operations with a relative higher portion of fixed administrative costs than its distribution business, the Group had carried out a series of consolidation and rationalisation programs as a means to keep tight cost control.

Other operating expenses were approximately HK$51.5 million for the year, which mainly consisted of an impairment of trade receivables of approximately HK$36.4 million, an impairment of other receivables of HK$3.4 million and an impairment of intangible assets of approximately HK$11.4 million. During the year, the Group had made specific provisions on certain trade debts with doubtful collectability. Though the receivables impairments only represented approximately 2.1% to the Group's overall turnover during the year given the tumbling economic conditions, the Group had implemented a more stringent credit control to customers to ensure subsequent collectability. The impairment of intangible assets represented a provision against certain distribution rights of some exclusively licensed branded products due to factory closing down during the year.

Finance costs mainly represented interest expenses and decreased to approximately HK$7.1 million during the year when compared with approximately HK$8.4 million in the preceding financial year.

Profit from operations decreased to approximately HK$125.9 million, representing a decrease of approximately 48.8% compared to approximately HK$246.0 million in the preceding financial year. Profit for the year decreased to approximately HK$110.0 million, representing a decrease of approximately 56.3% compared to approximately HK$251.9 million in the preceding financial year. Apart from the reasons of business downturn and impairments attributable to the decrease in the Group's net profit, the Group did not share any profit of an associated company for the year since its disposal of 400,000,000 shares of China Zenith Chemical Group Limited, which had contributed a profit from sharing of its results in sum of approximately HK$22.8 million in last financial year.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a strong financial position throughout the year under review. The Group financed its operations and business development with internally generated resources, equity funding and banking facilities.

On 11 June 2009, the Company issued 842,565,000 new shares on the basis of one offer share for every two existing shares held on the 15 May 2009 at the subscription price of HK$0.18 per offer share. The net proceeds of the open offer amounted to approximately HK$147.7 million, which would be used by the Group as to approximately HK$100.0 million for the development in the agro business, as to approximately HK$40.0 million for the further development and expansion of Zhongshan logistics centre and as to the remaining balance of approximately HK$7.7 million as general working capital.

During the year, the Company issued 95,000,000 new shares through exercise of share options by option holders with net proceeds of approximately HK$37.5 million.

At 30 June 2009, the Group had interest-bearing borrowings of approximately HK$277.1 million (30 June 2008: HK$249.2 million) of which over 95% of the borrowings were denominated in Hong Kong dollars and approximately 77% would mature within one year. All of the Group's bank borrowings were floating-interest bearing and secured by corporate guarantees given by the Company and certain subsidiaries of the Company.

A significant portion of sales, purchases and services income of the Group were either denominated in Renminbi, Hong Kong dollars and US dollars. The Directors consider that the operations of the Group are not exposed to significant foreign currency exchange risk in view of the stability of the exchange rates between these currencies. The Group did not have any significant hedging instrument outstanding as at 30 June 2009.

At 30 June 2009, the Group's current assets amounted to approximately HK$1,105.9 million (30 June 2008: HK$1,139.5 million) and the Group's current liabilities amounted to approximately HK$356.9 million (30 June 2008: HK$245.4 million). The Group's current ratio decreased to approximately 3.1 as at 30 June 2009 (30 June 2008: 4.6). The decrease in the current ratio was mainly attributable to the increase of HK$70 million short-term bank loan which was classified as long term bank loan as at 30 June 2008 and became short term bank loan with repayment due date within one year as at 30 June 2009. At 30 June 2009, the Group had total assets of approximately HK$2,717.5 million (30 June 2008: HK$2,400.3 million) and total liabilities of approximately HK$435.3 million (30 June 2008: HK$406.5 million) with a gearing ratio of approximately 10.2% (30 June 2008: 10.4%). The gearing ratio was expressed as a ratio of total borrowings to total assets. The gearing ratio remained at a fairly stable level during the year under review.

MANAGEMENT DISCUSSION AND ANALYSIS

NUMBER AND REMUNERATION OF EMPLOYEES

At 30 June 2009, the Group had approximately 820 staff for its operations in the PRC, Hong Kong and Macau. The Group's employees are remunerated in accordance with their work performance and experience. The Group also participates in a retirement benefit scheme for its staff in the PRC and a defined Mandatory Provident Fund Scheme for its staff in Hong Kong. The Group has adopted a share option scheme of which the Board may, at its discretion, grant options to eligible participants of the share option scheme. As at the date of this report, a total of 109,384,596 share options remain unexercised.

BUSINESS REVIEW, DEVELOPMENT AND PROSPECT

During the year under review, the Group was principally engaged in (i) distribution of packaged food, beverages, household consumable products, cosmetics and skincare products and cold chain products; (ii) the provision of cold chain logistics services; and (iii) cultivation and distribution of agro products. The product groups distributed by the Group included packaged food, beverages, household consumable products, cosmetics and skincare products, frozen and chilled products with their respective contribution of approximately 22%, 2%, 2%, 9% and 13%. The provision of cold-chain logistics services represented approximately 10% to the Group's turnover for the year. The cultivation and distribution of agro products represented approximately 42% to the Group's turnover for the year. The categories of packaged food were mainly biscuits, candies, chocolate, condiments, margarine, milk power products, healthy food, noodles, snacks, rice and nourishing and exclusively licensed branded products. Beverages were mainly beers, wines and soft drinks and the household consumable products were mainly batteries and toiletries. Cosmetics and skincare products included make-up, perfumes, fragrance and skin and sun care products. Cold chain products consisted of frozen meat, seafood and diary products. Agro products included various types of vegetables and fruit.

The Group's products were mainly sourced from the Southeast Asia, the United States of America, Europe, Australia and New Zealand and sold to wholesalers, retailers and on-premise customers in the PRC. During the year under review, the Group also started expanding its sourcing network for cosmetic and agro products in the PRC. Wholesalers were still the main customer category, which accounted for approximately 43% of the Group's turnover for the year. The Group had been consistently expanding its customer base in retailing and on-premise sectors to approximately 26% and 21% and servicing sector to approximately 10% respectively. The progressive enlargement in retailing and servicing sectors was mainly attributable to sales of more cosmetic products, and agro products with the availability of the cold chain facilities by our Shanghai, Zhongshan and Beijing infrastructure and extended logistics operations with strengthening door-to-door deliver services and transportation management on the whole supply chain.

MANAGEMENT DISCUSSION AND ANALYSIS

During the year, the Group had consistently delivered as a one-stop service platform incorporating the functions of traders, marketing agent and supply chain solutions provider in the fast moving consumable goods, cosmetic and cold chain products in the PRC. Further, the Group had also been diversifying itself as a one-stop vertical integrated service platform provider conducting cultivation, value-added processing, perishable logistics and distribution for the agro industry in the PRC.

During the year under review, the Group had vertically integrated into upstream farming business. The first cultivation base wholly invested by the Group in Jiangxi of the PRC had been properly set up and operated with its expected harvest time in 2011. To meet the expected significant demand of the agro products in its future development, the Group had also secured approximately 20,000 mu of farmland for vegetable and fruit plantation. In the coming year, the Group would further its farmland reserve to 30,000 mu and through such scale established itself as a scale player in the upstream farming business to benefit from government policies and also to attract fragmented farmers to contribute their farmland and labour for the Group's production through contract farming arrangement to minimize the Group's upfront investment in future agro business development. To cope with the development requirements, the Group had also engaged research institutions for research and development projects to support its agricultural activities. The Group's cultivation base would place strong emphasis in high quality green food by adopting an ecological and green cultivation methodology with high yield and quality as its core mission. The development would be in line with the existing government policies in the PRC to encourage scale farming by large corporations in the agro industry to address the food safety issues and enhance the utilization efficiency of farmland in a more systematic and effective way.

During the year under review, the Group had also carried out its clientele extension plans in its agro business through acquiring certain distribution businesses in fresh produce products in the PRC. The increased distribution volume in fresh produce products had also made contribution to the higher utilisation of our cold chain logistics services in Zhongshan logistics hub. Turnover for distribution of fresh produce products and provision of cold chain logistics services had recorded a growth rate of approximately 14% and 2% respectively when compared with the preceding financial year irrespective of the impact of the economic downtown.

In November 2008, the Group had redeveloped part of its storage and logistics facilities in Zhongshan logistics hub in order to enable it to meet various stringent quarantine, specification and quality requirements to carry out the distribution business of frozen products with official endorsement from the Guangdong Entry-Exit Inspection and Quarantine Bureau as the accredited cold-chain storage facilities for imported frozen products. The redevelopment would enable the Group to expand its distribution scale in frozen products currently mainly carried out in the eastern region by our Shanghai logistics hub to cover the southern region of the PRC by our Zhongshan logistics hub. To speed up the further expansion by Zhongshan logistics hub, the Group had acquired a distribution business in frozen products. Such acquisition would broaden the distribution network of frozen products in the southern region of the PRC.

MANAGEMENT DISCUSSION AND ANALYSIS

Further, Zhongshan logistics hub had also finalised the extension plans in its second phase development. The extension would encompass the establishment of a government licenced central warehouse equipped with a hygiene and quarantine centre of internationally recognised standards and various repackaging facilities for agro products. In view of the recent turbulence in global financial markets, the Group would first start the construction work of the central warehouse that would act as the storage and processing hub for China's agro products for domestic sales. The extension plan for the hygiene and quarantine centre together with other logistics facilities built for the export of China's agro products would be deferred and revisited until China's export industry restored. Post-harvest and fresh cut processing operations of agro products were also set up and commenced operations in Zhongshan logistics hub during the year. The post-harvest and fresh cut processing business would also be regarded as our pilot operations to the forthcoming large scale processing operations in the second phase development of Zhongshan logistics hub as mentioned above.

The Group had carried out its product extension plans in its cosmetic business during the year. Different from the previous model with its procurement from overseas countries, the Group started sourcing the cosmetic products and toiletries of certain established brands from the PRC manufacturers and sold to the pharmacy, department and retail chain stores at a more affordable price in the PRC. This product extension was expected to create vast room for sales volume of cosmetic products to the more affordable consumer group in the PRC.

On 16 April 2009, the Company announced to propose to raise approximately HK$151.7 million through an open offer, before deducting all the relevant expenses of approximately HK$4.0 million, by issuing 842,565,000 offer shares at the subscription price of HK$0.18 per offer share, on the basis of one offer share for every two existing shares held on the 15 May 2009. The net proceeds of the open offer was approximately HK$147.7 million, which would be used by the Group as to approximately HK$100.0 million for the development in the agro business, as to approximately HK$40.0 million for the further development and expansion of our Zhongshan logistics hub and as to the remaining balance of approximately HK$7.7 million as general working capital.

The past financial year was unprecedentedly underperformed in the Group's track record due to the unfavourable global economic environment. The year-on-year GDP growth rate of the PRC had decreased to a single-digit in 2008 due to the drop in the PRC's foreign trade and fixed-asset investments. In view of the uncertain market conditions, the Group had during the year performed an in-depth review on its business development plans and capital expenditure budget.

MANAGEMENT DISCUSSION AND ANALYSIS

On the financial side, the Group had implemented a more stringent credit control policy to customers to withstand increasing credit risks inherent in the economic downturn. Though longer credit terms might be granted to certain customers with historical good repayment records with us, but self control to reduce or stop taking orders from customers with gradually slow repayment trends had been in place in order to ensure collectability. The Group had further reviewed its future expenditure since the last quarter of 2008 following the deepening downturn of the global economy. Resources would only be committed to business projects pertinent to sales of necessity with sustainable growth and to segments and industries with strong support by the PRC government policies, both in term of fiscal and administrative, such as agro industry. Development plans in other domains with intensive capital investment had been totally held up or protracted if committed previously.

On the business side, the Group would continue its diversification process in its entire supply chain that would enable it to leverage its well acquired distribution expertise and well extended sales network in the downstream, well established cold chain logistics infrastructure in the midstream and well controlled source of stable supply of safe and marketable produces in the upstream. A well-executed balance between each of these dependent business segments in upstream, midstream and downstream in farming, logistics and trading business would create cross opportunities for each other.

In view of the recovering world economy and financial market, together with the initial effect of the PRC government's stimulus measures and economic revitalization policies, our management believes the market and operating environment would quickly improve. With the continuous reinforcement in the agro industry with strong government support and ample market opportunities, coupled with our well established sales network and perishable logistics infrastructure in the PRC, our management is optimistic that the Group is well positioned to create growth momentum and emerge as a more sound and refined business.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

EXECUTIVE DIRECTORS

Mr. LAM Kwok Hing, aged 53, is the Chairman and Managing Director of the Company. He has over 25 years' experience in the consumer products industry and worked as a division supervisor in the Consumer Sales Division of Dodwell Hong Kong Limited for 10 years before founding the business of the Group in 1994. Mr. Lam is responsible for the strategic planning, corporate policy, overall management and marketing strategy of the Group. Mr. Lam is the spouse of Ms. Lee Choi Lin, Joecy, an Executive Director of the Company.

Mr. CHU Ki, aged 56, is an Executive Director and Chief Executive Officer of the Company and a founder of the Group. Mr. Chu has over 25 years' managerial experience in the food and beverage and the transportation industries, both in Hong Kong and in the PRC. Mr. Chu is responsible for the Group's overall development, management and external corporate and investor communication.

Ms. LEE Choi Lin, Joecy, aged 49, is an Executive Director of the Company and a founder of the Group. Ms. Lee is currently responsible for the general administration and management of the Group. She has over 15 years' experience in the consumer products industry. Ms. Lee is the spouse of Mr. Lam, an Executive Director of the Company.

NON-EXECUTIVE DIRECTOR

Ms. CHAN Yuk, Foebe, aged 40, is an Non-Executive Director of the Company. Ms. Chan holds a Bachelor Degree in Accountancy from the Queensland University of Technology in Australia. Ms. Chan has over 10 years' experience in corporate finance and management. Prior to joining the Group in May 2002, Ms. Chan held senior positions in a listed company and an investment company. Ms. Chan is also an Executive Director of China Zenith Chemical Group Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. John HANDLEY, aged 65, is an Independent Non-Executive Director of the Company appointed in November 2001. Mr. Handley has a Postgraduate Diploma in Export Marketing and 30 years' experience in marketing consumer products in Australia and the Far East. During the last 20 years, he has completed a number of business consultancy contracts in the PRC and Asia for major European manufacturers. Mr. Handley is a member of the Institute of Export in United Kingdom, a member of the Hong Kong Institute of Marketing and a Voting Member of the Hong Kong Jockey Club.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Mr. POON Yiu Cheung, Newman, aged 54, is an Independent Non-Executive Director of the Company appointed in November 2003. Mr. Poon obtained a Bachelor of Art Degree, majoring in accounting and economics in the University of Alberta in Canada. Mr. Poon is a Senior Executive of a multinational insurance company and has over 25 years' experience in insurance and accounting.

Ms. MAK Yun Chu, aged 51, is an Independent Non-Executive Director of the Company appointed in April 2004. She is a fellow member of the Association of Chartered Certified Accountants and a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants, and has over 10 years' experience in accounting and administration.

SENIOR MANAGEMENT

Mr. WONG Siu Hong, aged 41, is the Chief Financial Officer and Company Secretary of the Company. He is responsible for the Group's financial planning and management, and corporate governance. Mr. Wong obtained a Bachelor of Business Degree, majoring in accounting and commercial law in Australia. He is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and the CPA Australia. Prior to joining the Group in March 2003, Mr. Wong worked in a multinational accounting firm and has over 15 years' experience in accounting and auditing. Mr. Wong is also an independent non-executive director of Huafeng Textile International Group Limited, a listed company on the Main Board of the Stock Exchange.

Ms. HUNG Sau Yung, Rebecca, aged 43, is the General Manager of the Administration and Accounting of the Group. Ms. Hung obtained a Bachelor of Business Degree in Australia. Ms. Hung joined the Group in March 1998 and is responsible for overseeing the financial operations and administrative function of the Group. She has over 20 years' experience in accounting and administration.

Mr. ONG Hong Hoon, Bernard, aged 59, joined the Group in November 2004 as General Manager of a wholly owned subsidiary of the Company engaged in the fresh produce division. Mr. Ong is responsible for managing the operations and development of the agro-business of the Group. Mr. Ong holds a Master Degree in Business Administration from Golden Gate University, USA. Mr. Ong is an associate member of Yayasan Pengurusan Malaysia (Malaysian Institute of Management and an associate of the Institute of Bankers of United Kingdom). Mr. Ong has over 20 years' experience in managing various large-scale projects relating to consumer business, construction, manufacturing, import/export and logistics operations in Hong Kong and the PRC.

Mr. WONG Kam Wing, aged 56, joined the Group in September 1995 and now as General Manager of a wholly owned subsidiary of the Company engaged in the fresh produce division. Mr. Wong is responsible for managing the operations and development of the agro-based logistics business of the Group. Mr. Wong has over 25 years' work experience in the consumer goods industry.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Mr. WONG Chun, aged 37, joined the Group in February 2006 as Financial Controller of a wholly owned subsidiary of the Company engaged in the fresh produce division. Mr. Wong is responsible for supervising and managing the financial operations and reporting of the agro-business division. Mr. Wong holds a Diploma in Accountancy and is a member of the Association of Chartered Certified Accountants and has over 15 years' accounting and auditing experience in an auditing firm.

Ms. GAO Qin Jian, aged 49, is the General Manager of a PRC subsidiary of the Company. Ms. Gao obtained a Bachelor of Business Degree, majoring in business administration in Fudan University of the PRC. Ms. Gao has over 20 years' experience in accounting, finance and also managerial experience in the distribution and logistic industries. Ms. Gao joined the Group in March 2004 and is responsible for the management and business development of the Group's distribution and cold chain logistic business in the PRC.

Mr. Dirk Butch WALTER, aged 46, joined the Group in May 2005 as Food Service Manager. Mr. Walter is responsible for managing the frozen product operations in Shanghai logistics centre. Mr. Walter holds a Master Craftsman's Diploma and is a Certified German Masterbutcher. He has over 15 years' experience in importing and supplying high quality frozen meat and seafood and catering products to the hotels, restaurants, airline catering and on-premise sectors in the PRC.

Mr. ONG Chew Sheng, aged 39, joined the Group in April 2005 as Senior Business Development Manager of a wholly owned subsidiary of the Company engaged in agro-business division. Mr. Ong is responsible for business development of the agro-based logistics business of the Group. Mr. Ong obtained a Bachelor of Arts Degree in Business Organisation in Edinburgh, Scotland and has over 15 years' work experience in sales and marketing in Malaysia and the PRC.

Ms. Kwan Kar Ling, Rosanna, aged 39, is the Human Resources Manager of the Group. Ms. Kwan obtained a Master of Business Administration in International Management in the United Kingdom and an Honour Diploma in the Human Resources Management in Hong Kong. Ms. Kwan is an associate member of the Hong Kong Institute of Human Resource Management. Ms. Kwan joined the Group in February 2008 and is responsible for overseeing the human resources functions of the Group in Hong Kong and PRC. She has over 14 years' experience in human resources field.

DIRECTORS' REPORT

The directors have pleasure in presenting their report and the audited financial statements for the year ended 30 June 2009.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in note 40 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

An analysis of the Group's performance by business and geographical segments for the year ended 30 June 2009 is set out in note 8 to the financial statements.

RESULTS AND FINANCIAL POSITION

The Group's results for the year are set out in the consolidated income statement on page 33.

The state of affairs of the Group and of the Company at 30 June 2009 are set out in the consolidated balance sheet and balance sheet on pages 34 to 35 and 36 respectively.

RESERVES

The movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity.

DIVIDENDS

The Board does not recommend the payment of the final dividend in respect of the year ended 30 June 2009.

PROPOSED BONUS OF SHARES

The Board proposes to make a bonus issue of new shares of the Company by way of a special dividend on the basis of one bonus share for every twenty existing shares of the Company to the shareholders whose names appear on the register of members of the Company on 21 December 2009. The bonus shares issue is conditional upon the Stock Exchange granting the listing of and permission to deal in the bonus shares. The bonus shares, upon issue, will be credited as fully paid at par and will rank pari passu in all respects with the existing issued shares of the Company with effect from the date of issue. Further details regarding the bonus shares issue will be set out in a circular to be despatched to the shareholders of the Company.

DIRECTORS' REPORT

FIVE YEAR FINANCIAL INFORMATION

A summary of the consolidated results and of the consolidated assets, liabilities and equity of the Group for the last five financial years is set out below:

Results

	Year ended 30 June				
	2009	2008	2007	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Profit attributable to:					
– Equity holders of the Company	**115,054**	255,148	190,127	122,319	105,142
– Minority interests	**(5,024)**	(3,297)	(47)	1,299	(7)
Profit for the year	**110,030**	251,851	190,080	123,618	105,135

Assets, liabilities and equity

	At 30 June				
	2009	2008	2007	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	**2,717,463**	2,400,299	1,671,086	1,363,505	689,023
Total liabilities	**(435,279)**	(406,489)	(333,381)	(224,389)	(223,661)
Total minority interests	**–**	(5,026)	(24)	(10,013)	(28)
Total equity attributable to equity holders of the Company	**2,282,184**	1,988,784	1,337,681	1,129,103	465,334

Note: The results of the Group for the four years ended 30 June 2005, 2006, 2007 and 2008 and the assets, liabilities and equity of the Group as at these dates have been extracted from the audited consolidated financial statements of the Company for the respective years and restated as appropriate. The results of the Group for the year ended 30 June 2009 and the assets, liabilities and equity of the Group as at 30 June 2009 are those set out in page 33 and pages 34 and 35 of the financial statements, respectively.

DIRECTORS' REPORT

FIXED ASSETS

Details of the movements in fixed assets of the Group are set out in note 16 to the financial statements.

CONSTRUCTION IN PROGRESS

Details of the movements in construction in progress of the Group are set out in note 18 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 33 to the financial statements.

DISTRIBUTABLE RESERVES

At 30 June 2009, the Company had distributable reserves of approximately HK$1,423,779,000. Under the Companies Law (Revised) of the Cayman Islands, the share premium account of the Company of approximately HK$1,215,692,000 as at 30 June 2009 is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business. The share premium account may also be distributed in the form of fully paid bonus shares.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 30 June 2009.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the sales to the Group's five largest customers taken together accounted for less than 30% of the Group's total sales and purchases from the Group's five largest supplying principals taken together accounted for less than 30% of the Group's total purchases for the year.

None of the directors, their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the major customers or supplying principals noted above.

DIRECTORS' REPORT

DIRECTORS

The directors of the Company who held office during the year and up to the date of this report were as follows:

Executive Directors

Mr. Lam Kwok Hing
Mr. Chu Ki
Ms. Lee Choi Lin, Joecy
Mr. Peng Zhanrong (resigned on 8 December 2008)
Mr. Chiau Che Kong (resigned on 8 December 2008)

Non-executive Director

Ms. Chan Yuk, Foebe

Independent Non-executive Directors

Mr. John Handley
Mr. Poon Yiu Cheung, Newman
Ms. Mak Yun Chu

In accordance with the Company's articles of association, Ms. Lee Choi Lin, Joecy, Mr. Poon Yiu Cheung, Newman and Ms. Mak Yun Chu will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Mr. John Handley, Mr. Poon Yiu Cheung, Newman and Ms. Mak Yun Chu were appointed for a term of three years expiring on 5 November 2010, 25 November 2009 and 7 April 2010 respectively.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of directors of the Company and senior management of the Group are set out on pages 13 to 15 of the annual report.

DIRECTORS' REPORT

DIRECTORS' SERVICE CONTRACTS

Mr. Lam Kwok Hing, Mr. Chu Ki and Ms. Lee Choi Lin, Joecy entered into service contract with the Company respectively for an initial term of three years commencing on 1 July 2001, which continues thereafter until terminated by either party giving not less than three months' notice in writing to the other party.

Ms. Chan Yuk, Foebe entered into a service contract with the Company on 14 December 2005 for a term of one year, which continues thereafter until terminated by either party giving not less than three months' notice in writing to the other party.

Save as disclosed above, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which any director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or in existence during the year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 June 2009, the interests and short positions of each director and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of Part XV of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code"), were as follows:

DIRECTORS' REPORT

Interests in shares/underlying shares of the Company

Name of director	*Note*	Number of shares/ underlying shares held	Percentage of the issued share capital
Mr. Lam Kwok Hing	*1*	362,400,000	14.34%
Ms. Lee Choi Lin, Joecy	*2*	128,520,000	5.08%
Mr. Chu Ki	*3*	21,000,000	0.83%
Ms. Chan Yuk, Foebe	*4*	17,595,000	0.70%

Notes:

1. These shares are owned by Best Global Asia Limited ("Best Global"), a company incorporated in the British Virgin Islands (the "BVI"). The entire issued share capital of Best Global is beneficially owned by Mr. Lam Kwok Hing, the spouse of Ms. Lee Choi Lin, Joecy.

2. These shares are owned by World Invest Holdings Limited ("World Invest"), a company incorporated in the BVI. The entire issued share capital of World Invest is beneficially owned by Ms. Lee Choi Lin, Joecy, the spouse of Mr. Lam Kwok Hing.

3. These shares are owned by Asia Startup Group Limited ("Asia Startup"), a company incorporated in the BVI. The entire issued share capital of Asia Startup is beneficially owned by Mr. Chu Ki.

4. Theses are share options granted to Ms. Chan Yuk, Foebe and represent the number of underlying shares covered by the share options.

All the interests disclosed above represent long position in the shares/underlying shares of the Company.

Save as disclosed above, as at 30 June 2009, none of the directors or chief executive of the Company and their respective associates had any interests or short positions in shares, underlying shares or debentures of the Company, its subsidiaries or any associated corporations (within the meaning of Part XV of the SFO) which were required to be entered into the register kept by the Company pursuant to Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed under the heading "Directors' interests and short positions in shares and underlying shares" above, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors, or the chief executives or their spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate.

DIRECTORS' REPORT

SHARE OPTION SCHEME

Details of the Company's share option scheme are set out in note 35 to the financial statements.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2009, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Interests in shares of the Company:

Name of substantial shareholder	*Note*	Number of issued ordinary shares held	Nature of interests	Approximate percentage of interest
Best Global	*1*	362,400,000	Corporate interests	14.34%
World Invest	*2*	128,520,000	Corporate interests	5.08%
Pope Asset Management, LLC		145,445,662	Corporate interests	5.75%
FMR LLC		133,899,500	Corporate interests	5.30%

Notes:

1. These shares were held by Best Global as beneficial owner and duplicate the interest held by Mr. Lam Kwok Hing in the Company.

2. These shares were held by World Invest as beneficial owner and duplicate the interest held by Ms. Lee Choi Lin, Joecy in the Company.

All the interests disclosed above represent long position in the shares of the Company.

Save as disclosed above, as at 30 June 2009, no person, other than the directors and chief executive of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

DIRECTORS' REPORT

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors as at the date of this report, there is a sufficient public float of not less than 25% of the Company's issued shares in the market as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the year and up to the date of this report, no director of the Company is considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, as defined by the Listing Rules, other than those businesses of which the directors of the Company were appointed as directors to represent the interests of the Company and/or the Group.

CONNECTED TRANSACTIONS

During the year and up to the date of this report, no connected transactions were entered into between the Company or any of its subsidiaries and a connected person as defined under the Listing Rules.

CORPORATE GOVERNANCE

In the opinion of the directors, the Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules throughout the year ended 30 June 2009.

AUDIT COMMITTEE REVIEW

The Company has an Audit Committee which was established in accordance with the requirements of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee consists of two independent non-executive directors and one non-executive director of the Company.

The financial statements of the Group for the year ended 30 June 2009 have been reviewed by the Audit Committee, who is of the opinion that such financial statements comply with the applicable accounting standards, and the requirements of the Listing Rules and the applicable laws, and that adequate disclosures have been made.

DIRECTORS' REPORT

AUDITOR

RSM Nelson Wheeler retires and a resolution for their re-appointment as auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Lam Kwok Hing
Chairman
Hong Kong
28 October 2009

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

Corporate governance is the system by which Heng Tai Consumables Group Limited (the "Company") is directed and controlled. The board of directors of the Company (the "Board") is fully aware of its importance to the shareholders and has developed a rigorous system of checks and balances which allows management to respond to the strategic directions approved by the Board. The Board believes that a well balanced corporate governance system enables the Company to achieve business excellence and fulfill the Company's vision and mission. Throughout the year ended 30 June 2009, the Company has applied the principles of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and complied with all the applicable code provisions of the Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct regarding directors' securities transactions. The Company has made specific enquiry of all the Company's directors any non-compliance with the Model Code during the year ended 30 June 2009 and they all confirmed that they had fully complied with the required standards set out in the Model Code.

The Company established and adopted written guidelines, "Code for Securities Transactions by Relevant Employees and Officers", on no less exacting terms than the Model Code for securities transactions by relevant employees and officers who are likely to be in possession of unpublished price-sensitive information of the Company.

BOARD OF DIRECTORS

During the year ended 30 June 2009, the composition of the Board was as follows:

Executive Directors
Mr. Lam Kwok Hing
Mr. Chu Ki
Ms. Lee Choi Lin, Joecy
Mr. Peng Zhanrong (resigned on 8 December 2008)
Mr. Chiau Che Kong (resigned on 8 December 2008)

Non-executive Director
Ms. Chan Yuk, Foebe

Independent Non-executive Directors
Mr. John Handley
Mr. Poon Yiu Cheung, Newman
Ms. Mak Yun Chu

CORPORATE GOVERNANCE REPORT

The biographical details of the Directors has been disclosed under the section "Directors, Senior Management and Staff" section on pages 13 to 15 of the annual report.

In recognition of their services with the Company, annual directors' fees or monthly salaries are paid to them commensurable with their duties with the approval of the shareholders of the Company. To provide an opportunity for the directors to participate in the equity of the Company as well as to motivate them to optimize their performance, directors may be granted share options to subscribe for shares of the Company under the share option schemes of the Company. In addition, all directors are covered by appropriate insurance on directors' liabilities from their risk exposure arising from the management of the Group.

The Board members have no financial, business or other material/relevant relationships with each other except that Ms. Lee Choi Lin, Joecy is the spouse of Mr. Lam Kwok Hing, there is no relationship between members of the Board.

During the year ended 30 June 2009, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise.

There is a clear division of responsibilities between the Board and the management.

The Board has the responsibility for management of the Company, which includes formulating business strategies, and directing and supervising the Company's affairs, approving interim reports and annual reports, announcements and press releases of interim and final results and considering dividend policy, major acquisition, and other significant operational and financial matters of the Company. Implementation of strategies and day-to-day management, administration and operation of the Company are delegated to the management team of each respective subsidiary.

CORPORATE GOVERNANCE REPORT

During the year ended 30 June 2009, six board meetings were held and the attendance records were as follow:

Name of Director	Number of Board Meetings attended/held	Attendance Rate
Executive Directors		
Mr. Lam Kwok Hing	6/6	100%
Mr. Chu Ki	6/6	100%
Ms. Lee Choi Lin, Joecy	6/6	100%
Mr. Peng Zhanrong (resigned on 8 December 2008)	2/3	67%
Mr. Chiau Che Kong (resigned on 8 December 2008)	3/3	100%
Non-executive Director		
Ms. Chan Yuk, Foebe	6/6	100%
Independent Non-executive Directors		
Mr. John Handley	4/6	67%
Mr. Poon Yiu Cheung, Newman	6/6	100%
Ms. Mak Yun Chu	6/6	100%

INDEPENDENT NON-EXECUTIVE DIRECTORS

Each independent non-executive directors of the Company has confirmed his/her independence pursuant to Rule 3.13 of the Listing Rules and the Company considers these directors to be independent under Rule 3.13 of the Listing Rules.

All the independent non-executive directors of the Company were appointed for a term of three years. All directors appointed during the year are subject to re-election by shareholders at the next annual general meeting after their appointment and every director (including those appointed for a specific term) is subject to retirement by rotation at least once every three years in accordance with the Company's articles of association.

DISTINCTIVE ROLES OF CHAIRMAN AND CHIEF EXECUTIVE DIRECTOR

The roles of chairman and chief executive officer are segregated in order to ensure a balance of power and authority in the management of the Board and the day-to-day management of the business. The Chairman of the Company is Mr. Lam Kwok Hing and the Chief Executive Officer is Mr. Chu Ki.

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE

The current members of the Audit Committee are:

Ms. Mak Yun Chu, *Independent Non-executive Director (Chairman)*
Mr. Poon Yiu Cheung, Newman, *Independent Non-executive Director*
Ms. Chan Yuk, Foebe, *Non-executive Director*

The responsibilities and authorities of the Audit Committee are clearly stated in the terms of reference, including but not limited to reviewing the Group's financial reporting system, the internal control procedures and the Group's financial statements. The Audit Committee is also responsible for reviewing the independence of external auditors. The Audit Committee has adopted terms of reference which are in line with the Code.

During the year ended 30 June 2009, the Audit Committee held three meetings with all committee members attended considering the appointment and independence of external auditors, reviewing and supervising the financial control process and internal control of the Group and monitoring and reviewing the interim and annual financial statements of the Group.

The financial statements of the Group for the year ended 30 June 2009 and for the six months ended 31 December 2008 have been reviewed and approved by the Audit Committee.

REMUNERATION COMMITTEE

The Company established the Remuneration Committee in July 2005. The current members of the Remuneration Committee are:

Ms. Mak Yun Chu, *Independent Non-executive Director (Chairman)*
Mr. Poon Yiu Cheung, Newman, *Independent Non-executive Director*
Mr. Lam Kwok Hing, *Executive Director*

The responsibilities and authorities of the Remuneration Committee are clearly stated in the terms of reference, including but not limited to recommendations to the Board on the Company's policy and structure for all remuneration of the Directors and the senior management and review and approval of the compensation package to Executive Directors and senior management.

The Remuneration Committee has adopted terms of reference which are in line with the Code.

The Remuneration Committee held three meetings with all committee members attended during the year ended 30 June 2009, for reviewing and discussing the present remuneration policies of the Group and has made recommendations to the Board in relation to the salaries, bonuses, allowances, share options, and retirement benefits scheme contributions paid to the directors and senior management of the Group by reference to their duties and responsibilities with the Company and the prevailing market situation.

CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE

The Company established the nomination Committee in July 2005. The current members of the Remuneration Committee are:

Ms. Mak Yun Chu, *Independent Non-executive Director (Chairman)*
Mr. Poon Yiu Cheung, Newman, *Independent Non-executive Director*
Mr. Lam Kwok Hing, *Executive Director*

The responsibilities and authorities of the Nomination Committee are clearly stated in the terms of reference, including but not limited to make recommendations to the Board on relevant matters relate to appointment or re-appointment of Directors of the Group and to access the independence of Independent Non-executive Director of the Group.

The Nomination Committee has adopted terms of reference which are in line with the Code.

The Nomination Committee held three meetings with all committee members attended during the year ended 30 June 2009, for reviewing the structure, size and composition including the skills, knowledge and experience of the Board, and also for assessing the independence of the three Independent Non-executive Directors, and has made recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors of the Group considering their experience and qualification.

INTERNAL CONTROL AND RISK MANAGEMENT

As the Board believes that a well-designed system of internal control is crucial to safeguard the assets of the Group and to ensure reliability of the financial reporting as well as compliance with the relevant rules and regulations, an internal audit team has been set up, intended to prevent material misstatements and losses and to manage rather than eliminate risks of failure in operational systems to achieve the Group's objectives.

The Board has overall responsibility for the Group's internal control, financial control and risk management system and shall monitor their effectiveness from time to time as well as the scopes of the internal audit reviews according to risk assessment. Special reviews from internal audit functions may also be performed on areas of concern identified by management or the audit committee from time to time.

During the year under review, the internal audit functions have performed a review over the effectiveness of the internal control system of the Group including functions of financial, operation, compliance and risk management. The review showed a satisfactory control system. The review has reported to the Audit Committee. The Directors also, where necessary, initiated necessary improvement and reinforcement to the internal control system.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS AND INVESTOR RELATIONS

The rights of shareholders and the procedures for demanding a poll on resolutions at shareholders' meeting are contained in the Company's articles of association. Procedures for voting by poll have been included in the circulars issued by the Company accompanying the relevant notices convening such general meetings and are read out by the Chairman at the general meeting. The Company has taken steps to ensure compliance with the requirements about voting by poll and arrangements have been made for the voting of each of the resolutions being put to the meetings to be dealt with by means of poll vote. Effective 1 January 2009, all resolutions at the shareholders' meeting would be conducted by poll to compile with the Listing Rules. At general meeting, the Board, including the members of Audit Committee are responsible for answering questions raised by the shareholders.

In order to provide detailed and up-to-date information to our shareholders, the Company has a range of communication channels to ensure its shareholders are kept well-informed. These comprise of annual general meetings, annual report, public notices, announcements and circulars.

The Company seeks to enhance communications and positive relationships with investors by maintaining regular dialogues with institutional investors and analysts to keep them up to date about the business and operation information and development of the Group, and to reply to any enquiries from investors appropriately. Investors are welcome to make enquiries to the Company at its office in Hong Kong or directly visit the Company's website (www.hengtai.com.hk) for any updated corporate and financial information.

AUDITOR'S SERVICE

For the year ended 30 June 2009, the Group engaged RSM Nelson Wheeler, auditor of the Company, to perform audit and non-audit services.

Services rendered

	HK$'000
Audit service	968
Non-audit service	80
	1,048

DIRECTORS' RESPONSIBILITY STATEMENT

The directors acknowledge that it is their responsibility to prepare the accounts for each financial period which give a true and fair view of the state of affairs of the Group and to present a balanced, clear and understandable assessment of the financial results and disclosures of the Group under the Listing Rules and other rules and statutory requirements.

INDEPENDENT AUDITOR'S REPORT

RSM Nelson Wheeler
中瑞岳華(香港)會計師事務所
Certified Public Accountants

TO THE SHAREHOLDERS OF HENG TAI CONSUMABLES GROUP LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Heng Tai Consumables Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 33 to 104, which comprise the consolidated and Company balance sheets as at 30 June 2009, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

INDEPENDENT AUDITOR'S REPORT

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 true 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 the 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 give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2009 and of the Group's results and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

RSM Nelson Wheeler
Certified Public Accountants
Hong Kong

28 October 2009

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2009

	Note	2009 HK$'000	2008 HK$'000
Turnover	6	1,897,091	2,274,317
Cost of sales		(1,491,777)	(1,764,541)
Gross profit		405,314	509,776
Changes in fair value of biological assets less estimated point-of-sale costs		11,884	(199)
Other income	7	10,296	9,916
Selling and distribution expenses		(142,075)	(142,083)
Administrative expenses		(108,050)	(111,651)
Other operating expenses		(51,515)	(19,791)
Profit from operations		125,854	245,968
Finance costs	9	(7,106)	(8,358)
Share of profits of associates		–	22,779
Profit before tax		118,748	260,389
Income tax expense	10	(8,718)	(8,538)
Profit for the year	11	110,030	251,851
Attributable to:			
Equity holders of the Company		115,054	255,148
Minority interests		(5,024)	(3,297)
		110,030	251,851
Earnings per share	15		
Basic		HK6.1 cents	HK13.2 cents
Diluted		HK6.1 cents	HK13.1 cents

CONSOLIDATED BALANCE SHEET

As at 30 June 2009

	Note	2009 HK$'000	2008 HK$'000
Non-current assets			
Fixed assets	16	694,181	558,855
Prepaid land lease payments	17	322,069	237,531
Construction in progress	18	34,435	2,223
Goodwill	19	287,378	287,378
Biological assets	20	39,773	–
Other intangible assets	21	176,849	90,943
Other assets	22	41,808	50,671
Investment in a club membership	23	108	108
Investments	24	14,922	33,043
		1,611,523	1,260,752
Current assets			
Biological assets	20	1,585	1,314
Inventories	25	206,829	171,808
Trade receivables	26	333,676	298,025
Prepayments, deposits and other receivables		135,572	78,984
Investments	24	335	334
Bank and cash balances	27	427,943	589,082
		1,105,940	1,139,547
TOTAL ASSETS		2,717,463	2,400,299
Capital and reserves			
Share capital	33	25,277	15,901
Reserves	34(a)	2,256,907	1,972,883
Equity attributable to equity holders of the Company		2,282,184	1,988,784
Minority interests		–	5,026
Total equity		2,282,184	1,993,810

CONSOLIDATED BALANCE SHEET

As at 30 June 2009

	Note	2009 *HK$'000*	2008 *HK$'000*
Non-current liabilities			
Borrowings	*29*	62,592	144,204
Finance lease payables	*30*	89	93
Deferred tax liabilities	*31*	7,180	7,514
Deferred income	*32*	8,485	9,260
		78,346	161,071
Current liabilities			
Trade payables	*28*	77,470	77,699
Accruals and other payables		32,802	39,597
Borrowings	*29*	214,543	105,016
Finance lease payables	*30*	69	114
Current tax liabilities		32,049	22,992
		356,933	245,418
Total liabilities		435,279	406,489
TOTAL EQUITY AND LIABILITIES		2,717,463	2,400,299
Net current assets		749,007	894,129
Total assets less current liabilities		2,360,530	2,154,881

Approved by Board of Directors on 28 October 2009

Lam Kwok Hing
Chairman

Chu Ki
Director

BALANCE SHEET – THE COMPANY

As at 30 June 2009

	Note	2009 *HK$'000*	2008 *HK$'000*
Non-current assets			
Fixed assets	*16*	191	212
Investments in a subsidiary	*40*	47,780	47,780
		47,971	47,992
Current assets			
Prepayments, deposits and other receivables		10	17
Due from a subsidiary	*40*	1,433,804	1,212,290
Bank and cash balances		11,587	760
		1,445,401	1,213,067
TOTAL ASSETS		1,493,372	1,261,059
Capital and reserves			
Share capital	*33*	25,277	15,901
Reserves	*34(b)*	1,431,336	1,215,986
Total equity		1,456,613	1,231,887
Current liabilities			
Accruals and other payables		1,759	1,172
Borrowings	*29*	35,000	28,000
Total liabilities		36,759	29,172
TOTAL EQUITY AND LIABILITIES		1,493,372	1,261,059
Net current assets		1,408,642	1,183,895
Total assets less current liabilities		1,456,613	1,231,887

Approved by Board of Directors on 28 October 2009

Lam Kwok Hing *Chairman*	Chu Ki *Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2009

	Attributable to equity holders of the Company										
	Share capital *(Note 33)* *HK$'000*	Share premium account *(Note 34(c)(i))* *HK$'000*	Legal reserve *(Note 34(c)(ii))* *HK$'000*	Foreign currency translation reserve *(Note 34(c)(iii))* *HK$'000*	Share-based payment reserve *(Note 34(c)(iv))* *HK$'000*	Property revaluation reserve *(Note 34(c)(v))* *HK$'000*	Investment revaluation reserve *(Note 34(c)(vi))* *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*	Minority interests *HK$'000*	Total equity *HK$'000*
At 1 July 2007	14,251	712,641	–	25,542	1,351	15,708	–	568,188	1,337,681	24	1,337,705
Translation difference	–	–	–	104,142	–	–	–	–	104,142	(50)	104,092
Share of reserves of associates	–	–	–	8,224	2,992	1,540	–	–	12,756	–	12,756
Change in tax rate	–	–	–	–	–	2,366	–	–	2,366	–	2,366
Change in fair value of available-for-sale financial assets	–	–	–	–	–	–	(4,647)	–	(4,647)	–	(4,647)
Net income recognised directly in equity	–	–	–	112,366	2,992	3,906	(4,647)	–	114,617	(50)	114,567
Profit for the year	–	–	–	–	–	–	–	255,148	255,148	(3,297)	251,851
Total recognised income and expense for the year	–	–	–	112,366	2,992	3,906	(4,647)	255,148	369,765	(3,347)	366,418
Business combinations	–	–	–	–	–	–	–	–	–	8,349	8,349
Issue of subscribed shares	1,425	242,935	–	–	–	–	–	–	244,360	–	244,360
Realised on disposal of an associate	–	–	–	(12,479)	–	–	–	–	(12,479)	–	(12,479)
Transfer of reserves on disposal of an associate	–	–	–	–	(2,955)	(3,225)	–	6,180	–	–	–
Recognition of share-based payments	–	–	–	–	21,557	–	–	–	21,557	–	21,557
Shares issued on exercise of share options	225	30,564	–	–	(2,889)	–	–	–	27,900	–	27,900
Transfer to legal reserve	–	–	97	–	–	–	–	(97)	–	–	–
	1,650	273,499	97	(12,479)	15,713	(3,225)	–	6,083	281,338	8,349	289,687
At 30 June 2008	15,901	986,140	97	125,429	20,056	16,389	(4,647)	829,419	1,988,784	5,026	1,993,810
At 1 July 2008	15,901	986,140	97	125,429	20,056	16,389	(4,647)	829,419	1,988,784	5,026	1,993,810
Translation difference	–	–	–	(66)	–	–	–	–	(66)	(2)	(68)
Change in fair value of available-for-sale financial assets	–	–	–	–	–	–	(18,121)	–	(18,121)	–	(18,121)
Net expense recognised directly in equity	–	–	–	(66)	–	–	(18,121)	–	(18,187)	(2)	(18,189)
Profit for the year	–	–	–	–	–	–	–	115,054	115,054	(5,024)	110,030
Total recognised income and expense for the year	–	–	–	(66)	–	–	(18,121)	115,054	96,867	(5,026)	91,841
Open offer	8,426	139,261	–	–	–	–	–	–	147,687	–	147,687
Recognition of share-based payments	–	–	–	–	11,356	–	–	–	11,356	–	11,356
Shares issued on exercise of share options	950	41,727	–	–	(5,187)	–	–	–	37,490	–	37,490
Transfer of reserve upon cancellation/lapse of share options	–	–	–	–	(18,668)	–	–	18,668	–	–	–
	9,376	180,988	–	–	(12,499)	–	–	18,668	196,533	–	196,533
At 30 June 2009	25,277	1,167,128	97	125,363	7,557	16,389	(22,768)	963,141	2,282,184	–	2,282,184

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 June 2009

	2009	2008
	HK$'000	*HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	118,748	260,389
Adjustments for:		
Allowance for inventories	310	–
Amortisation of deferred income	(1,014)	(78)
Amortisation of other intangible assets	32,058	18,800
Amortisation of prepaid land lease payments	10,418	1,416
Changes in fair value of biological assets less estimated point-of-sale costs	(11,884)	199
Depreciation	41,152	29,203
Finance costs	7,106	8,358
Fixed assets disposals	1,560	260
Impairment loss on other intangible assets	11,400	–
Impairment loss on other receivables	3,356	–
Impairment loss on goodwill	–	1,718
Interest income	(3,390)	(6,298)
Loss on deemed disposal of interest in an associate	–	1,185
Loss on disposal of financial assets at fair value through profit or loss	–	4,981
Loss on disposals of interest in an associate	–	10,159
Share of profits of associates	–	(22,779)
Share-based payment expenses	11,356	21,557
Trade receivables written off	36,373	2,699
Unrealised fair value (gain)/loss on financial assets at fair value through profit or loss	(1)	391
Operating profit before working capital changes	257,548	332,160
Increase in inventories	(35,331)	(15,156)
Decrease/(increase) in other assets	8,863	(27,073)
Increase in trade and other receivables, prepayments and deposits	(131,968)	(92,441)
(Increase)/decrease in biological assets	(21,462)	131
Decrease in trade and other payables	(7,024)	(14,258)
Increase in deferred income	239	384
Cash generated from operations	70,865	183,747
Income taxes refund/(paid)	5	(192)
Interest paid	(7,085)	(8,339)
Finance lease charges paid	(21)	(19)
Net cash generated from operating activities	63,764	175,197

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 June 2009

	2009 *HK$'000*	2008 *HK$'000*
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of subsidiaries, net of cash acquired	–	(127,775)
Acquisition of an associate	–	(20,000)
Interest received	3,390	6,298
Proceeds from disposals of fixed assets	636	8
Purchases of fixed assets	(178,943)	(56,693)
Purchase of other intangible assets	(131,659)	(31,818)
Payment for prepaid land lease payments	(97,629)	(186,647)
Proceeds from disposal/redemption of available-for-sales financial assets	–	159,500
Purchases of financial assets at fair value through profit or loss	–	(75,298)
Proceeds from disposals of financial assets at fair value through profit or loss	–	82,166
Proceeds from disposal of interest in an associate	–	50,500
Increase in construction in progress	(33,596)	(6,721)
Net cash used in investing activities	(437,801)	(206,480)
CASH FLOWS FROM FINANCING ACTIVITIES		
Government loan granted	1,279	–
Repayment of bank loans	(412,328)	(53,026)
Drawdown of bank loans	394,000	150,375
Increase/(decrease) in import loans	45,006	(45,124)
Repayment of capital element of finance leases	(126)	(119)
Repayment of government loan	(42)	–
Proceeds from issue of share capital	185,177	272,260
Net cash generated from financing activities	212,966	324,366
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(161,071)	293,083
Effect of foreign exchange rate changes	(68)	50,561
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	589,082	245,438
CASH AND CASH EQUIVALENTS AT END OF YEAR	427,943	589,082
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	427,943	589,082

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of its principal place of business is 31st Floor, Guangdong Finance Building, 88 Connaught Road West, Sheung Wan, Hong Kong.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 40 to the financial statements.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with HKFRSs, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of buildings and investments which are carried at their fair values and the biological assets which are carried at fair value less estimated point-of-sale costs.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

The preparation of financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise their judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these financial statements are disclosed in note 4 to the financial statements.

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

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 30 June. Subsidiaries are entities over which the Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Consolidation *(Continued)*

In the Company's balance sheet the investments in subsidiaries are stated at cost less allowance for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(b) Business combination and goodwill

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

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

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses of goodwill are recognised in the consolidated income statement and are not subsequently reversed. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

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

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars which is the Company's functional and presentation currency.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Foreign currency translation *(Continued)*

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

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

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

(iii) Translation on consolidation

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Fixed assets

Buildings comprise mainly trading platform, warehouses and offices. Buildings are carried at fair values, based on periodic valuations by external independent valuers or directors' best estimation, less subsequent depreciation and impairment losses. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other fixed assets are stated at cost less accumulated depreciation and impairment losses.

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

Revaluation increases of buildings are recognised in the income statement to the extent that the increases reverse previous revaluation decreases of the same asset. All other revaluation increases are credited to the revaluation reserve in shareholders' equity. Revaluation decreases that offset previous revaluation increases of the same asset are charged against the revaluation reserve directly in equity. All other decreases are recognised in the income statement. On the subsequent sale or retirement of a revalued building, the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to retained profits.

Depreciation of fixed assets is calculated at rates sufficient to write off their cost or revalued amounts less their residual values over the estimated useful lives on a straight-line basis. The principal useful lives are as follows:

Buildings	The shorter of the lease terms and 50 years
Farmland infrastructure	10 – 15 years
Leasehold improvements	5 years
Plant and machinery	5 – 10 years
Furniture, office equipment and motor vehicles	5 – 10 years

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Fixed assets *(Continued)*

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

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

(e) Leases

(i) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease payments (net of any incentives received from the lessor) are expensed in the income statement on a straight-line basis over the lease term.

(ii) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. At the commencement of the lease term, a finance lease is capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the inception of the lease.

The corresponding liability to the lessor is included in the balance sheet as finance lease payable. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets under finance leases are depreciated over the shorter of the lease terms and their estimated useful lives.

(f) Other intangible assets

Other intangible assets are measured initially at purchase cost and are amortised on a straight-line basis over their estimated useful lives of 5 to 10 years.

(g) Club membership

Club membership with indefinite useful life is stated at cost less any impairment losses. Impairment is reviewed annually or when there is any indication that the club membership has suffered an impairment loss.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Biological assets

Biological assets are living poultry and/or plants managed by the Group which is involved in the agricultural activities of the transformation of biological assets into agricultural produce. Biological assets are measured at fair value less estimated point-of-sale costs at initial recognition and at each balance sheet date. The fair value of biological assets is determined based on either the present value of expected net cash flows from the biological assets discounted at a current market-determined pre-tax rate or the market price with reference to the species, growing condition, cost incurred and expected yield of the crops/poultry.

The gain or loss arising on initial recognition of biological asset at fair value less estimated point-of-sale costs and from a change in fair value less estimated point-of-sale costs is recognised in the income statement for the financial period in which it arises.

The agricultural produce is initially measured at its fair value less estimated point-of-sale costs at the timing of harvest. The fair value of agricultural produce is determined based on market prices in the local area. Gain or loss arising on initial recognition of agricultural produce at fair value less estimated point-of-sale costs is included in the income statement for the period in which it arises.

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using weighted average basis and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Agricultural produce is included under inventories at its fair value less estimated point-of-sale costs at the point of harvest in accordance with note 3(h), subsequently included under inventory and stated at the lower of cost and net realisable value.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Recognition and derecognition of financial instruments

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

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

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

(k) Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

Investments are classified as either financial assets at fair value through profit or loss or available-for-sale financial assets.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are either investments held for trading or designated as at fair value through profit or loss upon initial recognition. These investments are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Investments *(Continued)*

(ii) Available-for-sale financial assets

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

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

(l) Trade and other receivables

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

(n) Financial liabilities and equity instruments

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

(o) Borrowings

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

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

(p) Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair values and are subsequent measured at the higher of:

– the amount of the obligations under the contracts, as determined in accordance with HKAS 37 "Provision, Contingent Liabilities and Contingent Assets"; and

– the amount initially recognised less cumulative amortisation recognised in the income statement on a straight-line basis over the terms of the guarantee contracts.

(q) Trade and other payables

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Equity instruments

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

(s) Revenue recognition

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

Revenues from the sales of goods are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

Logistic service income is recognised when the service is rendered.

Rental income is recognised on a straight-line basis over the lease term.

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

(t) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Employee benefits *(Continued)*

(ii) Retirement benefits schemes

The Group operates a mandatory provident fund scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The Group's contributions to the MPF Scheme are calculated at 5% of the salaries and wages subject to a monthly maximum amount of HK$1,000 per employee and vest fully with employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries established in the PRC are members of a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of the employees' basic salaries and wages to the central pension scheme to fund the retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of these subsidiaries. The only obligation of these subsidiaries with respect to the central pension scheme is to meet the required contributions under the scheme.

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(u) Share-based payments

The Group issues equity-settled share-based payments to eligible participants in accordance with its share option scheme. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

(v) Borrowing costs

All borrowing costs are recognised in the income statement in the period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in the income statement over the period necessary to match them with the costs they are intended to compensate.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised as income in the period in which they become receivable.

Government grants relating to the purchase of assets are recorded as deferred income and credited to the income statement on a straight-line basis over the useful lives of the related assets.

(x) Taxation

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) Taxation *(Continued)*

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

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

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

(y) Related parties

A party is related to the Group if:

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

(ii) the party is an associate;

(iii) the party is a joint venture;

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

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(z) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products and services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting, the Group has determined that geographical segments be presented as the primary reporting format and business as the secondary reporting format.

Segment revenue, expenses, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to the segment. Unallocated costs mainly represent corporate expenses. Segment assets consist primarily of fixed assets, goodwill, other intangible assets, inventories and trade receivables. Segment liabilities comprise operating liabilities and exclude items such as tax liabilities and corporate borrowings.

Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between Group enterprises within a single segment. Inter-segment pricing is based on terms mutually agreed between the segments.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

(aa) Impairment of assets

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(aa) Impairment of assets *(Continued)*

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

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

(ab) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow is remote.

(ac) Events after the balance sheet date

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

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

(a) Distinction between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property. In making its judgement, the Group considers whether the property generates cash flows largely independently of the other assets held by the Group. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rentals and another portion that is held for use in the production of goods. If these portions can be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the production of goods. Judgement is applied in determining whether ancillary services are so significant that a property does not qualify as an investment property. The Group considers each property separately in making its judgement.

(b) Operation of agricultural activities

The Group entered into a subcontracting and management agreement for establishment and subsequent maintenance of its citrus tree cultivation and plantation with area of approximately 2,000 mu during the year. The directors considered that the Group has been engaging into agricultural activities as the Group has exercised its control on the cultivation development and process although the maintenance work is assigned to a subcontractor. Therefore, the Group recognised the biological assets at fair value less estimated point-of-sale costs at initial recognition and at balance sheet date under HKAS 41 "Agriculture".

Key sources of estimation uncertainty

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

(a) Fixed assets and depreciation

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(b) Other intangible assets and amortisation

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

(c) Income taxes

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

(d) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying amount of goodwill at the balance sheet date was approximately HK$287,378,000. Details of the impairment test are explained in note 19 to the financial statements.

(e) Allowance for bad and doubtful debts

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(f) Allowance for inventories

Allowance for inventories is made based on the aging and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed.

(g) Fair values of fixed assets

In determining the fair values of the buildings, the directors have exercised their best estimation and judgements and satisfied that the valuation is reflective of their fair value.

(h) Valuation of biological assets

The Group's biological assets are valued at fair value less estimated point-of-sale costs. In determining the fair value less estimated point-of-sale costs of the biological assets, the directors and the professional valuer have applied the net present value approach and market approach. The net present value approach requires a number of key assumptions and estimates to be made such as discount rate, harvest profile, costs incurred, growth, harvesting and establishment. The market approach requires the input of the market-determined prices, cultivation area, species, growing conditions, cost incurred and expected yield of the biological assets. Any change in the estimates may affect the fair value of biological assets significantly. The directors and the professional valuer have exercised their judgement and are satisfied that the valuation is reflective of their fair value.

(i) Share-based payment expenses

The fair value of the share options granted determined at the date of grant of the respective share options is expensed over the vesting period, with a corresponding adjustment to the Group's share-based payment reserve. In assessing the fair value of the share options, the Black-Scholes-Merton option pricing model (the "Black-Scholes-Merton Model") was used. The Black-Scholes-Merton Model is one of the generally accepted methodologies used to calculate the fair value of the share options. The Black-Scholes-Merton Model requires the input of subjective assumptions, including the expected dividend yield and expected life of options. Any changes in these assumptions can significantly affect the estimate of the fair value of the share options.

(j) Impairment of available-for-sale financial assets

The Group's available-for-sale financial assets are listed investment stated at fair value based on the quoted market price. In determining the impairment, the directors have reviewed the audited financial information of the listed investment and justified its business operation is prospective and profitable. The directors have exercised their judgement and are satisfied that no impairment is required for the investment.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

5. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The carrying amounts of each of the categories of financial instruments at the balance sheet date are as follows:

	2009	2008
	HK$'000	*HK$'000*
Financial assets		
Financial assets at fair value through profit or loss		
– held for trading	335	334
Available-for-sale financial assets	14,922	33,043
Loans and other receivables		
– Trade and other receivables	431,218	343,961
– Bank and cash balances	427,943	589,082
	874,418	966,420

	2009	2008
	HK$'000	*HK$'000*
Financial liabilities		
At amortised cost		
– Trade payables	77,470	77,699
– Accruals and other payables	31,400	38,475
– Borrowings	277,135	249,220
– Finance lease payables	158	207
	386,163	365,601

(b) Financial risk management

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

5. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management *(Continued)*

(i) Foreign currency risk

The Group is exposed to foreign currency risk as some of its business transactions, assets and liabilities are denominated in currencies other than the functional currency of respective group entities, such as HK$, United States dollars ("USD") and Renminbi ("RMB"). The Group currently does not have a foreign currency hedging policy in respect of foreign currency assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's major foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	2009 *HK$'000*	2008 *HK$'000*
ASSETS		
RMB	**48,586**	4,917
USD	**4,307**	2,532
LIABILITIES		
RMB	**1,447**	2,298
USD	**68,286**	76,903

Monetary assets and monetary liabilities denominated in United States dollars have no material foreign currency risk exposure as Hong Kong dollars is pegged with USD. At 30 June 2009, if HK$ had weakened/strengthened 10% against RMB with all other variables held constant, the Group's profit after tax for the year ended 30 June 2009 would have been approximately HK$4,714,000 higher/lower, arising mainly as a result of the foreign exchange gain/loss on deposits and other receivables denominated in RMB.

5. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management *(Continued)*

(ii) Price risk

The Group's investments are measured at fair value at each balance sheet date. Therefore, the Group is exposed to equity security price risk. The directors manage this exposure by maintaining a portfolio of investments with difference risk profiles.

If the prices of the Group's investments had been 10% higher/lower, the consolidated profit after tax and investment revaluation reserve for the year would be increased/decreased by approximately HK$34,000 (2008: HK$28,000) and HK$1,492,000 (2008: HK$3,304,000) respectively as a result of changes in fair value of listed equity securities.

(iii) Credit risk

The carrying amount of the bank balances, trade and other receivables, investments included in the consolidated balance sheet represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The Group has no significant concentrations of credit risk with exposure spread over a number of counterparties and customers. It has policies in place to ensure that sales are made to customers with an appropriate credit history. In addition, the directors review the recoverable amount of each individual debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts.

The credit risk on bank balances is limited because the counterparties are well-established banks in Hong Kong and the PRC.

The credit risk on investments is limited because the counterparties are well-established securities broker firms in Hong Kong.

(iv) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

5. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management *(Continued)*

(iv) Liquidity risk *(Continued)*

The maturity analysis of the Group's financial liabilities is as follows:

	Repayable on demand or less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total undiscounted cash flow
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 30 June 2009				
Trade payables	**77,470**	**–**	**–**	**77,470**
Accruals and other payables	**31,400**	**–**	**–**	**31,400**
Borrowings	**216,492**	**60,394**	**2,605**	**279,491**
Finance lease payables	**77**	**58**	**37**	**172**
	325,439	**60,452**	**2,642**	**388,533**
At 30 June 2008				
Trade payables	77,699	–	–	77,699
Accruals and other payables	38,475	–	–	38,475
Borrowings	109,361	63,528	84,888	257,777
Finance lease payables	130	60	40	230
	225,665	63,588	84,928	374,181

(v) Interest rate risk

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

The Group's fixed bank deposits bear interests at fixed interest rates and therefore are subject to fair value interest rate risk.

The directors of the Company consider the Group's exposure to interest rate risk on fixed bank deposits is not significant.

The Group's cash flow interest rate risk primarily relates to variable-rate bank deposits and borrowings.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

5. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management *(Continued)*

(v) Interest rate risk (Continued)

The sensitivity analysis below has been determined based on the exposure to interest rate risk on its variable-rate bank deposits and borrowings at the balance sheet date and prepared assuming the amount of bank deposits and borrowings outstanding at each balance sheet date was outstanding for the whole year.

If interest rate had been 100 basis points higher/lower with all other variables held constant, the Group's profit after tax for the year ended 30 June 2009 would be decreased/increased by approximately HK$2,700,000 (2008: HK$2,036,000), arising mainly as a result of higher/lower interest expense on bank and other borrowings.

The Group currently does not have any interest rate hedging policy in relation to interest rate risk. The directors of the Group monitor the Group's exposure in ongoing basis and will consider hedging interest rate risk should the need arise.

(vi) Business risk

The Group is exposed to financial risks arising from changes in prices of agricultural produce and livestock which are determined by constantly changing market forces of supply and demand, and other factors. The other factors include environmental regulations, weather conditions and livestock diseases. The Group has little or no control over these conditions and factors.

(vii) Fair values

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

6. TURNOVER

The Group's turnover which represents sales of goods and fresh produce products to customers, and revenue from rental and logistics services is as follows:

	2009	2008
	HK$'000	*HK$'000*
Sales of goods	**901,504**	1,383,922
Sales of fresh produce products	**806,037**	704,358
Rental income	**4,605**	4,358
Logistics services income	**184,945**	181,679
	1,897,091	2,274,317

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

7. OTHER INCOME

	2009	2008
	HK$'000	*HK$'000*
Exchange gain	1,888	2,092
Government grants	4,098	776
Interest income	3,390	6,298
Sundry income	920	750
	10,296	9,916

8. SEGMENT INFORMATION

The principal activities of the Group are (a) the distribution of packaged food, beverages, household consumable products, cosmetic products and cold chain products; (b) the cultivation and distribution of fresh produce products; and (c) the provision of cold chain logistics services which are managed according to the geographical location of customers.

Each of the Group's geographical segments, based on the location of customers, represents a strategic business unit that offers products to customers located in different geographical areas which are subject to risks and returns that are different from those of other geographical segments.

(a) **Primary reporting format – geographical segments**

For the years ended 30 June 2008 and 2009, over 95% of the Group's revenue, results, assets and liabilities are derived from customers and operations based in the People's Republic of China (the "PRC") and accordingly, no further analysis of the Group's geographical segments is disclosed.

(b) **Secondary reporting format – business segments**

For the year ended 30 June 2009, the Group is organised into four main business segments:

(i) The distribution of packaged food, beverages, household consumable products, cosmetic products and cold chain products ("Distribution");

(ii) The cultivation and distribution of fresh produce products ("Cultivation and Distribution");

(iii) Leasing of logistics facilities ("Leasing"); and

(iv) Provision of logistics services ("Logistics Services").

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

8. SEGMENT INFORMATION *(Continued)*

(b) Secondary reporting format – business segments *(Continued)*

	Distribution *HK$'000*	Cultivation and distribution *HK$'000*	Leasing *HK$'000*	Logistics services *HK$'000*	Corporate and unallocated *HK$'000*	Consolidated *HK$'000*
Year ended 30 June 2009						
Revenue	901,504	806,037	4,605	184,945	–	1,897,091
Segment results	33,359	27,036	3,879	76,735	–	141,009
Other income	–	–	–	–	10,296	10,296
Unallocated expenses	–	–	–	–	(25,451)	(25,451)
Finance costs	(1,548)	(53)	–	–	(5,505)	(7,106)
Profit before tax						118,748
At 30 June 2009						
Segment assets	1,166,897	962,118	11,051	529,256	32,884	2,702,206
Investments						15,257
Total assets						2,717,463
Segment liabilities	174,919	81,396	1,171	2,010	175,783	435,279
Total liabilities						435,279
Other segment information:						
Capital expenditure	108,579	274,538	633	40,701	237	424,688
Changes in fair value of biological assets less estimated point-of-sale costs	–	11,884	–	–	–	11,884
Amortisation and depreciation	36,802	25,321	317	20,545	643	83,628
Trade receivables written off	36,350	23	–	–	–	36,373
Impairment loss on other receivables	–	–	–	–	3,356	3,356
Impairment loss on other intangible assets	11,400	–	–	–	–	11,400
Fixed assets disposal	365	620	–	390	185	1,560

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

8. SEGMENT INFORMATION *(Continued)*

(b) Secondary reporting format – business segments *(Continued)*

	Distribution	Cultivation and distribution	Leasing	Logistics services	Corporate and unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 30 June 2008						
Revenue	1,383,922	704,358	4,358	181,679	–	2,274,317
Segment results	178,257	31,948	3,488	75,788	–	289,481
Other income	–	–	–	–	9,916	9,916
Unallocated expenses	–	–	–	–	(53,429)	(53,429)
Share of profits of associates	–	–	–	–	22,779	22,779
Finance costs	(2,753)	(9)	–	–	(5,596)	(8,358)
Profit before tax						260,389
At 30 June 2008						
Segment assets	1,313,058	529,114	9,023	488,644	27,083	2,366,922
Investments						33,377
Total assets						2,400,299
Segment liabilities	119,862	74,292	1,122	4,134	207,079	406,489
Total liabilities						406,489
Other segment information:						
Capital expenditure	26,714	3,034	687	25,354	904	56,693
Amortisation and depreciation	27,289	7,172	241	12,618	683	48,003
Trade receivables written off	311	2,350	–	38	–	2,699
Fixed assets written off	224	–	–	36	–	260

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

9. FINANCE COSTS

	2009	2008
	HK$'000	*HK$'000*
Wholly repayable within five years		
Interest on borrowings	7,085	8,339
Finance lease charges	21	19
	7,106	8,358

10. INCOME TAX EXPENSE

	2009	2008
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	–	22
Under-provision in prior years	7	–
	7	22
Current tax – Overseas		
Provision for the year	9,045	8,516
Deferred tax *(Note 31)*	(334)	–
	8,718	8,538

No provision for Hong Kong Profits Tax has been made for the year ended 30 June 2009 as the Group did not generate any assessable profits arising in Hong Kong during the year. The amount provided for the year ended 30 June 2008 was calculated at 16.5% based on the assessable profit for that year.

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

According to the Income Tax Law of the Macau Special Administrative Region, Macau Complementary Tax is calculated at the rate of 12% (2008: 12%) on the estimated assessable profits for the year. However, two subsidiaries operating in Macau during the year are in compliance with the Decree-Law No. 58/99M of Macau Special Administrative Region, and thus, the profits generated by the subsidiaries are exempted from the Macau Complementary Tax. Further, in the opinion of the directors, that portion of the Group's profit is not at present subject to taxation in any other jurisdictions in which the Group operates.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

10. INCOME TAX EXPENSE *(Continued)*

The provision for income tax of subsidiaries operating in the PRC have been calculated at the rates of 25% (2008: 33% and 25% for the period from 1 July 2007 to 31 December 2007 and 1 January 2008 to 30 June 2008 respectively), based on existing legislation, interpretation and practices in respect thereof.

The reconciliation of the income tax expenses and the product of profit/(loss) before tax multiplied by the statutory tax rate of the countries in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates are as follows:

	2009				2008			
	Macau *HK$'000*	Hong Kong *HK$'000*	PRC *HK$'000*	Total *HK$'000*	Macau *HK$'000*	Hong Kong *HK$'000*	PRC *HK$'000*	Total *HK$'000*
Profit/(loss) before tax	238,293	(105,078)	(14,467)	118,748	339,153	(87,941)	9,177	260,389
Applicable income tax rate	12.00%	16.50%	25.00%		12.00%	16.50%	25.00%	
Tax at the applicable income tax rate	28,595	(17,338)	(3,617)	7,640	40,698	(14,510)	2,294	28,482
Tax effect of income not taxable	–	(713)	(55)	(768)	–	(427)	–	(427)
Tax effect of expenses not deductible	–	16,358	4,267	20,625	–	16,115	2,984	19,099
Profits exempted from the Macau Complementary Tax	(28,595)	–	–	(28,595)	(40,698)	–	–	(40,698)
Tax effect of share of results of associates	–	–	–	–	–	(3,758)	–	(3,758)
Tax effect of unused tax losses not recognised	–	1,670	7,140	8,810	–	2,577	1,677	4,254
Tax effect of utilisation of tax losses not previously recognised	–	–	–	–	–	–	(2,728)	(2,728)
Tax effect of unrecognised temporary difference	–	23	976	999	–	25	2,164	2,189
Tax effect of change in tax rate	–	–	–	–	–	–	2,125	2,125
Underprovision in prior years	–	7	–	7	–	–	–	–
Income tax expense	–	7	8,711	8,718	–	22	8,516	8,538

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

11. PROFIT FOR THE YEAR

The Group's profit for the year is stated after charging the following:

	2009	2008
	HK$'000	*HK$'000*
Amortisation of other intangible assets	32,058	18,800
Auditors' remuneration		
– Statutory audit	1,272	1,336
– Non-audit services	80	–
	1,352	1,336
Cost of inventories sold	1,491,777	1,764,541
Depreciation, net of amount capitalised	41,152	29,203
Loss on deemed disposal of interest in an associate	–	1,185
Loss on disposal of interest in an associate	–	10,159
Loss on disposal of financial assets at fair value through profit or loss	–	4,981
Loss on disposal of fixed assets	1,560	260
Trade receivables written off	36,373	2,699
Impairment loss on goodwill	–	1,718
Impairment loss on other receivables	3,356	–
Impairment loss on other intangible assets	11,400	–
Operating lease charges in respect of land and buildings, net of amount capitalised	26,822	14,217
Staff costs (excluding directors' emoluments – Note 12)		
Staff salaries, bonus and allowances	41,215	35,694
Equity-settled share-based payments	3,588	21,557
Retirement benefits scheme contributions	534	542
	45,337	57,793

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

11. PROFIT FOR THE YEAR *(Continued)*

Note:

Cost of inventories sold includes the following which are included in the respective amounts disclosed separately above for the year.

	2009 *HK$'000*	2008 *HK$'000*
Amortisation of other intangible assets	6,950	6,950
Depreciation	11,363	6,926
Operating lease charges in respect of land and buildings	8,311	4,951
Staff costs	13,795	7,692

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments of directors of the Company for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, were as follows:

	2009 *HK$'000*	2008 *HK$'000*
Fees	150	150
Other emoluments:		
Salaries, bonuses, allowances and benefits in kind	4,056	4,409
Retirement benefits scheme contributions	36	43
Share-based payments	1,044	–
	5,286	4,602

The emoluments of individual director for the year were as follows:

(a) **Independent non-executive directors**

The fees paid/payable to independent non-executive directors were as follows:

	2009 *HK$'000*	2008 *HK$'000*
Mr. John Handley	50	50
Mr. Poon Yiu Cheung, Newman	50	50
Ms. Mak Yun Chu	50	50
	150	150

There were no other emoluments payable to the independent non-executive directors during the year (2008: HK$Nil).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

(b) Executive and non-executive directors

	Fees	Salaries, bonuses, allowances and benefits in kind	Retirement benefits scheme contributions	Share-based payments	Total emoluments
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2009					
Mr. Lam Kwok Hing	–	1,800	12	–	1,812
Mr. Chu Ki	–	1,800	12	–	1,812
Ms. Lee Choi Lin, Joecy	–	456	12	–	468
Ms. Chan Yuk, Foebe	–	–	–	1,044	1,044
Mr. Peng Zhanrong *(Note)*	–	–	–	–	–
Mr. Chiau Che Kong *(Note)*	–	–	–	–	–
	–	4,056	36	1,044	5,136

Note: Mr. Peng Zhanrong and Mr. Chiau Che Kong resigned on 8 December 2008.

	Fees	Salaries, bonuses, allowances and benefits in kind	Retirement benefits scheme contributions	Total emoluments
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
2008				
Mr. Lam Kwok Hing	–	1,740	12	1,752
Mr. Chu Ki	–	1,600	12	1,612
Mr. Fong Yiu Ming, Anson *(Note)*	–	596	7	603
Ms. Lee Choi Lin, Joecy	–	473	12	485
Ms. Chan Yuk, Foebe	–	–	–	–
Mr. Peng Zhanrong	–	–	–	–
Mr. Chiau Che Kong	–	–	–	–
	–	4,409	43	4,452

Note: Mr. Fong Yiu Ming, Anson resigned on 4 February 2008.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

(b) Executive and non-executive directors *(Continued)*

There was no arrangement under which a director waived or agreed to waive any emolument during the year (2008: HK$Nil).

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

	2009	2008
	HK$'000	*HK$'000*
Salaries, bonuses, allowances and benefits in kind	2,760	2,791
Retirement benefits scheme contributions	12	12
Share-based payments	399	–
	3,171	2,803

The emoluments fell within the following band:

	Number of individuals	
	2009	2008
Nil to HK$1,000,000	1	2
HK$1,000,000 to HK$1,500,000	2	1

During the year, no emoluments were paid by the Group to any of the directors or the highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office (2008: HK$Nil).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

13. PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit for the year attributable to equity holders of the Company included a profit of approximately HK$28,193,000 (2008: HK$20,052,000) which has been dealt with in the financial statements of the Company.

14. DIVIDENDS AND BONUS ISSUE OF SHARES

The directors do not recommend the payment of any final dividend (2008: HK$Nil) in respect of the year.

The Board proposes to make a bonus issue of new shares of the Company by way of a special dividend on the basis of one bonus share for every twenty existing shares of the Company to the shareholders whose names appear on the register of members of the Company on 21 December 2009. The bonus shares issue is conditional upon the Stock Exchange granting the listing of and permission to deal in the bonus shares. The bonus shares, upon issue, will be credited as fully paid at par and will rank pari passu in all respects with the existing issued shares of the Company with effect from the date of issue. Further details regarding the bonus shares issue will be set out in a circular to be despatched to the shareholders of the Company.

15. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share attributable to equity holders of the Company is based on the profit for the year attributable to equity holders of the Company of approximately HK$115,054,000 (2008: HK$255,148,000) and the weighted average number of ordinary shares of 1,898,381,175 (2008: 1,930,352,523) in issue during the year after adjusting the effects of the open offer *(Note 33(a))* in June 2009. The basic earnings per share for 2008 had been adjusted accordingly.

Diluted earnings per share

The calculation of diluted earnings per share attributable to equity holders of the Company is based on the profit for the year attributable to equity holders of the Company of approximately HK$115,054,000 (2008: HK$255,148,000) and the weighted average number of ordinary shares of 1,900,020,951 (2008: 1,951,176,331), being the weighted average number of ordinary shares of 1,898,381,175 (2008: 1,930,352,523) in issue during the year used in the basic earnings per share calculation plus the weighted average number of ordinary shares of 1,639,776 (2008: 20,823,808) assumed to have been issued at no consideration on the deemed exercise of the share options outstanding during the year. The diluted earnings per share for 2008 had been adjusted for the effects of the open offer in current year *(Note 33(a))*.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

16. FIXED ASSETS

Group

	Buildings	Farmland infrastructure	Leasehold improvements	Plant and machinery	Furniture, office equipment and motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost or valuation						
At 1 July 2007	330,329	–	19,964	58,725	33,491	442,509
Additions	26,999	924	1,025	20,413	7,332	56,693
Acquisition of subsidiaries	10,587	11,537	1,008	3,639	1,718	28,489
Transfer from construction in progress	104	387	–	30,561	–	31,052
Disposals/written off	–	–	(224)	–	(161)	(385)
Adjustment on revaluation	(9,873)	–	–	–	–	(9,873)
Exchange differences	46,580	54	1,568	7	1,624	49,833
At 30 June 2008 and 1 July 2008	404,726	12,902	23,341	113,345	44,004	598,318
Additions	3,200	111,692	364	55,628	8,136	179,020
Transfer from construction in progress	–	818	71	207	288	1,384
Disposals	–	–	(1,445)	(44)	(1,579)	(3,068)
Adjustment on revaluation	(10,529)	–	–	–	–	(10,529)
At 30 June 2009	397,397	125,412	22,331	169,136	50,849	765,125
Accumulated depreciation						
At 1 July 2007	–	–	7,962	4,929	6,539	19,430
Charge for the year	9,481	106	3,699	9,901	6,016	29,203
Disposals/written off	–	–	(66)	–	(51)	(117)
Adjustment on revaluation	(9,873)	–	–	–	–	(9,873)
Exchange differences	392	6	303	2	117	820
At 30 June 2008 and 1 July 2008	–	112	11,898	14,832	12,621	39,463
Charge for the year	10,529	3,227	3,405	17,617	8,104	42,882
Disposals	–	–	(568)	(7)	(297)	(872)
Adjustment on revaluation	(10,529)	–	–	–	–	(10,529)
At 30 June 2009	–	3,339	14,735	32,442	20,428	70,944
Carrying amount						
At 30 June 2009	397,397	122,073	7,596	136,694	30,421	694,181
At 30 June 2008	404,726	12,790	11,443	98,513	31,383	558,855

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

16. FIXED ASSETS *(Continued)*

Group *(Continued)*

The analysis of the cost or valuation of fixed assets is as follows:

	Buildings	Farmland infrastructure	Leasehold improvements	Plant and machinery	Furniture, office equipment and motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 30 June 2009						
At cost	–	125,412	22,331	169,136	50,849	367,728
At directors' valuation 2009	397,397	–	–	–	–	397,397
	397,397	125,412	22,331	169,136	50,849	765,125
At 30 June 2008						
At cost	–	12,902	23,341	113,345	44,004	193,592
At directors' valuation 2008	404,726	–	–	–	–	404,726
	404,726	12,902	23,341	113,345	44,004	598,318

The Group's buildings included above are held under medium term leases in the PRC.

Depreciation charge for the year is analysed as follows:

	Group	
	2009	2008
	HK$'000	*HK$'000*
Expensed in income statement	**41,152**	29,203
Capitalised as biological assets *(Note 20)*	**1,730**	–
	42,882	29,203

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

16. FIXED ASSETS *(Continued)*

Group *(Continued)*

At 30 June 2009, the carrying amount of buildings pledged as security for the Group's government loans *(Note 29)* amounted to approximately HK$1,648,000 (2008: HK$2,216,000).

The carrying amount of the Group's buildings would have been approximately HK$359,984,000 (2008: HK$366,712,000) had they been stated at cost less accumulated depreciation.

At 30 June 2009 the carrying amount of furniture, office equipment and motor vehicles held by the Group under finance leases amounted to approximately HK$270,000 (2008: HK$315,000).

It is the Group's policy to lease out certain buildings under operating leases. The average lease term is 2 to 3 years. All leases are on a fixed rental basis and do not include contingent rentals.

The Group's total future minimum lease payments under non-cancellable operating leases are receivables as follows:

	2009 *HK$'000*	2008 *HK$'000*
Within one year	3,573	2,867
In the second to fifth years inclusive	2,158	5,731
	5,731	8,598

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

16. FIXED ASSETS *(Continued)*

Company

	Furniture and office equipment *HK$'000*
Cost	
At 1 July 2007	224
Additions	105
At 30 June 2008 and 1 July 2008	329
Additions	51
At 30 June 2009	380
Accumulated depreciation	
At 1 July 2007	64
Charge for the year	53
At 30 June 2008 and 1 July 2008	117
Charge for the year	72
At 30 June 2009	189
Carrying amount	
At 30 June 2009	191
At 30 June 2008	212

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

17. PREPAID LAND LEASE PAYMENTS

The Group's prepaid land lease payments represent prepaid operating lease payments of the land element of leasehold properties located in the PRC which are held under medium term leases and prepaid operating lease payments of the farmland in the PRC under medium term leases.

18. CONSTRUCTION IN PROGRESS

	Group
	HK$'000
At 1 July 2007	23,845
Additions	6,721
Acquisition of subsidiaries	2,708
Transfers	(31,052)
Exchange differences	1
At 30 June 2008 and 1 July 2008	2,223
Additions	33,596
Transfers	(1,384)
At 30 June 2009	34,435

19. GOODWILL

	Group
	HK$'000
At 1 July 2007	168,090
Arising on acquisition of subsidiaries	121,006
Impairment loss	(1,718)
At 30 June 2008, 1 July 2008 and 30 June 2009	287,378

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

19. GOODWILL *(Continued)*

Goodwill acquired in a businesses combination is allocated, at acquisition, to the cash-generating units ("CGUs") that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated as follows:

	2009	2008
	HK$'000	*HK$'000*
Distribution of cosmetic products business *(a)*	**89,472**	89,472
Cultivation and distribution of agro-products and provision of cold chain facilities and logistics services business *(b)*	**128,861**	128,861
Distribution of cold chain products *(c)*	**69,045**	69,045
	287,378	287,378

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

(a) The recoverable amount of the CGU is determined based on a value in use calculation using cash flow projections based on financial budgets approved by management covering a period of five years. The discount rate applied to cash flow projections is 15% and cash flows beyond five years period are extrapolated using a growth rate of 5% which is determined with reference to the long term business prospects and the general economic outlook of the PRC. Management estimated the budgeted gross margin based on past performance and their expectations for market development. The discount rate used is before tax and reflects specific risks relating to the CGU.

(b) The recoverable amount of the CGU is determined based on a value in use calculation using cash flow projections based on financial budgets approved by management covering a period of five years. The discount rate applied to cash flow projections is 15% and cash flows beyond five years period are extrapolated using a growth rate of 5% which is determined with reference to the long term business prospects and the general economic outlook of the PRC. Management estimated the budgeted gross margin based on past performance and their expectations for market development. The discount rate used is before tax and reflects specific risks relating to the CGU.

(c) The recoverable amount of the CGU is determined based on a value in use calculation using cash flow projections based on financial budgets approved by management covering a period of five years. The discount rate applied to cash flow projections is 15% and cash flows beyond five years period are extrapolated using a growth rate of 5% which is determined with reference to the long term business prospects and the general economic outlook of the PRC. Management estimated the budgeted gross margin based on past performance and their expectations for market development. The discount rate used is before tax and reflects specific risks relating to the CGU.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

20. BIOLOGICAL ASSETS

Group

	Citrus trees	Vegetables	Geese	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 July 2007	–	–	–	–
Acquisition of subsidiaries	–	1,644	–	1,644
Increase due to purchase/raising	–	2,063	–	2,063
Decrease due to harvest	–	(2,194)	–	(2,194)
Gain/(loss) arising from changes in fair value less estimated point-of-sale costs	–	(199)	–	(199)
At 30 June 2008 and 1 July 2008	–	1,314	–	1,314
Increase due to purchase/raising	26,943	15,435	170	42,548
Decrease due to harvest	–	(14,388)	–	(14,388)
Gain/(loss) arising from changes in fair value less estimated point-of-sales costs	12,830	(1,055)	109	11,884
At 30 June 2009	39,773	1,306	279	41,358

Included in increase to the Group's biological assets are depreciation of fixed assets, amortisation of other intangible assets and operating lease charges in respect of land and buildings of approximately HK$1,730,000, HK$2,295,000 and HK$2,673,000 respectively.

Biological assets as at 30 June 2009 and 2008 are stated at fair values less estimated point-of-sale costs and are analysed as follows:

	Citrus trees	Vegetables	Geese	**2009**	2008
	HK$'000	*HK$'000*	*HK$'000*	***HK$'000***	*HK$'000*
Non-current portion	39,773	–	–	**39,773**	–
Current portion	–	1,306	279	**1,585**	1,314
	39,773	1,306	279	**41,358**	1,314

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

20. BIOLOGICAL ASSETS *(Continued)*

Physical measurement of biological assets at 30 June is as follows:

	Citrus trees *(mu)*	Vegetables *(kg'000)*	Number of geese in thousand
2009	2,000	517	4
2008	–	538	–

(a) In accordance with the valuation report issued by an independent professional valuer, the fair value less estimated point-of-sale costs of the citrus trees is determined with reference to the present value of expected net cash flows from the citrus trees discounted at a current market-determined pre-tax rate.

(b) The fair value of vegetables is determined by the directors with reference to market-determined prices, cultivation areas, species, growing conditions, cost incurred and expected yield of the crops.

(c) The fair value of geese is determined by the directors with reference to market-determined prices with similar size, species and age.

(d) The quantity and amount of agricultural produce harvested measured at fair value less estimated point-of-sale costs during the year were as follows:

	2009		2008	
	Quantity *kg'000*	Amount *HK$'000*	Quantity *kg'000*	Amount *HK$'000*
Vegetables	5,907	14,388	813	2,194

Last year's amounts represent the vegetables harvested during the period from the date of acquisition of subsidiaries on 1 June 2008 to the year end date.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

21. OTHER INTANGIBLE ASSETS

Group

	Distribution rights *(a)* *HK$'000*	Customer networks *(b)* *HK$'000*	Technical know-how *(c)* *HK$'000*	Trademark *HK$'000*	Total *HK$'000*
Cost					
At 1 July 2007	103,000	–	–	1,500	104,500
Additions	31,818	–	–	–	31,818
At 30 June 2008 and 1 July 2008	134,818	–	–	1,500	136,318
Additions	17,000	97,443	17,216	–	131,659
At 30 June 2009	151,818	97,443	17,216	1,500	267,977
Accumulated amortisation and impairment					
At 1 July 2007	25,825	–	–	750	26,575
Amortisation for the year	18,650	–	–	150	18,800
At 30 June 2008 and 1 July 2008	44,475	–	–	900	45,375
Amortisation for the year	22,163	9,745	2,295	150	34,353
Impairment for the year	11,400	–	–	–	11,400
At 30 June 2009	78,038	9,745	2,295	1,050	91,128
Carrying amount					
At 30 June 2009	73,780	87,698	14,921	450	176,849
At 30 June 2008	90,343	–	–	600	90,943

The intangible assets included above have finite useful lives, over which the assets are amortised.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

21. OTHER INTANGIBLE ASSETS *(Continued)*

The Group *(Continued)*

(a) The Group acquired rights for distribution of certain packaged food and fresh fruit products and cosmetics products in Hong Kong, Macau and the PRC. The carrying amount of distribution rights at 30 June 2009 approximates to HK$73,780,000 (2008: HK$90,343,000). The average remaining amortisation period for these distribution rights is 3.6 years (2008: 4.5 years).

During the year, a full impairment of HK$11,400,000 was made against certain distribution rights of some exclusively licensed branded products due to factory closing down.

(b) During the year, the Group acquired certain customer networks for distribution of fresh produce products and cold chain products in the PRC. The carrying amount of the customer networks at 30 June 2009 approximates to HK$87,698,000 (2008: HK$Nil). The remaining amortisation period for the customer networks is 4.5 years (2008: N/A).

(c) During the year, expenditure of approximately HK$17,216,000 was incurred for consultancy services in relation to the technical know-how on the citrus trees plantation for the development of the Group's agricultural activities. The technical know-how is amortised over 5 years. The remaining amortisation period for the technical know-how is 4.3 years (2008: N/A).

22. OTHER ASSETS

	Group	
	2009	2008
	HK$'000	*HK$'000*
Prepaid operating leases for pack houses facilities	8,825	19,307
Prepaid operating leases for logistics license and resources	32,983	31,364
	41,808	50,671

23. INVESTMENT IN A CLUB MEMBERSHIP

The Group's club membership of HK$108,000 (2008: HK$108,000) at 30 June 2009 is assessed as having indefinite useful life because there is no time limit that the Group can enjoy the services provided by that club.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

24. INVESTMENTS

	Group	
	2009	2008
	HK$'000	*HK$'000*
Non-current assets		
Available-for-sale financial assets		
– listed equity securities in Hong Kong, at fair value	**14,922**	33,043
Current assets		
Financial assets at fair value through profit or loss		
– listed equity securities in Hong Kong, at fair value	**335**	334
	15,257	33,377

The fair value of the equity securities is based on quoted market price.

The carrying amounts of the above financial assets at fair value through profit or loss are held for trading and classified as current assets.

25. INVENTORIES

	Group	
	2009	2008
	HK$'000	*HK$'000*
Raw materials	**849**	979
Packing materials	**369**	914
Finished goods	**205,611**	169,915
	206,829	171,808

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

26. TRADE RECEIVABLES

The Group normally allows credit terms to established customers ranging from 30 to 120 days (2008: 15 to 90 days).

The aging analysis of trade receivables, based on the date of recognition of the sale, is as follows:

	2009 *HK$'000*	2008 *HK$'000*
1 – 30 days	137,325	212,045
31 – 60 days	108,143	81,000
61 – 90 days	58,324	4,980
Over 90 days	29,884	–
	333,676	298,025

As at 30 June 2009, trade receivables of approximately HK$6,718,000 were past due but not impaired. The Group does not hold any collateral over these balances. These relate to a number of independent customers for whom there is no recent history of default. The amounts had been substantially settled subsequent to the year end date. The aging analysis of these trade receivables is as follows:

	2009 *HK$'000*	2008 *HK$'000*
Up to 90 days	4,430	–
Over 90 days	2,288	–
	6,718	–

27. BANK AND CASH BALANCES

At 30 June 2009, the bank and cash balances of the Group denominated in RMB amounted to approximately HK$279,742,000 (2008: HK$435,681,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

28. TRADE PAYABLES

The aging analysis of trade payables, based on the receipt of goods purchased, is as follows:

	2009	2008
	HK$'000	*HK$'000*
1 – 30 days	73,273	77,138
31 – 60 days	2,690	403
61 – 90 days	616	158
Over 90 days	891	–
	77,470	77,699

29. BORROWINGS

	Group	
	2009	2008
	HK$'000	*HK$'000*
Bank loans, secured *(Note 36)*	274,620	247,941
Government loans, secured *(Note 16)*	2,515	1,279
	277,135	249,220
The borrowings are repayable as follows:		
On demand or within one year	214,543	105,016
In the second year	60,120	60,347
In the third to fifth years, inclusive	2,472	83,857
	277,135	249,220
Less: Amount due for settlement within 12 months (shown under current liabilities)	(214,543)	(105,016)
Amount due for settlement after 12 months	62,592	144,204

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

29. BORROWINGS *(Continued)*

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

	Hong Kong dollars	RMB	Total
	HK$'000	*HK$'000*	*HK$'000*
2009			
Bank loans	**274,620**	**–**	**274,620**
Government loans	**–**	**2,515**	**2,515**
	274,620	**2,515**	**277,135**
2008			
Bank loans	247,941	–	247,941
Government loan	–	1,279	1,279
	247,941	1,279	249,220

The interest rates at 30 June were as follows:

	2009	2008
Bank loans	**1.21% – 5.75% p.a.**	2.81% – 6% p.a.
Government loans	**2.52% – 2.62% p.a.**	2% p.a.

The bank loans are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

	Company	
	2009	2008
	HK$'000	*HK$'000*
Bank loans, secured *(Note 36)*	**35,000**	28,000

The Company's bank loans are repayable on demand or within one year and are arranged at floating rates in the range from 1.51% to 2.07% per annum.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

30. FINANCE LEASE PAYABLES

Group

	Minimum lease payments		Present value of minimum lease payments	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**77**	130	**69**	114
In the second to fifth years, inclusive	**95**	100	**89**	93
	172	230	**158**	207
Less: Future finance charges	**(14)**	(23)	**–**	–
Present value of lease payables	**158**	207	**158**	207
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(69)**	(114)
Amount due for settlement after 12 months			**89**	93

It is the Group's policy to lease certain of its office equipment and motor vehicles under finance leases. The average lease term is 5 years. For the year ended 30 June 2009, the effective borrowing rate was in the range from 5.99% to 8.86% (2008: 5.99% to 7.12%). Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. At the end of each lease term, the Group has the option to purchase the office equipment and motor vehicles at nominal prices.

The Group's finance lease payables are secured by the lessor's title to the leased assets.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

31. DEFERRED TAX LIABILITIES

The followings are the major deferred tax liabilities recognised by the Group.

	Revaluation of buildings
	HK$'000
At 1 July 2007	8,693
Effect of change in tax rate	(2,366)
Exchange difference	1,187
At 30 June 2008 and 1 July 2008	7,514
Credited to income statement for the year *(Note 10)*	(334)
At 30 June 2009	7,180

At the balance sheet date, the following deductible temporary differences have not been recognised as deferred tax asset:

	Group	
	2009	2008
	HK$'000	*HK$'000*
Prepaid land lease payments	5,416	4,815
Revaluation of buildings	4,891	4,170
Decelerated tax depreciation	11,834	3,173
Unused tax losses	79,215	25,816
	101,356	37,974

Deferred tax asset has not been recognised in respect of the above deductible temporary differences due to the unpredictability of future profit streams. The tax losses are subject to approval of tax bureau. Included in unrecognised tax losses are losses of approximately HK$44,847,000 (2008: HK$16,613,000) that will expire in five years. Other tax losses may be carried forward indefinitely.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

32. DEFERRED INCOME

	Group	
	2009	2008
	HK$'000	*HK$'000*
Deferred income	**8,485**	9,260

Deferred income represents government grant received for the purchase of plant and equipment for the development of agricultural activities. There are no unfulfilled conditions and other contingencies attaching to the government grant. The government grant is accounted for as deferred income and amortised over the estimated useful lives of the related plant and equipment acquired. During the year, deferred income of approximately HK$1,014,000 (2008: HK$78,000) was amortised and recognised in the income statement.

33. SHARE CAPITAL

	Authorised ordinary shares of HK$0.01 each	
	Number of shares	Amount *HK$'000*
At 30 June 2008 and 2009	10,000,000,000	100,000

		Issued and fully paid ordinary shares of HK$0.01 each	
	Note	Number of shares	Amount *HK$'000*
At 1 July 2007		1,425,130,000	14,251
Issue of Subscribed Shares		142,500,000	1,425
Shares issued on exercise of share options		22,500,000	225
At 30 June 2008 and 1 July 2008		1,590,130,000	15,901
Open offer	*(a)*	842,565,000	8,426
Shares issued on exercise of share options	*(b)*	95,000,000	950
At 30 June 2009		2,527,695,000	25,277

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

33. SHARE CAPITAL *(Continued)*

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

Notes:

(a) In June 2009, 842,565,000 ordinary shares of HK$0.01 each in the Company were issued at HK$0.18 per share by way of open offer. The gross proceeds of approximately HK$151,662,000 are intended for the business development and as general working capital of the Group. The excess of the consideration received over the nominal value of the shares issued, net of expenses, in the amount of approximately HK$139,261,000, was credited to the share premium account.

(b) During the year, 95,000,000 share options were exercised at exercise prices in the range of HK$0.352 to HK$0.550 per share, resulting in the issue of 95,000,000 ordinary shares of HK$0.01 each for a total cash consideration of HK$37,490,000.

34. RESERVES

(a) Group

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

34. RESERVES *(Continued)*

(b) Company

	Share premium account *HK$'000*	Share-based payment reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*
At 1 July 2007	761,205	1,388	141,174	903,767
Issue of Subscribed Shares	242,935	–	–	242,935
Shares issue on exercise of share options	30,564	(2,889)	–	27,675
Recognition of share-based payments	–	21,557	–	21,557
Profit for the year	–	–	20,052	20,052
At 30 June 2008	1,034,704	20,056	161,226	1,215,986
At 1 July 2008	1,034,704	20,056	161,226	1,215,986
Open Offer *(Note 33(a))*	139,261	–	–	139,261
Recognition of share-based payments	–	11,356	–	11,356
Shares issued on exercise of share options *(Note 33(b))*	41,727	(5,187)	–	36,540
Transfer of reserve upon cancellation/lapse of share options	–	(18,668)	18,668	–
Profit for the year	–	–	28,193	28,193
At 30 June 2009	1,215,692	7,557	208,087	1,431,336

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

34. RESERVES *(Continued)*

(c) Nature and purpose of reserves

(i) Share premium account

The share premium account of the Group includes: (i) the difference between the nominal value of the share capital of the subsidiaries acquired pursuant to the Group Reorganisation on 3 December 2001 over the nominal value of the share capital of the Company issued in exchange therefor; (ii) the premium arising from the capitalisation issue of shares in prior years; and (iii) the premium arising from the issue of new shares.

(ii) Legal reserve

Legal reserve represented reserve retained in accordance with the Article 377 of the Macao Commercial Code for the entities incorporated in Macao. The reserve is distributable to the shareholders.

(iii) Foreign currency translation reserve

Foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 3(c) to the financial statements.

(iv) Share-based payment reserve

Share-based payment reserve represents the fair value of the actual or estimated number of unexercised share options granted to eligible participants recognised in accordance with the accounting policy adopted for share-based payments in note 3(u) to the financial statements.

(v) Property revaluation reserve

Property revaluation reserve has been set up and is dealt with in accordance with the accounting policy adopted for buildings in note 3(d) to the financial statements.

(vi) Investment revaluation reserve

The investment revaluation reserve comprises the cumulative net change in the fair value of available-for-sale financial assets held at the balance sheet date and is dealt with in accordance with the accounting policy in note 3(k)(ii) to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

35. SHARE-BASED PAYMENTS

Equity-settled share option scheme

The Company operates a share option scheme (the "SO Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the SO Scheme include the Company's directors, including non-executive and independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, persons or entities providing research, development or other technological support to the Group, any minority shareholder in the Company's subsidiaries, and other groups or classes of participants as determined by the directors. The SO Scheme became effective on 3 December 2001 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the SO Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the SO Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of the grant of the share options or the expiry date of the SO Scheme, if earlier.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

35. SHARE-BASED PAYMENTS *(Continued)*

Equity-settled share option scheme *(Continued)*

The following share options were outstanding under the SO Scheme during the year:

Name or category of participants	Number of share options: At 1 July 2008	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	At 30 June 2009	Date of grant of share options *Note (i)*	Exercise period of share options	Exercise prices of share options *Note (ii)* *HK$*
Independent non-executive director								
Mr. John Handley	1,500,000	–	–	(1,500,000)	–	13 November 2007	15 November 2007 to 14 November 2012	1.612
	2,000,000	–	–	(2,000,000)	–	18 March 2008	18 March 2008 to 17 March 2013	0.994
Executive director								
Mr. Peng Zhanrong *Note (iii)*	–	15,000,000	–	(15,000,000)	–	19 September 2008	19 September 2008 to 18 September 2013	0.724
Mr. Chiau Che Kong *Note (iii)*	–	15,000,000	–	(15,000,000)	–	19 September 2008	19 September 2008 to 18 September 2013	0.724
Non-executive director								
Ms. Chan Yuk, Foebe	–	17,595,000*	–	–	17,595,000	19 September 2008	19 September 2008 to 18 September 2013	0.617*
Employees (in aggregate)	97,500,000	–	–	(97,500,000)	–	21 August 2007	21 August 2007 to 20 August 2012	1.240
	55,000,000	–	–	(55,000,000)	–	18 March 2008	18 March 2008 to 17 March 2013	0.994
	–	79,177,500*#	–	–	79,177,500	23 December 2008	1 July 2010 to 30 June 2015	0.469*
Other eligible participants (in aggregate)	788,256*	–	–	–	788,256	30 April 2002	1 May 2002 to 30 April 2012	0.212*
	11,823,840*	–	–	–	11,823,840	3 February 2006	3 February 2006 to 2 February 2011	1.020*
	–	50,000,000	(50,000,000)	–	–	29 October 2008	29 October 2008 to 28 October 2013	0.352
	–	30,000,000	(30,000,000)	–	–	26 November 2008	26 November 2008 to 25 November 2013	0.388
	–	32,595,000*	(15,000,000)	–	17,595,000	23 December 2008	23 December 2008 to 22 December 2013	0.469*
	168,612,096	239,367,500	(95,000,000)	(186,000,000)	126,979,596			

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

35. SHARE-BASED PAYMENTS *(Continued)*

Equity-settled share option scheme *(Continued)*

Name or category of participants	Number of share options: At 1 July 2007	Granted during the year	Exercised during the year	At 30 June 2008	Date of grant of share options *Note (i)*	Exercise period of share options	Exercise prices of share options *Note (ii)* *HK$*
Independent non-executive director							
Mr. John Handley	–	1,500,000	–	1,500,000	13 November 2007	15 November 2007 to 14 November 2012	1.612
	–	2,000,000	–	2,000,000	18 March 2008	18 March 2008 to 17 March 2013	0.994
Employees (in aggregate)	–	120,000,000	(22,500,000)	97,500,000	21 August 2007	21 August 2007 to 20 August 2012	1.240
	–	55,000,000	–	55,000,000	18 March 2008	18 March 2008 to 17 March 2013	0.994
Other eligible participants (in aggregate)	672,000	–	–	672,000	30 April 2002	1 May 2002 to 30 April 2012	0.249
	10,080,000	–	–	10,080,000	3 February 2006	3 February 2006 to 2 February 2011	1.196
	10,752,000	178,500,000	(22,500,000)	166,752,000			

* *The number of share options and exercise prices have been adjusted to reflect the open offer issue during the year.*

These share options have a vesting period from 23 December 2008 to 30 June 2010.

Notes:

(i) Apart from 79,177,500 shares options issued on 23 December 2008 which have a vesting period from 23 December 2008 to 30 June 2010, there is no vesting period of the other share options from the date of the grant.

(ii) The exercise price of the share options is subject to adjustment in the case of a right or bonus issue, or other similar changes in the Company's share capital.

(iii) Mr. Peng Zhanrong and Mr. Chiau Che Kong resigned on 8 December 2008.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

35. SHARE-BASED PAYMENTS *(Continued)*

Equity-settled share option scheme *(Continued)*

The number and weighted average exercise price of the share options are as follows:

	2009		2008	
	Number of share options	Weighted average exercise price HK$	Number of share options	Weighted average exercise price HK$
Outstanding at the beginning of the year	168,612,096*	1.14*	10,752,000	1.137
Granted during the year	239,367,500*	0.482*	178,500,000	1.165
Exercised during the year	(95,000,000)	0.395	(22,500,000)	1.240
Cancelled during the year	(156,000,000)	1.154	–	N/A
Lapsed during the year	(30,000,000)	0.724	–	N/A
Outstanding at the end of the year	126,979,596	0.539	166,752,000	1.153
Exercisable at the end of the year	126,979,596	0.539	166,752,000	1.153

* *The number of share options and exercise prices have been adjusted to reflect the open offer issue during the year.*

The fair value of options granted during the year ended 30 June 2009 determined at the date of granted using the Black-Scholes-Merton Model was approximately HK$22,911,000 (2008: HK$21,557,000). The significant inputs into the model were as follows:

Grant date	19 Sep 2008	29 Oct 2008	26 Nov 2008	23 Dec 2008	23 Dec 2008
Option value – HK$	0.0683	0.0411	0.0532	0.1025	0.1942
Share price at date of grant – HK$	0.700	0.340	0.370	0.55	0.55
Exercise price – HK$	0.724	0.352	0.388	0.55	0.55
Volatility	57.61%	70.53%	84.14%	96.60%	71.44%
Risk-free interest rate	1.00%	0.20%	0.01%	0.03%	0.604%
Expected life of options	91 days	91 days	91 days	91 days	638 days
Expected dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

35. SHARE-BASED PAYMENTS *(Continued)*

Equity-settled share option scheme *(Continued)*

The expected volatility was determined by calculating the historical volatilities of the Company's share price over a period that is equal to the expected life of the options before the dates of grant. The expected lives of the options were determined with reference to the Company's historical share price records as extracted from Bloomberg.

The options outstanding at the end of the year have a weighted average remaining contractual life of 5.11 years (2008: 4 years) and the exercise prices range from HK$0.212 to HK$1.02 (2008: HK$0.249 to HK$1.612). During the year, options were granted on 19 September 2008, 29 October 2008, 26 November 2008 and 23 December 2008. The estimated fair values of the options on those dates are approximately HK$3,074,000, HK$2,057,000, HK$1,595,000 and HK$16,185,000 respectively.

At 30 June 2009 the Company had 126,979,596 (2008: 166,752,000) share options outstanding under the SO Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 126,979,596 (2008: 166,752,000) additional ordinary shares and additional share capital of HK$1,269,796 (2008: HK$1,667,520) and share premium of approximately HK$67,200,000 (2008: HK$190,531,000) (before share issue expenses).

36. BANKING FACILITIES

At 30 June 2009, the Group's banking facilities in respect of overdrafts, term loans and other trade finance facilities were secured by corporate guarantees executed by the Company and certain subsidiaries of the Company.

37. CONTINGENT LIABILITIES

(a) At 30 June 2009, the Group did not have any significant contingent liabilities (2008: HK$Nil).

(b) The Company is one of the entities covered by cross guarantee arrangements issued by the Company and its subsidiaries to banks in respect of banking facilities granted to the Group which remains in force so long as the Group has drawn down under the banking facilities. Under the guarantee, the Company and the subsidiaries that are a party to the guarantee are jointly and severally liable for all and any of the borrowings of each of them from the bank which is the beneficiary of the guarantees.

As at 30 June 2009, the directors do not consider it probable that a claim will be made against the Company under any of the above guarantees and the maximum liability in respect of the guarantees is the amount of bank loans drawn by its subsidiaries under the guarantees at the date of approximately HK$274 million (2008: HK$247 million).

The fair value of the cross guarantees at date of inception is not material and is not recognised in the Company's balance sheet.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

38. CAPITAL COMMITMENTS

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

	2009 *HK$'000*	2008 *HK$'000*
Contracted but not provided for		
– Construction in progress	45,234	–
– Fixed assets	94	–
	45,328	–

The Company did not have any significant capital commitments at 30 June 2009 (2008: HK$Nil).

39. OPERATING LEASE COMMITMENTS

At 30 June 2009, the Group's total future minimum lease payments under non-cancellable operating lease are payable as follows:

	2009 *HK$'000*	2008 *HK$'000*
Within one year	2,717	3,788
In the second to fifth years, inclusive	20,387	22,616
After five years	6,207	25,291
	29,311	51,695

Leases are negotiated for terms ranged from 1 to 20 years and rental are fixed over the lease terms and do not include contingent rentals.

The Company did not have any significant operating lease commitments at 30 June 2009 (2008: HK$Nil).

NOTES TO THE FINANCIAL STATEMENTS

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40. INVESTMENTS IN SUBSIDIARIES

Company

	2009 *HK$'000*	2008 *HK$'000*
Unlisted investments, at cost	47,780	47,780
Due from a subsidiary	1,433,804	1,212,290
	1,481,584	1,260,070

The amount due from a subsidiary is unsecured, interest-free and has no fixed terms of repayment.

Particulars of the subsidiaries as at 30 June 2009 are as follows:

Name	Place of incorporation/ registration and operations	Issued/paid-up capital	Percentage of ownership interest/ voting power/ profit sharing	Principal activities
Directly held				
Fiorfie Trading Limited	British Virgin Islands ("BVI")	Ordinary US$1,000	100%	Investment holding
Indirectly held				
Alfe Trading Limited	Hong Kong ("HK")	Ordinary HK$2	100%	Debenture holding
Amazing Victory Ltd.	BVI	Ordinary US$1	100%	Distribution of packaged food, beverages, household consumable products, cold chain products and fresh fruit
B E L Agricultural Development Co., Limited	HK	Ordinary HK$1	70%	Investment holding and wholesales of agricultural products

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For the year ended 30 June 2009

40. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operations	Issued/paid-up capital	Percentage of ownership interest/ voting power/ profit sharing	Principal activities
Indirectly held *(Continued)*				
BELS Company Limited	HK	Ordinary HK$1	70%	Retailing of agricultural products
Deal Time Holdings Limited	BVI	Ordinary US$1	100%	Investment holding
Earth Power Group Limited	BVI	Ordinary US$50,000	100%	Distribution of chilled and frozen seafood and meat products
Gold Ace Development Limited	HK	Ordinary HK$100	100%	Investment holding
Golden Harvest (Macao Commercial Offshore) Limited	Macau	MOP100,000	100%	Sourcing and distribution of fresh produce products
Golden Sector Agro-Development Limited	HK	Ordinary HK$10,000	100%	Trading of fresh produce products
Golden Sector Limited	HK	Ordinary HK$10,000	100%	Distribution of packaged food, beverages, household consumable products and nourishing products
Harvestgate Enterprises Limited	BVI	Ordinary US$30,000	100%	Investment holding
Heng Tai Consumables Group (Australia) Pty Limited	Australia	Ordinary AUD10,000	100%	Provision of procurement services
Heng Tai Consumables Group (New Zealand) Limited	New Zealand	Ordinary NZ$10,000	100%	Provision of procurement services
Heng Tai Finance Limited	HK	Ordinary HK$10,000	100%	Provision of treasury services

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

40. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operations	Issued/paid-up capital	Percentage of ownership interest/ voting power/ profit sharing	Principal activities
Indirectly held *(Continued)*				
Heng Yui (Macao) Commercial Offshore Limited	Macau	MOP100,000	100%	Distribution of packaged food, beverages, household consumable products, cold chain products and fresh fruit
Hongkang (Jiujiang) Agricultural Development Co., Ltd.*	PRC	HK$20,000,000	70%	Cultivation, processing and sales of agricultural products
HT Jenco International (Holdings) Limited	BVI	Ordinary US$39,802,914	100%	Investment holding
Hurdle Limited	BVI	Ordinary US$1	100%	Investment holding
Imation Development Limited	BVI	Ordinary US$100	70%	Investment holding
Jin Tao (Zhongshan) Fresh Produce Logistics Co., Ltd.*	PRC	US$30,000,000	100%	Owner and operator of Zhongshan logistics centre
Master Oriental Limited	HK	Ordinary HK$10,000	100%	Investment holding
New Sino International Ltd.	BVI	Ordinary US$10,000	100%	Operator of overseas packing houses and PRC distribution depots
Nexus Logistics (International) Limited	HK	Ordinary HK$4,000,000	70%	Provision of logistics and transportation services
Nexus Logistics Development Limited	BVI	Ordinary US$100	70%	Provision of logistics and transportation services
Panna Fine Group Limited	BVI	Ordinary US$1,000,000	100%	Investment holding

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

40. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operations	Issued/paid-up capital	Percentage of ownership interest/ voting power/ profit sharing	Principal activities
Indirectly held *(Continued)*				
Profit Step Development Limited	HK	Ordinary HK$100	100%	Dormant
Rich Label Holdings Inc.	BVI	Ordinary US$100	100%	Investment holding
Shanghai Sypher Ltd.*	PRC	US$10,100,000	100%	Logistics centre operations
Si Wan Limited	HK	Ordinary HK$2	100%	Investment holding
Simming Light Investment Ltd.	BVI	Ordinary US$10,000	100%	Investment holding and citrus tree plantation
Sino Combo International Limited	HK	Ordinary HK$10,000	100%	Investment holding
Step First Ltd.	BVI	Ordinary US$1	100%	Trademark holding
Sui Tai & Associates Limited	HK	Ordinary HK$10,000	100%	Provision of administrative services
Sunning State Group Limited	BVI	Ordinary US$2,000,000	100%	Investment holding
Swift Force Logistics Limited	BVI	Ordinary US$3,000,000	100%	Investment holding
Triglory (H.K.) Limited	HK	Ordinary HK$1	100%	Distribution of cosmetics products
Triglory Enterprises Limited	BVI	Ordinary US$10,000	100%	Distribution of cosmetics products
Vipro Enterprises Limited	BVI	Ordinary US$100	70%	Investment holding

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

40. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operations	Issued/paid-up capital	Percentage of ownership interest/ voting power/ profit sharing	Principal activities
Indirectly held *(Continued)*				
Wide Fortune Investments Limited	BVI	Ordinary US$5,600,000	70%	Investment holding
Zhong Tao (Jiujiang) Agricultural Development Co., Ltd.*	PRC	HK$1,000,000	100%	Livestock breeding
上海潤歆貿易有限公司*	PRC	US$1,900,000	100%	Distribution of cosmetics and household consumable products
宏泰易家河(九江)農業開發有限公司*	PRC	US$1,000,000	70%	Processing and sales of agricultural products

* *Foreign wholly-owned enterprise.*

41. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation. The changes included reallocation of change in fair value of biological assets less estimated point-of-sale costs from other operating expenses in the consolidated income statement and reallocation of payment for prepaid land lease payments from operating activities to investing activities in the consolidated cash flow statement for the disclosures purpose. The new classification of the disclosure items was considered to provide a more appropriate presentation of the state of affairs of the Group.

In addition, the basic and diluted earnings per share for 2008 had been adjusted for the effects of open offer in current year.

42. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the board of directors on 28 October 2009.