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)

ANNUAL REPORT 2010

CONTENTS

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

CITIC Bank International 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 ("Board" or "Directors") of Heng Tai Consumables Group Limited (the "Company"), I am proud to present to the shareholders, the Annual Report of the Company and its subsidiaries (together "Group") for the financial year ended on 30 June 2010.

FINANCIAL PERFORMANCE

The financial year ended 30 June 2010 was one of transition and recovery. The Group made a miraculous recovery following a tough 2009. With the Global Financial Crisis, the Group has been able to show the true value of our interwoven business model. Revenues were at approximately HK$2.37 billion which shows a recovery of the Group's income to above that reported 2008, which in itself was a banner year for top-line performance. The net profit attributable to shareholders for 2010 was approximately HK$226 million, nearly double the net profit reported for the year ended 30 June 2009. The Group weathered this 2009 storm because of the strong performance by the Agro Products Trading business unit, which was repeated in 2010 with the Agro unit generating over HK$1 billion revenue. The recovery was also attributable to the upturn of the Fast Moving Consumer Goods, Cosmetics and Frozen Products units, which together were contributing approximately HK$1.1 billion to the Group's top-line.

DIVIDENDS

The Board recommends the payment of a final dividend of HK1 cent (2009: Nil) per share in respect of the year ended 30 June 2010 to shareholders whose names appear on the register of members on 28 December 2010. Shareholders should ensure that transfers are lodged with the Company's Share Registrar in Hong Kong for registration no later than 4:00 p.m. on 22 December 2010. This proposed dividend is subject to approval by the shareholders at the forthcoming annual general meeting. The Board also proposes a bonus issue of shares in the proportion of one bonus share for every twenty shares held by shareholders of the Company.

The bonus issue of shares is subject to the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the bonus shares. Further details regarding the proposed final dividend and the bonus shares will be set out in a circular to be despatched to shareholders of the Company. Though the Group has decided to reserve more working capital to further sustain the Group's expansion plans in the coming years, the Board has resolved to pay a final dividend in cash and issue the proposed bonus shares by way of a special dividend as a gesture to thank current shareholders for their loyalty and support during the past year.

CHAIRMAN'S STATEMENT

BUSINESS MODEL AND DEVELOPMENTS, GROWTH STRATEGIES AND PROSPECTS

The Group traditionally operated a one-stop trading services platform creating bespoke sets of services that best fit the needs to our clients.

During the financial year ended 30 June 2010, the Group's business has gone through a further evolution. The Group has always maintained the ability to evolve with or even ahead of market conditions and has effectively adapted its business model to changes that have taken place. With thinning margins, the Group incorporated more options in the service offering to clients eventually evolving into the aforementioned one-stop trading platform. Cold chain offered an entry into the fresh produce market to broaden the product portfolio available to customers. During 2010, the upgrades that took place in 2009 at the Zhongshan Logistics facility to provide value added processing for post-harvest produce, completed the first incarnation of the new agro focused supply chain.

During the year under review, the Group completed the acquisition of approximately 15,000 mu of farmland in Huidong of Guangdong Province further growing the Group's land bank and enhancing the vertical integration initiated the years before. Starting from 2011, the Group will be able to show this vertically integrated supply chain model that includes the up-stream farming, mid-stream logistics and post harvest processing, and the down-stream distribution. With established clients in Hong Kong including popular local fast food chains, government institutions and retail chains, already taking these "processed" vegetables along with plain non-processed produce, the Group would be able to plug produce into that supply chain that was self-cultivated to generate larger margins.

With a plan to further enhance the Group's financial capabilities through more effective capital market relationship management, the Group is the in midst of evolving its business model into a much stronger, more robust, and profitable business, investing into and growing business extensions to enhance our integrated supply chain model and move away from our original, lower margin business.

2011 is going to be a significant year for the Group. With the projects lined up in the pipeline, our up-stream assets coming online and producing crops for harvesting and sale, the Group aims to show the positive impact on margins, prove that the business model can effectively generate significant amounts of cash due to the high turnaround nature of the business, and the benefits that the Group can expect to enjoy with its agriculture industry participant status.

Furthermore, the Group aims to invest in talent, plans to bring on board a dedicated investor relations resource, assemble a professional team to support senior management on all aspects of the business, and take better advantage of the different mechanisms for raising capital efficiency for growth.

CHAIRMAN'S STATEMENT

APPRECIATION

On behalf of the Board, I would like to extend my sincere appreciation for the support, trust and hard work of my colleagues, and to our shareholders for their loyalty and support in allowing senior management to execute our vision for this wonderful and exciting adventure.

On Behalf of the Board
Lam Kwok Hing
Chairman

Hong Kong, 28 October 2010

MANAGEMENT DISCUSSION AND ANALYSIS

Heng Tai Consumables Group Limited (the "Company") and its subsidiaries (collectively the "Group") are principally engaged in the (i) Down-Stream Trading Business for FMCG (Fast Moving Consumer Goods), cold chain and cosmetic products; (ii) Mid-Stream Logistics Services Business for cold chain logistics services and value-added post-harvest food processing; and (iii) Agro Business for cultivation and trading of agro products. During the year under review, the Group has consistently performed itself as a one-stop service platform incorporating the functions of traders, marketing agent and supply chain solutions provider in the FMCG, 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 realized its expansion plans. Following last year's global finical crisis, the Chinese government has adopted a series of positive economic stimulus plans, and in particular, initiated more favourable and financial policies to spur the rural and consumer sectors. Given China's strength in its underlying economy and strong domestic demand and favourable government policies in place, the Group are well positioned to penetrate into China's retail and consumer markets that offer enormous opportunities for our business to grow.

FINANCIAL PERFORMANCE

During the year under review, the Group's turnover soared approximately 24.8% to approximately HK$2,367 million. The increase in turnover was mainly attributable to an increase in the sales quantity achieved through expansion in clientele portfolio and enrichment in product varieties in Down-Stream Trading Business and Agro Business and increase in the service income from Mid-Stream Logistics Services Business driven by strong market demand for the Group's products and services following the recovery in retail and consumer markets.

Gross profit margin increased from approximately 21.4% to 23.1% when compared with the preceding financial year. The increase in margin was mainly attributable to the successful implementation of product refinement for cosmetics, cold-chain and agro products commanding a relatively higher gross profit margin when compared with the preceding financial year.

Selling and distribution expenses increased from approximately HK$142.1 million to HK$161.0 million, which however represented a proportional decrease from approximately 7.5% to 6.8% of turnover when compared with the preceding financial year. Though there was increased absolute outlay amount in marketing development, promotion expenses and distribution expenses to reinforce our sales plans in clienteles and products, the Group had tightened budget control over the overall selling and distribution expenses to bring it in line with the Group's overall turnover.

Administrative expenses were approximately HK$135.3 million and represented approximately 25.3% increase when compared with the preceding financial year. The increase was mainly attributable to our expansion in the logistics business and transition into the upstream farming business with a relatively higher portion of fixed administrative costs than our conventional Down-Stream Trading Business for FMCG.

MANAGEMENT DISCUSSION AND ANALYSIS

Other operating expenses mainly represented a loss on disposal of certain subsidiaries. During the year under review, the Group had disposed certain subsidiaries engaged in upstream farming business for business segments with relatively lower margin contribution. Such reorganization in its operating structure in upstream farming business would enable the Group to direct its resources more effectively to agro products with higher margin returns.

Finance costs decreased to approximately HK$3.9 million from HK$7.1 million in the preceding financial year. The decrease in finance costs were mainly attributable to a decreased level of utilization of the Group's banking facilities and the decreasing interest rate effect when compared with the preceding financial year.

Net profit attributable to shareholders increased to approximately HK$226.0 million, representing an increase of approximately 96.5% when compared with the preceding financial year. The increase in the Group's net profit can be summarised as mainly attributable to an approximately 24.8% increase in turnover, 1.7% increase in the Group's overall gross profit margin, 44.8% decrease in finance costs and 80.6% decrease in other operating expenses while there were overall increases of approximately 27.8% in changes in fair value of biological assets, operating and income tax expenses. The overall increase in net profit is primarily attributable to an increase in the total demand for our Group's products and a substantial decrease in the provision for doubtful debts from some of our customers which were badly affected by the global economic downturn in 2009 and the improvement of the global economy in general.

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.

At 30 June 2010, the Group had interest-bearing borrowings of approximately HK$259.1 million (30 June 2009: HK$277.1 million) of which over 95% of the borrowings were denominated in Hong Kong dollars and approximately 96% will 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 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

At 30 June 2010, the Group's current assets amounted to approximately HK$1,371.2 million (30 June 2009: HK$1,105.9 million) and the Group's current liabilities amounted to approximately HK$409.7 million (30 June 2009: HK$356.9 million). The Group's current ratio remained at a stable level of approximately 3.3 at 30 June 2010 (30 June 2009: 3.1). At 30 June 2010, the Group had total assets of approximately HK$3,030.9 million (30 June 2009: HK$2,717.5 million) and total liabilities of approximately HK$421.6 million (30 June 2009: HK$435.3 million) with a gearing ratio of approximately 8.5% (30 June 2009: 10.2%). The gearing ratio was expressed as a ratio of total bank borrowings to total assets. The improvement in gearing ratio was mainly attributable to the continued growth in total assets through enlarged shareholders' equity from earnings and shares issued and the decrease in bank borrowing level for the year.

On 4 January 2010, the Company made a bonus issue of 129,764,500 new shares at a par value of HK$0.01 each 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 appeared on the register of members of the Company on 21 December 2009.

During the year, the Company issued 171,065,000 new shares through exercise of share options by option holders with net proceeds of approximately HK$100.3 million.

NUMBER AND REMUNERATION OF EMPLOYEES

At 30 June 2010, the Group had approximately 650 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 47,014,543 share options remain unexercised.

BUSINESS REVIEW, DEVELOPMENT AND PROSPECTS

During the financial year under review, three business units that contributed income to the Group were: (i) the Down-Stream Trading Business which includes the FMCG Trading Business being the trading of packaged food, beverages, household consumable products, cosmetics and skincare products and cold chain products; (ii) Mid-Stream Logistics Services Business being the provision of cold chain logistics services and value-added post-harvest food processing; and (iii) Agro Business, which includes the cultivation and trading of agro products. These three businesses come together to form two vertically integrated supply chains allowing the Group to effectively deliver perishable and non-perishable consumer products to the PRC market. This transition has been evolving over the past couple of years and 2011 will see the up-stream farms come online and contribute their first significant revenue streams since their original set-up and planting. This will give a major impact on the Group's margins, cash generating abilities, and allow the Group to capitalize, long term, on the Central Government policies that govern the Agricultural Industry (11th Five-Year Plan) and the Domestic Consumer Market (12th Five-Year Plan).

MANAGEMENT DISCUSSION AND ANALYSIS

The FMCG products traded by the Group included packaged food, beverages, household consumable products, cosmetics and skincare products, frozen and chilled products with their respective contribution of approximately 23%, 2%, 1%, 8% and 12% to the Group's turnover. During the financial year under review, income from logistics services represented approximately 9% to the Groups' turnover. There was continued growth in turnover from the cultivation and trading of agro products, currently representing approximately 45% to the Group's turnover for the year, up 3% from 2009. The main categories of packaged food were biscuits, candies, chocolate, condiments, margarine, milk powder 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 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 fruits.

These products are mostly sourced through the Group's extensive overseas procurement networks operating in the markets including Southeast Asia, USA, Europe, Australia, and New Zealand. These products, in turn, were traded back into the domestic PRC market through wholesalers, retailers and on-premise customers, making up the FMCG side of the Group's Down-Stream Trading Business. After a slower 2009, the FMCG business recovered in 2010. The Group's cosmetics business continued to grow during the year under review with revenues growing approximately 20% from 2009. The Group continued to operate with some success, the one-stop service platform offering a turn-key solution to overseas manufacturers wanting to import and sell their products in China.

The Group has been focusing over previous years on shifting the business emphasis towards its new agro products business. This business stream is split into two main components including Agro Trading and Cultivation (including self land and contract farming). The Agro Trading, the straight buying and selling of fruits and vegetables, has been the solid revenue generator for the Group over the past years. It did not suffer significant negative impact from the Financial Crisis. Revenues from Agro Trading grew by approximately 14% from 2008 to 2009 when the FMCG business fell by approximately 35%. Revenue performance improved further in 2010 growing by approximately 32%. Agro Trading generated over one billion Hong Kong Dollars in revenue during 2010, and now represents approximately 45% of the Group's total revenue. Meanwhile there was no significant contribution from the Cultivation during 2010. Cultivation requires a longer gestation period. The 16,000 mu citrus plantation in Jiangxi and the 15,000 mu vegetable farm in Huidong are expected to contribute income during 2011 following their set-up in 2008 and 2009, respectively.

The Group's Mid-Stream Logistics Services Business posted an 8% gain from 2009 figures. Agro related logistics services, including value add processing and cold chain logistics, was again the standout performer, revenues grew by approximately 15% year-on-year whilst third-party logistics services and office space rental fell by 37% and 41% respectively. Though Logistics Services only represented approximately 9% of the Groups' total revenues, there is a clear indicator of the Groups' shift away from the low margin business to the higher margin business.

MANAGEMENT DISCUSSION AND ANALYSIS

In July 2009, the Group decided to focus some resources and attention on improving its investor focus communication. In order to do this, the Group hired Singapore based Aries Consulting. As one of the largest IR firms in Asia Pacific, began utilizing their extensive network and resources to implement a plan that was designed to help support senior management's IR strategy. By the end of the last financial year, the Group took a large step to bring on board a full time executive to develop its capital markets capabilities. In the months leading up to June 2010, the Group entered into discussions with an experienced financial market professional firm to develop a plan to set up a dedicated investor relations unit that would overlap into business development.

In May 2010, the Group announced that it was applying to the Taiwan Stock Exchange to list through their Taiwan Depository Receipts ("TDR") mechanism. This will provide the Group with another platform from which further capital could be raised through a more diversified shareholder base. It also gave the Group a chance to explore business opportunities within Taiwan. The Group wanted to take advantage of the new ECFA agreement (trade agreement) between China and Taiwan. The TDR application procedures are still ongoing.

There are three significant development plans that are slated for the upcoming year. By late 2010, the Group aims to proceed to the acquisition of an up-stream farming facility near Qingdao, Shandong Province. This facility is already operational and includes a fully operational logistics facility on premises complete with cold chain. Shandong Province has been traditionally a principal and abundant crops base in China and this farm grows vegetables and is perfectly positioned to serve the north parts of China and as well as supply to the south parts to alleviate the pressures of "Act of God" for concentrated farming location and seasonality for the Group's Agro Business.

The second investment is the acquisition of a retail vegetable sales window, set in the local Chinese wet markets of Hong Kong. This will help the Group secure good local demand, the volume from which is expected to allow the Group to explore further contract-farming opportunities. This is also seen as a good tool for gathering market intelligence as well as an effective brand-building instrument for the Group for its self-cultivated products.

The third investment is the set-up of an agro processing plant in Huidong of Guangdong Province. This plant will provide onsite post-harvest capability facilitating processing, packaging and swift delivery for crops from our Huidong farmland to Hong Kong, Macau and the south parts of China.

The Group is also planning to expand its investment in developing the phase 2 extension of the Zhongshan Logistics facility. It will also allow the Group to roll out a "Built-to-Suit" program aimed at developing production capabilities to suit the needs of major customers with large F&B chains. The Group also aims to complete deals with existing clients to locate the centre of their current and future logistics and warehousing in the Zhongshan facility.

In the year ahead, the Group will continue to be diligent with the evolving process of its interwoven business model into a much stronger, more robust, and profitable business, investing into and growing business extensions to enhance our integrated supply chain model.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

EXECUTIVE DIRECTORS

Mr. LAM Kwok Hing, aged 54, 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 57, 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 50, 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 41, 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 66, 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 55, 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 52, 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. Ms. Mak is also an independent non-executive director of Wealth Glory Holdings Limited, which is a listed company on the Growth Enterprise Market ("GEM") Board of the Stock Exchange.

SENIOR MANAGEMENT

Mr. WONG Siu Hong, aged 42, 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 Group Holdings Limited and COSTIN New Materials Group Limited, both are listed companies on the Main Board of the Stock Exchange.

Mr. TOSE, Hubert Wang, aged 34, is Director for the Investor Relations Department. He is Heng Tai's newest member of the management team. Mr. Tose is a banker by training but an entrepreneur at heart having run several successful pioneering ventures following 5 years in Investment Banking. Prior to joining the Group, he was the Executive Director and Managing Director of Anemone Green Capital, a boutique environmental finance company that specialised in Carbon Trading and renewable energy investments in Greater China. He was educated at Eton College in the UK and attended Cornell University and holds a business degree from the European Business School, London.

Ms. HUNG Sau Yung, Rebecca, aged 44, 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.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Mr. ONG Hong Hoon, Bernard, aged 60, 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 57, 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.

Ms. GAO Qin Jian, aged 50, 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. ONG Chew Sheng, aged 40, 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. TONG Lai Choi, Katrina, aged 55, is the Human Resources Manager of the Group. Ms Tong obtained a Master of Business Degree in Australia. Ms Tong joined the Group in May 2010 and is responsible for overseeing the human resources functions of the Group in Hong Kong and PRC. She has over 20 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 2010.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The principal activities of the principal subsidiaries are set out in note 41 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 2010 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 31.

The state of affairs of the Group at 30 June 2010 are set out in the consolidated statement of financial position on pages 33 to 34.

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 recommends the payment of a final dividend of HK1 cent (2009: Nil) per share in respect of the year ended 30 June 2010 to shareholders whose names appear on the register of members on 28 December 2010. Shareholders should ensure that transfers are lodged with the Company's Share Registrar in Hong Kong for registration no later than 4:00 p.m. on 22 December 2010. This proposed dividend is subject to approval by the shareholders at the forthcoming annual general meeting. The Board also proposes a bonus issue of shares in the proportion of one bonus share for every twenty shares held by shareholders of the Company.

The bonus issue of shares is subject to the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the bonus shares. Further details regarding the proposed final dividend and the bonus shares will be set out in a circular to be despatched to shareholders of the Company. Though the Group has decided to reserve more working capital to further sustain the Group's expansion plans in the coming years, the Board has resolved to pay a final dividend in cash and issue the proposed bonus shares by way of a special dividend as a gesture to thank current shareholders for their loyalty and support during the past year.

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				
	2010	2009	2008	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Profit attributable to:					
– Owners of the Company	**226,034**	115,054	255,148	190,127	122,319
– Non-controlling interests	**(5,436)**	(5,024)	(3,297)	(47)	1,299
Profit for the year	**220,598**	110,030	251,851	190,080	123,618

Assets, liabilities and equity

	At 30 June				
	2010	2009	2008	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	**3,030,897**	2,717,463	2,400,299	1,671,086	1,363,505
Total liabilities	**(421,578)**	(435,279)	(406,489)	(333,381)	(224,389)
Total non-controlling interests	**2,753**	–	(5,026)	(24)	(10,013)
Total equity attributable to owners of the Company	**2,612,072**	2,282,184	1,988,784	1,337,681	1,129,103

Note: The results of the Group for the four years ended 30 June 2006, 2007, 2008 and 2009 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 2010 and the assets, liabilities and equity of the Group as at 30 June 2010 are those set out in page 31 and pages 33 and 34 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 32 to the financial statements.

DISTRIBUTABLE RESERVES

At 30 June 2010, the Company had distributable reserves of approximately HK$1,549,246,000. Under the Companies Law (Revised) of the Cayman Islands, the share premium account of the Company of approximately HK$1,328,065,000 as at 30 June 2010 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 2010.

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 *(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

In accordance with the Company's articles of association, Mr. Lam Kwok Hing, Ms. Chan Yuk, Foebe and Mr. John Handley 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 2012 and 7 April 2013 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 11 to 13 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' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 30 June 2010, 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:

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*	380,520,000	13.45%
Ms. Lee Choi Lin, Joecy	*2*	134,946,000	4.77%
Mr. Chu Ki	*3*	22,050,000	0.78%

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.

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

Save as disclosed above, as at 30 June 2010, 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' and chief executives' interests and short positions in shares, underlying shares and debentures" 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 2010, 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*	380,520,000	Corporate interests	13.45%
World Invest	*2*	134,946,000	Corporate interests	4.77%
Pope Asset Management, LLC		152,717,945	Corporate interests	5.40%

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 2010, no person, other than the directors and chief executive of the Company, whose interests are set out in the section "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures" 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 2010.

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 2010 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 2010

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company is committed to the establishment of good corporate governance practices and procedures which serve as an important element of risk management throughout the growth and expansion of the Company. The Company emphasizes on maintaining and carrying out sound, solid and effective corporate governance principles and structures. 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 2010, 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 2010 and they all confirmed that they had fully complied with the required standards set out in the Model Code and its code of conduct regarding directors' securities transactions.

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 2010, the composition of the Board was as follows:

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

CORPORATE GOVERNANCE REPORT

The biographical details of the Directors has been disclosed under the section "Directors, Senior Management and Staff" section on pages 11 to 13 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 2010, 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 2010, 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%
Non-executive Director		
Ms. Chan Yuk, Foebe	6/6	100%
Independent Non-executive Directors		
Mr. John Handley	4/6	66%
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 OFFICER

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 2010, 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 2010 and for the six months ended 31 December 2009 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 two meetings with all committee members attended during the year ended 30 June 2010, 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 performance, 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 two meetings with all committee members attended during the year ended 30 June 2010, 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 Board has 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

COMMUNICATION WITH SHAREHOLDERS

The Company follows a policy of disclosing relevant information to shareholders in a timely manner. Annual and interim reports offers comprehensive operational and financial performance information to shareholders and the AGM provides a forum for shareholders to exchange views directly with the Board. The Company regards the AGM as an important event and all Directors, senior management and external auditors make an effort to attend the AGM of the Company to address shareholders' queries. All the shareholders of the Company are given a minimum of 20 business days' notice of the date and venue of the AGM of the Company. All resolutions put to vote at the Company's general meetings were taken by poll. Poll results were published on the websites of the Company and the Stock Exchange.

AUDITOR'S SERVICE

For the year ended 30 June 2010, the Group engaged RSM Nelson Wheeler, auditor of the Company, to perform audit and non-audit services.

Services rendered

	HK$'000
Audit service	938
Non-audit service	200
	1,138

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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.

The responsibilities of the auditor to the shareholders are set out in the Independent Auditor's Report on pages 29 and 30.

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 31 to 108, which comprise the consolidated statement of financial position as at 30 June 2010 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows 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 Group as at 30 June 2010 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 2010

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2010

	Note	2010 HK$'000	2009 HK$'000
Turnover	6	2,367,019	1,897,091
Cost of sales		(1,820,869)	(1,491,777)
Gross profit		546,150	405,314
Changes in fair value of biological assets less costs to sell		(5,354)	11,884
Other income	7	3,988	10,296
Selling and distribution expenses		(160,957)	(142,075)
Administrative expenses		(135,348)	(108,050)
Other operating expenses		(9,970)	(51,515)
Profit from operations		238,509	125,854
Finance costs	9	(3,924)	(7,106)
Profit before tax		234,585	118,748
Income tax expense	10	(13,987)	(8,718)
Profit for the year	11	220,598	110,030
Attributable to:			
Owners of the Company		226,034	115,054
Non-controlling interests		(5,436)	(5,024)
		220,598	110,030
Earnings per share	15		
			(Restated)
Basic		HK8.3 cents	HK5.8 cents
Diluted		HK8.2 cents	HK5.8 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2010

	2010 *HK$'000*	2009 *HK$'000*
Profit for the year	220,598	110,030
Other comprehensive income:		
Exchange differences on translating foreign operations	(34)	(68)
Exchange differences reclassified to income statement on disposal of subsidiaries	(246)	–
Fair value changes of available-for-sale financial assets	2,664	(18,121)
Loss on property revaluation		
Fair value loss on property revaluation	(20,614)	–
Deferred tax liability	5,154	–
	(15,460)	–
Other comprehensive income for the year, net of tax	(13,076)	(18,189)
Total comprehensive income for the year	207,522	91,841
Total comprehensive income attributable to:		
Owners of the Company	212,958	96,867
Non-controlling interests	(5,436)	(5,026)
	207,522	91,841

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2010

	Note	2010 *HK$'000*	2009 *HK$'000*
Non-current assets			
Fixed assets	*16*	655,669	694,181
Prepaid land lease payments	*17*	325,660	322,069
Construction in progress	*18*	144,026	34,435
Goodwill	*19*	282,525	287,378
Biological assets	*20*	42,841	39,773
Other intangible assets	*21*	132,186	176,849
Other assets	*22*	53,132	41,808
Investment in a club membership	*23*	108	108
Investments	*24*	23,548	14,922
		1,659,695	1,611,523
Current assets			
Biological assets	*20*	–	1,585
Inventories	*25*	236,201	206,829
Trade receivables	*26*	405,556	333,676
Prepayments, deposits and other receivables		209,682	135,572
Investments	*24*	512	335
Bank and cash balances	*27*	519,251	427,943
		1,371,202	1,105,940
TOTAL ASSETS		3,030,897	2,717,463
Capital and reserves			
Share capital	*32*	28,285	25,277
Reserves	*34(a)*	2,583,787	2,256,907
Equity attributable to owners of the Company		2,612,072	2,282,184
Non-controlling interests		(2,753)	–
Total equity		2,609,319	2,282,184

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2010

	Note	2010 HK$'000	2009 HK$'000
Non-current liabilities			
Borrowings	*29*	9,533	62,592
Finance lease payables	*30*	35	89
Deferred tax liabilities	*31*	2,285	7,180
Deferred income		–	8,485
		11,853	78,346
Current liabilities			
Trade payables	*28*	98,274	77,470
Accruals and other payables		16,104	32,802
Borrowings	*29*	249,527	214,543
Finance lease payables	*30*	52	69
Current tax liabilities		45,768	32,049
		409,725	356,933
Total liabilities		421,578	435,279
TOTAL EQUITY AND LIABILITIES		3,030,897	2,717,463
Net current assets		961,477	749,007
Total assets less current liabilities		2,621,172	2,360,530

Approved by Board of Directors on 28 October 2010

Lam Kwok Hing
Chairman

Chu Ki
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2010

	Attributable to owners of the Company											
	Share capital (Note 32) 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	Proposed dividend HK'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
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
Total comprehensive income 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 equity-settled 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	–	–	–	–
Change in equity for the year	9,376	180,988	–	(66)	(12,499)	–	(18,121)	133,722	–	293,400	(5,026)	288,374
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
At 1 July 2009	25,277	1,167,128	97	125,363	7,557	16,389	(22,768)	963,141	–	2,282,184	–	2,282,184
Total comprehensive income for the year	–	–	–	(280)	–	(15,460)	2,664	226,034	–	212,958	(5,436)	207,522
Bonus issue	1,297	(59)	–	–	–	–	–	(1,297)	–	(59)	–	(59)
Recognition of equity-settled share-based payments	–	–	–	–	24,347	–	–	–	–	24,347	–	24,347
Shares issued on exercise of share options	1,711	112,432	–	–	(13,881)	–	–	–	–	100,262	–	100,262
Purchase of non-controlling interests	–	–	–	–	–	–	–	(7,620)	–	(7,620)	2,620	(5,000)
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	–	63	63
2010 proposed final dividend	–	–	–	–	–	–	–	(29,177)	29,177	–	–	–
Change in equity for the year	3,008	112,373	–	(280)	10,466	(15,460)	2,664	187,940	29,177	329,888	(2,753)	327,135
At 30 June 2010	28,285	1,279,501	97	125,083	18,023	929	(20,104)	1,151,081	29,177	2,612,072	(2,753)	2,609,319

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2010

	Note	2010 *HK$'000*	2009 *HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		234,585	118,748
Adjustments for:			
Allowance for inventories		23	310
Amortisation of deferred income		(342)	(1,014)
Amortisation of other intangible assets		44,267	32,058
Amortisation of prepaid land lease payments		16,456	10,418
Changes in fair value of biological assets less costs to sell		5,354	(11,884)
Depreciation		42,324	41,152
Finance costs		3,924	7,106
Fixed assets disposals		637	1,560
Impairment loss on other intangible assets		–	11,400
Impairment loss on other receivables		–	3,356
Interest income		(1,575)	(3,390)
Loss on disposal of subsidiaries	*36(a)*	7,685	–
Equity-settled share-based payments expenses		24,347	11,356
Trade receivables written off		28	36,373
Fair value loss/(gain) on financial assets at fair value through profit or loss		235	(1)
Operating profit before working capital changes		377,948	257,548
Increase in inventories		(30,823)	(35,331)
(Increase)/decrease in other assets		(11,324)	8,863
Increase in trade and other receivables, prepayments and deposits		(156,570)	(131,968)
Decrease/(increase) in biological assets		2,592	(21,462)
Increase/(decrease) in trade and other payables		25,816	(7,024)
Increase in deferred income		–	239
Cash generated from operations		207,639	70,865
Income taxes (paid)/refund		(9)	5
Interest paid		(3,916)	(7,085)
Finance lease charges paid		(8)	(21)
Net cash generated from operating activities		203,706	63,764

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2010

	Note	2010 HK$'000	2009 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Disposal of subsidiaries	36(a)	3,034	–
Interest received		1,575	3,390
Proceeds from disposals of fixed assets		28	636
Purchase of fixed assets		(57,940)	(178,943)
Purchase of other intangible assets		–	(131,659)
Payment for prepaid land lease payments		(22,782)	(97,629)
Purchase of available-for-sales financial assets		(5,962)	–
Purchase of financial assets at fair value through profit or loss		(732)	–
Proceeds from disposals of financial assets at fair value through profit or loss		320	–
Increase in construction in progress		(118,093)	(33,596)
Net cash used in investing activities		(200,552)	(437,801)
CASH FLOWS FROM FINANCING ACTIVITIES			
Government loan granted		–	1,279
Repayment of bank loans		(356,648)	(412,328)
Drawdown of bank loans		352,263	394,000
(Decrease)/increase in import loans		(7,559)	45,006
Repayment of capital element of finance leases		(71)	(126)
Repayment of government loan		–	(42)
Proceeds from issue of share capital		100,203	185,177
Net cash generated from financing activities		88,188	212,966
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		91,342	(161,071)
Effect of foreign exchange rate changes		(34)	(68)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		427,943	589,082
CASH AND CASH EQUIVALENTS AT END OF YEAR		519,251	427,943
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances		519,251	427,943

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

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 principal subsidiaries are set out in note 41 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 2009. 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 except as stated below.

a. **Presentation of Financial Statements**

HKAS 1 (Revised) "Presentation of Financial Statements" affects certain disclosures and presentation of the financial statements. The balance sheet is renamed as the statement of financial position and the cash flow statement is renamed as the statement of cash flows. All income and expenses arising from transactions with non-owners are presented in the income statement and statement of comprehensive income, and the total carried to the statement of changes in equity. The owner changes in equity are presented in the statement of changes in equity. HKAS 1 (Revised) also requires disclosures of the reclassification adjustments and tax effects relating to each component of other comprehensive income for the period. These presentation requirements have been applied retrospectively.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

b. Operating Segments

HKFRS 8 "Operating Segments" requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. Previously, HKAS 14 "Segment Reporting" required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's 'system of internal financial reporting to key management personnel' serving as the starting point for the identification of such segments. The primary segments reported under HKAS 14 are the same as the segments reported under HKFRS 8. HKFRS 8 has been applied retrospectively.

The segment accounting policies under HKFRS 8 are stated in note 8 to the financial statements.

c. Consolidation

HKAS 27 (Revised) "Consolidated and Separate Financial Statements" contains the following requirements:

– Total comprehensive income is attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance. The previous HKAS 27 requires excess losses to be allocated to the owners of the Company, except to the extent that the non-controlling shareholders have a binding obligation and are able to make an additional investment to cover the losses.

– Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received shall be recognised directly in equity and attributed to the owners of the Company. The previous HKAS 27 does not have specific requirements for such transactions.

– When the disposal of a subsidiary results in a loss of control, the consideration of the sale and any investment retained in that subsidiary are required to be measured at their fair values. The previous HKAS 27 does not have specific requirements for such fair value measurements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

c. Consolidation *(Continued)*

The above requirements of HKAS 27 (Revised) has been applied prospectively from 1 July 2009 and resulted in changes in the consolidated amounts reported in the financial statements as follows:

	2010 *HK$'000*	2009 *HK$'000*
Increase in profit attributable to owners of the Company	5,612	–
Decrease in non-controlling interests	5,612	–
Decrease in goodwill	7,620	–
Decrease in retained profits	7,620	–
Increase in EPS *(HK cents)*	0.20	–

d. Amendments to HKFRS 7 "Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments"

The amendments to HKFRS 7 require additional disclosure about fair value measurement and liquidity risk of financial instruments. In particular, the amendments require the disclosure of fair value measurement of financial instruments into a three-level fair value hierarchy according to the extent to which they are based on observable market data. The adoption of amendments to HKFRS 7 only results in additional disclosures.

The Group has not applied other 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 of Hong Kong Limited (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 costs to sell.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

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 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 that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Group's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balances and unrealised profits 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.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated income statement and consolidated statement of comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Consolidation *(Continued)*

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

In the Company's statement of financial position 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 acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued and liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets, liabilities and contingent liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Group's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in the consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the cost of acquisition to calculate the goodwill.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Business combination and goodwill *(Continued)*

If the changes in the value of the previously held equity interest in the subsidiary were recognised in other comprehensive income (for example, available-for-sale investment), the amount that was recognised in other comprehensive income is recognised on the same basis as would be required if the previously held equity interest were disposed of.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy (v) below. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and 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.

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

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Foreign currency translation *(Continued)*

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

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(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 statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

– 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 consolidated profit or loss as part of the gain 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 2010

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 recognised in profit or loss during the period in which they are incurred.

Revaluation increases of buildings are recognised in profit or loss to the extent that the increases reverse previous revaluation decreases of the same asset previously recognised in profit or loss. All other revaluation increases are credited to the property revaluation reserve as other comprehensive income. Revaluation decreases that offset previous revaluation increases of the same asset remaining in the property revaluation reserve are charged against the property revaluation reserve as other comprehensive income. All other decreases are recognised in profit or loss. On the subsequent sale or retirement of a revalued building, the attributable revaluation increases remaining in the property 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	5 – 15 years
Leasehold improvements	5 years
Plant and machinery	5 – 10 years
Furniture, office equipment and motor vehicles	5 – 10 years

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Fixed assets *(Continued)*

The residual values, useful lives and depreciated method are reviewed and adjusted, if appropriate, at the end of each reporting period.

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 profit or loss.

(e) Leases

(i) Operating leases

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense 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 statement of financial position 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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.

(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 costs to sell at initial recognition and at the end of each reporting period. 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 and from subsequent changes in fair value less costs to sell is recognised in profit or loss for the period in which it arises.

The agricultural produce is initially measured at its fair value less costs to sell at the time of harvest. The fair value of agricultural produce is determined based on market prices in the local area. Gain or loss on initial recognition of agricultural produce at fair value less costs to sell is included in profit or loss for the period in which it arises.

The fair value less costs to sell at the time of harvest of the agricultural produce becomes their cost for the measurement of inventories. Such inventories are subsequently 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 necessary to make the sale.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Inventories *(Continued)*

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.

(j) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position 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 in other comprehensive income is recognised in profit or loss.

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 profit or loss.

(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 profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

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 in other comprehensive income, until the investments are disposed of or there is objective evidence that the investments are impaired, at which time the cumulative gains or losses previously recognised in other comprehensive income are recognised in profit or loss. Interest calculated using the effective interest method is recognised in profit or loss.

Impairment losses recognised in profit or loss for equity investments classified as available-for-sale financial assets are not subsequently reversed through profit or loss. Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale financial assets are subsequently reversed and recognised in profit or loss 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 profit or loss.

Impairment losses are reversed in subsequent periods and recognised in profit or loss 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 2010

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Cash and cash equivalents

For the purpose of the statement of cash flows, 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.

(i) 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 reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Financial liabilities and equity instruments *(Continued)*

(ii) 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.

(iii) Equity instruments

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

(o) 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.

(p) 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 end of the reporting period.

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 2010

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) 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.

(q) 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(s) 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 profit or loss 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 in profit or loss in the period in which they become receivable.

Government grants relating to the purchase of assets are recorded as deferred income and recognised in profit or loss on a straight-line basis over the useful lives of the related assets.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) 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 recognised in profit or loss 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 end of the reporting period.

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. 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.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Taxation *(Continued)*

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 end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly 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.

(u) 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 2010

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Impairment of assets

At the end of each reporting period, 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.

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 profit or loss, 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 profit or loss, 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.

(w) 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) Events after the reporting period

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

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. 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 costs to sell at initial recognition and at the end of the reporting period under HKAS 41 "Agriculture".

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

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

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, 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.

(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 end of the reporting period was approximately HK$282,525,000. Details of the impairment test are explained in note 19 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

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

Key sources of estimation uncertainty *(Continued)*

(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.

(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

The Group appointed an independent professional valuer to assess the fair values of buildings. In determining the fair values of the buildings, the valuer has utilised a method of valuation which involves certain estimates. The directors have exercised their judgements and satisfied that the method of valuation is reflective of the current market conditions.

(h) Valuation of biological assets

The Group's biological assets are valued at fair value less costs to sell. In determining the fair value less costs to sell 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

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

Key sources of estimation uncertainty *(Continued)*

(i) 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.

5. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments at 30 June

	2010 *HK$'000*	2009 *HK$'000*
Financial assets		
Financial assets at fair value through profit or loss – held for trading	512	335
Available-for-sale financial assets	23,548	14,922
Loans and other receivables (including cash and cash equivalents)	1,087,785	859,161
Financial liabilities		
At amortised cost	373,304	386,163

5. FINANCIAL INSTRUMENTS *(Continued)*

(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, interest rate risk and business 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.

(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 the principal operating entities of the Group, such as 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:

	2010 *HK$'000*	2009 *HK$'000*
ASSETS		
RMB	78,547	48,586
USD	39,487	4,307
LIABILITIES		
RMB	995	1,447
USD	89,414	68,286

Monetary assets and monetary liabilities denominated in USD have no material foreign currency risk exposure as Hong Kong dollars ("HK$") is pegged with USD. At 30 June 2010, if HK$ had weakened/strengthened 10% against RMB with all other variables held constant, the Group's profit after tax for the year ended 30 June 2010 would have been approximately HK$7,755,000 higher/lower (2009: 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

5. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management *(Continued)*

(ii) Price risk

The Group's investments are measured at fair value at the end of each reporting period. 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$51,000 (2009: HK$34,000) and HK$2,355,000 (2009: HK$1,492,000) respectively as a result of changes in fair value of listed equity securities.

(iii) Credit risk

The carrying amount of the bank and cash balances, trade and other receivables, investments included in the consolidated statement of financial position 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.

5. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management *(Continued)*

(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.

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

	Repayable on demand or less than 1 year *HK$'000*	Between 1 and 2 years *HK$'000*	Between 2 and 5 years *HK$'000*	Total undiscounted cash flow *HK$'000*
At 30 June 2010				
Trade payables	98,274	–	–	98,274
Accruals and other payables	15,883	–	–	15,883
Borrowings	250,559	3,087	6,745	260,391
Finance lease payables	56	18	19	93
	364,772	3,105	6,764	374,641
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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

5. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management *(Continued)*

(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.

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 end of the reporting period and prepared assuming the amount of bank deposits and borrowings outstanding at the end of each reporting period was outstanding for the whole year.

If interest rate had been 1% higher/lower with all other variables held constant, the Group's profit after tax for the year ended 30 June 2010 would be decreased/increased by approximately HK$2,563,000 (2009: HK$2,700,000), 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 which is determined by constantly changing market forces of supply and demand, and other factors. The other factors include environmental regulations, weather conditions and diseases. The Group has little or no control over these conditions and factors.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

5. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management *(Continued)*

(vii) Fair values

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

The following disclosures of fair value measurements use a fair value hierarchy which has 3 levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value measurements of the Group's investments are using the Level 1 of the fair value hierarchy – quoted prices (unadjusted) in active markets for identified assets or liabilities (2009: Level 1).

6. TURNOVER

	2010 *HK$'000*	2009 *HK$'000*
Sales of goods	**1,097,939**	901,504
Sales of fresh produce products	**1,064,646**	806,037
Logistics services income	**201,695**	184,945
Rental income	**2,739**	4,605
	2,367,019	1,897,091

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

7. OTHER INCOME

	2010	2009
	HK$'000	*HK$'000*
Exchange gain	1,380	1,888
Government grants	909	4,098
Interest income	1,575	3,390
Sundry income	124	920
	3,988	10,296

8. SEGMENT INFORMATION

The Group has four reporting segments as follows:

(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) Provision of logistics services ("Logistics Services"); and

(iv) Leasing of logistics facilities ("Leasing").

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business unit requires different technology and marketing strategies.

The chief operating decision makers have been identified as the board of directors (the "Board"). The Board review the Group's internal reporting in order to assess performance and allocate resources and determine the reporting segments.

8. SEGMENT INFORMATION *(Continued)*

The accounting policies of the reporting segments are the same as those described in note 3 to the financial statements. Segment profits do not include gain or loss from investments, certain finance costs and unallocated corporate expenses. Segment assets do not included investments, certain prepayments, deposits and other receivables and certain bank and cash balances. Segment non-current assets do not include investments, investment in a club membership and certain fixed assets. Segment liabilities do not include certain borrowings, certain finance lease payables, certain tax payables and certain accruals and other payables.

The Group accounts for intersegment sales and transfers as if the sales or transfers were to third parties, i.e. at current market prices.

Information about reportable segment profit or loss, assets and liabilities:

	Distribution *HK$'000*	Cultivation and distribution *HK$'000*	Logistics services *HK$'000*	Leasing *HK$'000*	Total *HK$'000*
Year ended 30 June 2010					
Revenue from external customers	1,097,939	1,064,646	201,695	2,739	2,367,019
Intersegment revenue	–	–	–	1,492	1,492
Segment profit	131,781	53,686	78,304	2,479	266,250
Depreciation and amortisation	43,444	38,479	20,411	161	102,495
Other material non-cash items:					
Fair value loss on biological assets less costs to sell	–	5,354	–	–	5,354
Additions to segment non-current assets	3,604	216,149	26,247	–	246,000
As at 30 June 2010					
Segment assets	1,121,230	1,206,018	642,953	4,675	2,974,876
Segment liabilities	204,491	57,046	3,263	221	265,021

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

8. SEGMENT INFORMATION *(Continued)*

Information about reportable segment profit or loss, assets and liabilities: *(Continued)*

	Distribution	Cultivation and distribution	Logistics services	Leasing	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 30 June 2009					
Revenue from external customers	901,504	806,037	184,945	4,605	1,897,091
Intersegment revenue	–	–	–	1,492	1,492
Segment profit	27,986	30,974	77,646	3,879	140,485
Depreciation and amortisation	36,802	25,321	20,545	317	82,985
Other material non-cash items:					
Fair value gain on biological assets less costs to sell	–	11,884	–	–	11,884
Trade receivables written off	36,350	23	–	–	36,373
Impairment loss on other intangible assets	11,400	–	–	–	11,400
Additions to segment non-current assets	108,579	318,697	60,019	633	487,928
As at 30 June 2009					
Segment assets	1,166,897	962,118	529,256	11,051	2,669,322
Segment liabilities	174,919	81,396	2,010	1,171	259,496

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

8. SEGMENT INFORMATION *(Continued)*

Reconciliations of reportable segment revenue, profit, assets and liabilities:

	2010 *HK$'000*	2009 *HK$'000*
Revenue		
Total revenue of reportable segments	**2,368,511**	1,898,583
Elimination of intersegment revenue	**(1,492)**	(1,492)
Consolidated revenue	**2,367,019**	1,897,091
Profit		
Total profit of reportable segments	**266,250**	140,485
Unallocated amounts:		
Other corporate expenses	**(45,652)**	(30,455)
Consolidated profit for the year	**220,598**	110,030
Assets		
Total assets of reportable segments	**2,974,876**	2,669,322
Unallocated amounts:		
Investments	**24,060**	15,257
Other corporate assets	**31,961**	32,884
Consolidated total assets	**3,030,897**	2,717,463
Liabilities		
Total liabilities of reportable segments	**265,021**	259,496
Unallocated amounts:		
Other corporate liabilities	**156,557**	175,783
Consolidated total liabilities	**421,578**	435,279

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

8. SEGMENT INFORMATION *(Continued)*

Geographical information:

For the years ended 30 June 2009 and 2010, 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.

Revenue from major customers:

For the years ended 30 June 2009 and 2010, the turnover from the Group's largest customer accounted for less than 10 percent of the Group's total turnover and accordingly, no major customer information is presented.

9. FINANCE COSTS

	2010 *HK$'000*	2009 *HK$'000*
Wholly repayable within five years		
Interest on borrowings	3,916	7,085
Finance lease charges	8	21
	3,924	7,106

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

10. INCOME TAX EXPENSE

	2010	2009
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	–	–
Under-provision in prior years	–	7
	–	7
Current tax – Overseas		
Provision for the year	13,728	9,045
Deferred tax *(Note 31)*	259	(334)
	13,987	8,718

No provision for Hong Kong Profits Tax has been made for the year ended 30 June 2010 as the Group did not generate any assessable profits arising in Hong Kong during the 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% (2009: 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.

The provision for income tax of subsidiaries operating in the PRC have been calculated at the rate of 25% (2009: 25%), based on existing legislation, interpretation and practices in respect thereof.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

10. INCOME TAX EXPENSE *(Continued)*

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 as follows:

	2010				2009			
	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	370,099	(149,567)	14,053	234,585	238,293	(105,078)	(14,467)	118,748
Applicable income tax rate	12.00%	16.50%	25.00%		12.00%	16.50%	25.00%	
Tax at the applicable income tax rate	44,412	(24,678)	3,513	23,247	28,595	(17,338)	(3,617)	7,640
Tax effect of income not taxable	–	(1)	(4)	(5)	–	(713)	(55)	(768)
Tax effect of expenses not deductible	–	24,237	3,042	27,279	–	16,358	4,267	20,625
Profits exempted from the Macau Complementary Tax	(44,412)	–	–	(44,412)	(28,595)	–	–	(28,595)
Tax effect of unused tax losses not recognised	–	784	6,890	7,674	–	1,670	7,140	8,810
Tax effect of utilisation of tax losses not previously recognised	–	(395)	–	(395)	–	–	–	–
Tax effect of unrecognised temporary difference	–	53	546	599	–	23	976	999
Underprovision in prior years	–	–	–	–	–	7	–	7
Income tax expense	–	–	13,987	13,987	–	7	8,711	8,718

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

11. PROFIT FOR THE YEAR

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

	2010	2009
	HK$'000	*HK$'000*
Amortisation of other intangible assets, net of amount capitalised	44,267	32,058
Auditors' remuneration		
Statutory audit	1,310	1,272
Non-audit services	200	80
	1,510	1,352
Cost of inventories sold	1,758,555	1,415,073
Depreciation, net of amount capitalised	42,324	41,152
Fair value loss on financial assets at fair value through profit or loss	235	–
Loss on disposal of fixed assets	637	1,560
Loss on disposal of subsidiaries	7,685	–
Trade receivables written off	28	36,373
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	45,973	26,822
Other equity-settled share-based payments	7,948	7,768
Staff costs (excluding directors' emoluments – Note 12)		
Staff salaries, bonus and allowances	27,840	41,215
Equity-settled share-based payments	16,399	3,588
Retirement benefits scheme contributions	841	534
	45,080	45,337

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

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:

	2010	2009
	HK$'000	*HK$'000*
Fees	150	150
Other emoluments:		
Salaries, bonuses, allowances and benefits in kind	4,394	4,056
Retirement benefits scheme contributions	36	36
Equity-settled share-based payments	–	1,044
	4,580	5,286

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

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

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:

	2010 *HK$'000*	2009 *HK$'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 (2009: HK$Nil).

(b) Executive and non-executive directors

	Fees *HK$'000*	Salaries, bonuses, allowances and benefits in kind *HK$'000*	Retirement benefits scheme contributions *HK$'000*	Equity-settled share-based payments *HK$'000*	Total emoluments *HK$'000*
2010					
Mr. Lam Kwok Hing	–	1,950	12	–	1,962
Mr. Chu Ki	–	1,950	12	–	1,962
Ms. Lee Choi Lin, Joecy	–	494	12	–	506
Ms. Chan Yuk, Foebe	–	–	–	–	–
	–	4,394	36	–	4,430

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

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

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

	Fees *HK$'000*	Salaries, bonuses, allowances and benefits in kind *HK$'000*	Retirement benefits scheme contributions *HK$'000*	Equity-settled share-based payments *HK$'000*	Total emoluments *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.

There was no arrangement under which a director waived or agreed to waive any emolument during the year (2009: HK$Nil).

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

During the year, none (2009: two) of the directors were included in the five highest paid individuals in the Group. The emoluments of the remaining five (2009: three) individuals are set out below:

	2010 *HK$'000*	2009 *HK$'000*
Salaries, bonuses, allowances and benefits in kind	2,867	2,760
Retirement benefits scheme contributions	24	12
Equity-settled share-based payments	9,201	399
	12,092	3,171

The emoluments fell within the following bands:

	Number of individuals	
	2010	2009
Nil to HK$1,000,000	–	1
HK$1,000,001 to HK$1,500,000	–	2
HK$1,500,001 to HK$2,000,000	–	–
HK$2,000,001 to HK$2,500,000	3	–
HK$2,500,001 to HK$3,000,000	1	–
HK$3,000,001 to HK$3,500,000	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 (2009: HK$Nil).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

13. PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

The profit for the year attributable to owners of the Company included a profit of approximately HK$14,391,000 (2009: HK$28,193,000) which has been dealt with in the financial statements of the Company.

14. DIVIDENDS AND BONUS ISSUE OF SHARES

The Board recommends the payment of a final dividend of HK1 cent (2009: Nil) per share in respect of the year ended 30 June 2010. The Board also proposes a bonus issue of shares in the proportion of one bonus share for every twenty shares held by shareholders of the Company.

15. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share attributable to owners of the Company is based on the profit for the year attributable to owners of the Company of approximately HK$226,034,000 (2009: HK$115,054,000) and the weighted average number of ordinary shares of 2,739,444,825 (2009: 1,993,300,234) in issue during the year after adjusting the effects of the bonus issue *(Note 32(a))* in January 2010. The basic earnings per share for 2009 had been adjusted accordingly.

Diluted earnings per share

The calculation of diluted earnings per share attributable to owners of the Company is based on the profit for the year attributable to owners of the Company of approximately HK$226,034,000 (2009: HK$115,054,000) and the weighted average number of ordinary shares of 2,768,156,432 (2009: 1,995,021,999), being the weighted average number of ordinary shares of 2,739,444,825 (2009: 1,993,300,234) in issue during the year used in the basic earnings per share calculation plus the weighted average number of ordinary shares of 28,711,607 (2009: 1,721,765) 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 2009 had been adjusted for the effects of the bonus issue in current year *(Note 32(a))*.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

16. FIXED ASSETS

	Buildings HK$'000	Farmland infrastructure HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, office equipment and motor vehicles HK$'000	Total HK$'000
Cost or valuation						
At 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 and 1 July 2009	397,397	125,412	22,331	169,136	50,849	765,125
Additions	–	43,729	1,181	9,659	3,371	57,940
Transfer from construction in progress	7,004	506	–	218	165	7,893
Disposal of subsidiaries	(15,338)	(14,758)	(670)	(4,277)	(2,084)	(37,127)
Disposals/written off	–	–	–	–	(179)	(179)
Adjustment on revaluation	(30,154)	–	–	–	–	(30,154)
At 30 June 2010	358,909	154,889	22,842	174,736	52,122	763,498
Accumulated depreciation						
At 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 and 1 July 2009	–	3,339	14,735	32,442	20,428	70,944
Charge for the year	9,644	8,515	3,271	20,571	8,310	50,311
Disposal of subsidiaries	(104)	(2,138)	(161)	(795)	(586)	(3,784)
Disposals/written off	–	–	–	–	(102)	(102)
Adjustment on revaluation	(9,540)	–	–	–	–	(9,540)
At 30 June 2010	–	9,716	17,845	52,218	28,050	107,829
Carrying amount						
At 30 June 2010	358,909	145,173	4,997	122,518	24,072	655,669
At 30 June 2009	397,397	122,073	7,596	136,694	30,421	694,181

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

16. FIXED ASSETS *(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 2010						
At cost	–	154,889	22,842	174,736	52,122	404,589
At valuation 2010	358,909	–	–	–	–	358,909
	358,909	154,889	22,842	174,736	52,122	763,498
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

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

Depreciation charge for the year is analysed as follows:

	2010	2009
	HK$'000	*HK$'000*
Charge to profit or loss	42,324	41,152
Capitalised as biological assets *(Note 20)*	7,987	1,730
	50,311	42,882

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

16. FIXED ASSETS *(Continued)*

The Group's buildings were revalued at 30 June 2010 on the depreciated replacement cost basis by BMI Appraisals Limited, an independent professional valuer.

The carrying amount of the Group's buildings would have been approximately HK$341,188,000 (2009: HK$359,984,000) had they been stated at cost less accumulated depreciation.

At 30 June 2010 the carrying amount of furniture, office equipment and motor vehicles held by the Group under finance leases amounted to approximately HK$83,000 (2009: HK$270,000).

It is the Group's policy to lease out certain buildings under operating leases. The average lease term is 1 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:

	2010	2009
	HK$'000	*HK$'000*
Within one year	327	3,573
In the second to fifth years inclusive	555	2,158
	882	5,731

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 short to medium term leases.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

18. CONSTRUCTION IN PROGRESS

	HK$'000
At 1 July 2008	2,223
Additions	33,596
Transfers	(1,384)
At 30 June 2009 and 1 July 2009	34,435
Additions	118,093
Transfers	(7,893)
Disposals	(588)
Disposal of subsidiaries *(Note 36(a))*	(21)
At 30 June 2010	144,026

19. GOODWILL

	HK$'000
At 1 July 2008, 30 June 2009 and 1 July 2009	287,378
Disposals of subsidiaries *(Note 36(a))*	(4,853)
At 30 June 2010	282,525

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:

	2010 *HK$'000*	2009 *HK$'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)*	**124,008**	128,861
Distribution of cold chain products *(c)*	**69,045**	69,045
	282,525	287,378

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

19. GOODWILL *(Continued)*

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 2010

20. BIOLOGICAL ASSETS

	Citrus trees	Vegetables	Geese	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 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 costs to sell	12,830	(1,055)	109	11,884
At 30 June 2009 and 1 July 2009	39,773	1,306	279	41,358
Increase due to purchase/raising	10,520	4,701	254	15,475
Decrease due to harvest	–	(7,286)	(260)	(7,546)
Disposal of subsidiaries *(Note 36(a))*	–	(1,092)	–	(1,092)
Gain/(loss) arising from changes in fair value less costs to sell	(7,452)	2,371	(273)	(5,354)
At 30 June 2010	42,841	–	–	42,841

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$7,987,000 (2009: HK$1,730,000), HK$396,000 (2009: HK$2,295,000) and HK$2,138,000 (2009: HK$2,673,000) respectively.

At 30 June 2010, the commitments for development and acquisition of biological assets amounted to approximately HK$62,536,000 (2009: Nil), which have been included in note 39.

Biological assets at 30 June 2010 and 2009 are stated at fair values less costs to sell and are analysed as follows:

	Citrus trees	Vegetables	Geese	2010	2009
	HK$'000	*HK$'000*	*HK$'000*	***HK$'000***	*HK$'000*
Non-current portion	42,841	–	–	**42,841**	39,773
Current portion	–	–	–	**–**	1,585
	42,841	–	–	**42,841**	41,358

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
2010	2,000	–	–
2009	2,000	517	4

In accordance with the valuation report issued by an independent professional valuer, the fair value less costs to sell 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.

The quantity and amount of agricultural produce harvested measured at fair value less costs to sell during the year were as follows:

Quantity

	2010	2009
Geese *(number of geese in thousand)*	4	–
Vegetables *(kg'000)*	3,448	5,907

Amount

	HK$'000	*HK$'000*
Geese	260	–
Vegetables	7,286	14,388

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

20. BIOLOGICAL ASSETS *(Continued)*

The Group is exposed to a number of risks related to its citrus tree plantation:

Regulatory and environmental risks

The Group is subject to laws and regulations in various countries in which it operates. The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage those risks.

Supply and demand risk

The Group is exposed to risks arising from fluctuations in the prices and sales volumes of citrus. When possible the Group manages this risk by aligning its harvest volumes to market supply and demand. Management performs regular industry trend analysis to ensure that the Group's pricing structure is in line with the market and to ensure that projected harvest volumes are consistent with the expected demand.

Climate and other risks

The Group's citrus plantations are exposed to the risk of damage from climatic changes, diseases, forest fires and other natural forces. The Group has extensive processes in place aimed at monitoring and mitigating those risks, including regular forest health inspections and industry pest and disease surveys.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

21. OTHER INTANGIBLE ASSETS

	Distribution rights *(a)*	Customer networks *(b)*	Technical know-how *(c)*	Trademark	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost					
At 1 July 2008	134,818	–	–	1,500	136,318
Additions	17,000	97,443	17,216	–	131,659
At 30 June 2009, 1 July 2009 and 30 June 2010	151,818	97,443	17,216	1,500	267,977
Accumulated amortisation and impairment					
At 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 and 1 July 2009	78,038	9,745	2,295	1,050	91,128
Amortisation for the year	21,581	19,488	3,444	150	44,663
At 30 June 2010	99,619	29,233	5,739	1,200	135,791
Carrying amount					
At 30 June 2010	52,199	68,210	11,477	300	132,186
At 30 June 2009	73,780	87,698	14,921	450	176,849

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

21. OTHER INTANGIBLE ASSETS *(Continued)*

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

(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 2010 approximates to HK$52,199,000 (2009: HK$73,780,000). The average remaining amortisation period for these distribution rights is 2.9 years (2009: 3.6 years).

(b) In last 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 2010 approximates to HK$68,210,000 (2009: HK$87,698,000). The remaining amortisation period for the customer networks is 3.5 years (2009: 4.5 years).

(c) In last year, expenditure of approximately HK$17,216,000 was incurred for consultancy services in relation to the technical know-how on the citrus tree 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 3.3 years (2009: 4.3 years).

22. OTHER ASSETS

	2010 *HK$'000*	2009 *HK$'000*
Prepaid operating leases for pack houses facilities	14,657	8,825
Prepaid operating leases for logistics license and resources	14,612	32,983
Prepaid subcontracting charges for agro products	12,500	–
Prepaid subcontracting charges for seedling plantation	11,363	–
	53,132	41,808

23. INVESTMENT IN A CLUB MEMBERSHIP

The Group's club membership of HK$108,000 (2009: HK$108,000) at 30 June 2010 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 2010

24. INVESTMENTS

	2010	2009
	HK$'000	*HK$'000*
Non-current assets		
Available-for-sale financial assets		
– listed equity securities in Hong Kong, at fair value	23,548	14,922
Current assets		
Financial assets at fair value through profit or loss		
– listed equity securities in Hong Kong, at fair value	512	335
	24,060	15,257

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

	2010	2009
	HK$'000	*HK$'000*
Raw materials	14	849
Packing materials	111	369
Finished goods	236,076	205,611
	236,201	206,829

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

26. TRADE RECEIVABLES

The Group normally allows credit terms to established customers ranging from 30 to 120 days (2009: 30 to 120 days).

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

	2010	2009
	HK$'000	*HK$'000*
1 – 30 days	167,385	137,325
31 – 60 days	140,109	108,143
61 – 90 days	71,421	58,324
Over 90 days	26,641	29,884
	405,556	333,676

At 30 June 2010, trade receivables of approximately HK$126,000 (2009: 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 reporting period. The aging analysis of these trade receivables is as follows:

	2010	2009
	HK$'000	*HK$'000*
Up to 90 days	111	4,430
Over 90 days	15	2,288
	126	6,718

27. BANK AND CASH BALANCES

At 30 June 2010, the bank and cash balances of the Group denominated in RMB amounted to approximately HK$374,348,000 (2009: HK$279,742,000). 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 2010

28. TRADE PAYABLES

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

	2010 *HK$'000*	2009 *HK$'000*
1 – 30 days	95,880	73,273
31 – 60 days	780	2,690
61 – 90 days	36	616
Over 90 days	1,578	891
	98,274	77,470

29. BORROWINGS

	2010 *HK$'000*	2009 *HK$'000*
Bank loans, secured *(Note 37)*	259,060	274,620
Government loans, secured	–	2,515
	259,060	277,135
The borrowings are repayable as follows:		
On demand or within one year	249,527	214,543
In the second year	2,933	60,120
In the third to fifth years, inclusive	6,600	2,472
	259,060	277,135
Less: Amount due for settlement within 12 months (shown under current liabilities)	(249,527)	(214,543)
Amount due for settlement after 12 months	9,533	62,592

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

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*
2010			
Bank loans	**259,060**	**–**	**259,060**
2009			
Bank loans	274,620	–	274,620
Government loan	–	2,515	2,515
	274,620	2,515	277,135

The interest rates at 30 June were as follows:

	2010	2009
Bank loans	**1.55% – 2.98% p.a.**	1.21% – 5.75% p.a.
Government loans	**N/A**	2.52% – 2.62% p.a.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

30. FINANCE LEASE PAYABLES

	Minimum lease payments		Present value of minimum lease payments	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**56**	77	**52**	69
In the second to fifth years, inclusive	**37**	95	**35**	89
	93	172	**87**	158
Less: Future finance charges	**(6)**	(14)	**–**	–
Present value of lease payables	**87**	158	**87**	158
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(52)**	(69)
Amount due for settlement after 12 months			**35**	89

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 2010, the effective borrowing rate was in the range from 5.99% to 8.86% (2009: 5.99% to 8.86%). 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.

All finance lease payables are denominated in Hong Kong dollars.

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 2010

31. DEFERRED TAX LIABILITIES

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

	Revaluation of buildings *HK$'000*
At 1 July 2008	7,514
Credited to profit or loss for the year *(Note 10)*	(334)
At 30 June 2009 and 1 July 2009	7,180
Charge to profit or loss for the year *(Note 10)*	259
Credited to equity for the year	(5,154)
At 30 June 2010	2,285

At the end of the reporting period, the following deductible temporary differences have not been recognised as deferred tax asset:

	2010 *HK$'000*	2009 *HK$'000*
Prepaid land lease payments	5,759	5,416
Revaluation of buildings	5,472	4,891
Decelerated tax depreciation	13,629	11,834
Unused tax losses	92,690	79,215
	117,550	101,356

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$72,408,000 (2009: HK$44,847,000) that will expire in five years. Other tax losses may be carried forward indefinitely.

32. SHARE CAPITAL

	Note	Number of shares	Amount HK$'000
Authorised:			
Ordinary shares of HK$0.01 each			
At 30 June 2009 and 2010		10,000,000,000	100,000
Issued and fully paid:			
Ordinary shares of HK$0.01 each			
At 1 July 2008		1,590,130,000	15,901
Open offer		842,565,000	8,426
Shares issued on exercise of share options		95,000,000	950
At 30 June 2009 and 1 July 2009		2,527,695,000	25,277
Bonus issue	*(a)*	129,764,500	1,297
Shares issued on exercise of share options	*(b)*	171,065,000	1,711
At 30 June 2010		2,828,524,500	28,285

Notes:

(a) On 4 January 2010, 129,764,500 ordinary shares of HK$0.01 each in the Company were issued 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 name appear on the register of members of the Company on 21 December 2009.

(b) During the year, 171,065,000 share options were exercised at exercise prices in the range of HK$0.365 to HK$0.74 per share, resulting in the issue of 171,065,000 ordinary shares of HK$0.01 each for a total cash consideration of approximately HK$100,262,000.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

32. SHARE CAPITAL *(Continued)*

Capital management

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. No changes were made in the objectives, policies or processes during the years ended 30 June 2009 and 2010.

The only externally imposed capital requirement is that for the Company to maintain its listing status on the main board of The Stock Exchange of Hong Kong Limited it has to have a public float of at least 25% of its shares. The Company receives a report from the share registrars on substantial share interests and its demonstrates continuing compliance with the 25% limit throughout the year. As at 30 June 2010, over 25% (2009: over 25%) of the shares were in public hands.

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2010	2009
	HK$'000	*HK$'000*
Fixed assets	**149**	191
Investment in a subsidiary	**47,780**	47,780
Prepayment, deposits and other receivables	**966**	10
Due from a subsidiary	**1,616,364**	1,433,804
Bank and cash balances	**21,375**	11,587
Accruals and other payables	**(1,080)**	(1,759)
Borrowings	**(90,000)**	(35,000)
Net assets	**1,595,554**	1,456,613
Share capital	**28,285**	25,277
Reserves	**1,567,269**	1,431,336
Total equity	**1,595,554**	1,456,613

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

34. RESERVES

(a) Group

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

(b) Company

	Share premium account *HK$'000*	Share-based payment reserve *HK$'000*	Retained profits *HK$'000*	Proposed final dividend *HK$'000*	Total *HK$'000*
At 1 July 2008	1,034,704	20,056	161,226	–	1,215,986
Open Offer	139,261	–	–	–	139,261
Recognition of equity-settled share-based payments	–	11,356	–	–	11,356
Shares issued on exercise of share options	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
At 1 July 2009	1,215,692	7,557	208,087	–	1,431,336
Bonus issue *(Note 32(a))*	–	–	(1,297)	–	(1,297)
Recognition of equity-settled share-based payments	–	24,347	–	–	24,347
Shares issued on exercise of share options *(Note 32(b))*	112,373	(13,881)	–	–	98,492
Profit for the year	–	–	14,391	–	14,391
2010 proposed final dividend	–	–	(29,177)	29,177	–
At 30 June 2010	1,328,065	18,023	192,004	29,177	1,567,269

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

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; (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.

(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(q) 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 end of the reporting period and is dealt with in accordance with the accounting policy in note 3(k)(ii) to the financial statements.

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. The board of directors noted that the SO Scheme adopted on 3 December 2001 (the "Old SO Scheme") would soon come to its expiration and as a result, the board of directors has resolved to terminate the Old SO Scheme and adopt a new SO Scheme on 21 December 2009 (the "New SO Scheme") and, unless otherwise cancelled or amended, the New SO Scheme will remain in force for 10 years from that date. Eligible participants of the New SO Scheme include the Company's directors (including non-executive and independent non-executive directors), other employees of the Group, consultants or advisers of the Group, suppliers of goods or services to the Group, customers of the Group, and other groups or classes of participants as determined by the directors.

The maximum number of shares which may be issued upon exercise of all options to be granted under the New SO Scheme is equivalent to 10% of the shares of the Company in issue at the date of approval of the New SO Scheme, unless a fresh approval is obtained from the shareholders in general meeting. The maximum number of shares issued and to be issued upon exercise of share options to each eligible participant within any 12-month period is limited to 1% of the shares of the Company in issue at the time of grant. 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 all of 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 a general meeting.

The offer of a grant of share options may be accepted within 10 days from the date of the offer, upon payment of a nominal option price 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 2010

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 2009	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	At 30 June 2010	Date of grant of share options *Note (i)*	Exercise period of share options	Exercise prices of share options *Note (ii)* *HK$*
Non-executive director								
Ms. Chan Yuk, Foebe	18,474,750*	–	(18,470,000)	(4,750)	–	19 September 2008	19 September 2008 to 18 September 2013	0.588*
Employees (in aggregate)	83,136,375*	–	–	–	83,136,375	23 December 2008	1 July 2010 to 30 June 2015	0.447*
	–	50,000,000	(50,000,000)	–	–	7 July 2009	7 July 2009 to 6 July 2014	0.365
	–	35,000,000	(25,000,000)	–	10,000,000	11 February 2010	11 February 2010 to 10 February 2015	0.740
Other eligible participants (in aggregate)	827,668*	–	–	–	827,668	30 April 2002	1 May 2002 to 30 April 2012	0.202*
	12,415,032*	–	–	–	12,415,032	3 February 2006	3 February 2006 to 2 February 2011	0.971*
	17,595,000	–	(17,595,000)	–	–	23 December 2008	23 December 2008 to 22 December 2013	0.469
	–	90,000,000	(60,000,000)	–	30,000,000	11 February 2010	11 February 2010 to 10 February 2015	0.740
	132,448,825	175,000,000	(171,065,000)	(4,750)	136,379,075			

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

35. SHARE-BASED PAYMENTS *(Continued)*

Equity-settled share option scheme *(Continued)*

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	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	–	15,000,000	–	(15,000,000)	–	19 September 2008	19 September 2008 to 18 September 2013	0.724
Mr. Chiau Che Kong	–	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			

* *The number of share options and exercise prices have been adjusted to reflect the bonus issue (2009: open offer issue) during the year.*

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

35. SHARE-BASED PAYMENTS *(Continued)*

Equity-settled share option scheme *(Continued)*

Notes:

(i) At the end of the reporting period, there is no vesting period of the share options granted.

(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.

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

	2010		2009	
	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	132,448,825*	0.517*	168,612,096*	1.140*
Granted during the year	175,000,000	0.633	239,367,500*	0.482*
Exercised during the year	(171,065,000)	0.586	(95,000,000)	0.395
Cancelled during the year	(4,750)	0.588	(156,000,000)	1.154
Lapsed during the year	–	–	(30,000,000)	0.724
Outstanding at the end of the year	136,379,075	0.579	126,979,596	0.539
Exercisable at the end of the year	136,379,075	0.579	47,802,096	0.655

* *The number of share options and exercise prices have been adjusted to reflect the bonus issue (2009: open offer issue) during the year.*

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

35. SHARE-BASED PAYMENTS *(Continued)*

Equity-settled share option scheme *(Continued)*

The fair value of the share options granted to other eligible participants was measured by reference to the fair value of share options granted instead of services received because the fair value of the services received cannot be estimated reliably by reference to any available market value. The fair value of options granted during the year ended 30 June 2010 determined at the date of grant using the Black-Scholes-Merton Model was approximately HK$14,834,000 (2009: HK$22,911,000). The significant inputs into the model were as follows:

Grant date	7 July 2009	11 February 2010
Option value – HK$	0.0759	0.0883
Share price at date of grant – HK$	0.365	0.740
Exercise price – HK$	0.365	0.740
Volatility	109.20%	63.25%
Risk-free interest rate	0.00%	0.10%
Expected life of options	91 days	91 days
Expected dividend yield	0.00%	0.00%

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 4.47 years (2009: 5.11 years) and the exercise prices range from HK$0.202 to HK$0.971 (2009: HK$0.212 to HK$1.02). During the year, options were granted on 7 July 2009 and 11 February 2010. The estimated fair values of the options on those dates are approximately HK$3,794,000 and HK$11,040,000 respectively.

At 30 June 2010 the Company had 136,379,075 (2009: 126,979,596) 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 136,379,075 (2009: 126,979,596) additional ordinary shares and additional share capital of HK$1,363,791 (2009: HK$1,269,796) and share premium of approximately HK$77,620,000 (2009: HK$67,200,000) (before share issue expenses).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Disposal of subsidiaries

On 2 November 2009 the Group disposed of its 70% equity interest in Vipro Enterprises Limited and B E L Agricultural Development Company Limited.

Net liabilities at the date of disposal were as follows:

	HK$'000
Fixed assets	33,343
Construction in progress	21
Prepaid land lease payments	597
Inventories	1,428
Biological assets	1,092
Trade receivables	4,043
Prepayments, deposits and other receivables	7,709
Bank and cash balances	2,966
Trade payables	(1,983)
Other payables and accruals	(19,671)
Bank borrowings	(6,131)
Deferred income	(8,143)
Amounts due to the Group	(52,560)
Net liabilities disposed of	(37,289)
Release of foreign currency translation reserve	(246)
Non-controlling interests	63
Attributable goodwill	4,853
Assignment of debts to purchaser	52,504
Loss on disposal of subsidiaries	(7,685)
Total consideration – satisfied by cash	12,200
Net cash inflow arising on disposal:	
Cash consideration received	12,200
Consideration receivable	(6,200)
Cash and cash equivalents disposed of	(2,966)
	3,034

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(b) Purchase of non-controlling interests

During the year, the Group acquired 30% interests in a 70% subsidiary from a non-controlling shareholder at a cash consideration of HK$5,000,000. The effect of the acquisition on the equity attributable to the owners of the Company is as follows:

	HK$'000
Share of net liabilities in the subsidiaries acquired	2,620
Consideration	5,000
Loss on acquisition recognised directly in equity	7,620

(c) Major non-cash transaction

During the year, the consideration of HK$5,000,000 for the acquisition of 30% interests in a 70% subsidiary from a non-controlling shareholder was satisfied by the deposit paid in previous years.

37. BANKING FACILITIES

At 30 June 2010, 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.

38. CONTINGENT LIABILITIES

At 30 June 2010, the Group did not have any significant contingent liabilities (2009: HK$Nil).

39. CAPITAL COMMITMENTS

The Group's capital commitments at the end of the reporting period are as follows:

	2010 *HK$'000*	2009 *HK$'000*
Contracted but not provided for		
– Construction in progress	92,110	45,234
– Seedling plantation	11,364	–
– Fixed assets	–	94
	103,474	45,328

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

40. OPERATING LEASE COMMITMENTS

At 30 June 2010, the Group's total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2010	2009
	HK$'000	*HK$'000*
Within one year	**1,667**	2,717
In the second to fifth years, inclusive	**103**	20,387
After five years	**–**	6,207
	1,770	29,311

Leases are negotiated for terms ranged from 1 to 3 years and rental are fixed over the lease terms and do not include contingent rentals.

41. PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries as at 30 June 2010 are as follows:

Name	Place of incorporation/ registration and operations	Issued/paid-up capital	Percentage of ownership interest/ voting power/ profit sharing	Principal activities
Amazing Victory Ltd.	BVI	Ordinary US$1	100%	Distribution of cold chain products
Earth Power Group Limited	BVI	Ordinary US$50,000	100%	Distribution of chilled and frozen seafood and meat products
Golden Harvest (Macao Commercial Offshore) Limited	Macau	MOP100,000	100%	Sourcing and distribution of fresh produce products

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

41. PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operations	Issued/paid-up capital	Percentage of ownership interest/ voting power/ profit sharing	Principal activities
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
Heng Tai Finance Limited	HK	Ordinary HK$10,000	100%	Provision of treasury services
Heng Yui (Macao) Commercial Offshore Limited	Macau	MOP100,000	100%	Distribution of packaged food, beverages, household consumable products and cold chain products
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 Development Limited	BVI	Ordinary US$100	100%	Provision of logistics and transportation services
Nexus Logistics (International) Limited	HK	Ordinary HK$4,000,000	100%	Provision of logistics and transportation services
Profit Step Development Limited	HK	Ordinary HK$100	100%	Distribution of fresh produce products

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

41. PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operations	Issued/paid-up capital	Percentage of ownership interest/ voting power/ profit sharing	Principal activities
Shanghai Sypher Ltd.*	PRC	US$10,100,000	100%	Owner and operator of Shanghai logistics centre
Simming Light Investment Ltd.	BVI	Ordinary US$10,000	100%	Investment holding in agro business
Sinobright Global Limited	BVI	Ordinary US$10,000	100%	Investment holding
Sui Tai & Associates Limited	HK	Ordinary HK$10,000	100%	Provision of administrative services
Triglory Enterprises Limited	BVI	Ordinary US$10,000	100%	Distribution of cosmetics and skincare products
上海潤歆貿易有限公司*	PRC	US$2,300,000	100%	Distribution of cosmetics and skincare products

* *Foreign wholly-owned enterprise.*

The above list contains the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

42. COMPARATIVE FIGURES

Certain comparative figures relating to segment information have been reclassified to conform with the current year's presentation. 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 2009 had been adjusted for the effects of the bonus issue in current year.

43. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the board of directors on 28 October 2010.