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)

2007 ANNUAL REPORT

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Corporate Information

BOARD OF DIRECTORS

Executive Directors:

Mr. Lam Kwok Hing *(Chairman)*
Mr. Chu Ki
Mr. Fong Yiu Ming, Anson
Ms. Lee Choi Lin, Joecy
Mr. Peng Zhanrong
Mr. Chiau Che Kong

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

AUDITORS

RSM Nelson Wheeler
Certified Public Accountants
7th Floor, Allied Kajima Building
138 Gloucester Road
Wanchai
Hong Kong

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL BANKERS

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

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

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

On behalf of the board of directors (the "Board" or "Directors") of Heng Tai Consumables Group Limited (the "Company"), I am pleased to present to the shareholders the annual report of the Company and its subsidiaries (collectively the "Group") for the year ended 30 June 2007.

FINANCIAL PERFORMANCE

The past financial year has seen a very strong performance from the Group with its turnover grew by approximately 41.9% to HK$1,727 million and net profit attributable to shareholders surged by approximately 55.4% to HK$190.1 million when compared with the preceding financial year. Gross profit margin improved continually to approximately 20.2% during the year under review when compared with approximately 18.3% in the preceding financial year. Operating profit increased to approximately HK$203.9 million from HK$128.8 million and operating margin improved to approximately 11.8% from 10.6%.

The increase in turnover was mainly driven by the vigorous domestic demand for consumables goods and also the cold-chain and fresh produce products and logistics services served by our logistics centres in the People's Republic China (the "PRC"). The Group's investments in logistics infrastructure have facilitated its transformation from a distribution mentality to a service-oriented conglomerate and enabled us to broaden the scope of services, product variety and sales network and successfully turned into the growth drivers during the year under review.

Gross profit margin improvement has been mainly achieved through the provision of cold-chain logistics services and sales of cold-chain and cosmetics products with their relatively higher profit margin.

Operating expenses have recorded approximately 57.7% increase or increased from approximately 8.6% to 9.5% of the turnover when compared with the preceding financial year. Such increase was considered in line with our growth in turnover and expansion given a higher level of overheads would be incurred for maintenance of our existing logistics infrastructure in service.

Net profit attributable to shareholders surged by approximately 55.4% to HK$190.1 million and earnings per share increased from 11.5 HK cents to 13.3 HK cents during the year under review, representing an increase of approximately 15.7%.

DIVIDEND

The Board does not recommend the payment of the final dividend in respect of the year ended 30 June 2007. Though the Group maintained a strong financial position throughout the year under review, the Board decided to maintain adequate cash reserves to prepare for the imminent capital expenditure and working capital requirements for our logistics projects in cold-chain and agro-based business in the coming year.

BUSINESS MODEL AND DEVELOPMENT REVIEW AND GROWTH STRATEGIES

During the year under review, the Group has consistently performed as a fast growing one-stop services platform provider conducting distribution, brand-building and value-added functions for the fast moving consumable goods, cosmetics, cold chain products and fresh produce industry in the PRC.

During the year under review, the Group's distribution business for consumable goods has recorded a growth of approximately 33%. It was mainly attributable to increased sales of packaged food and the increased sales and full-year consolidation contribution following completion of the acquisition of the entire equity interest of the cosmetics business. For the coming year, the Group would continue its integration progress in sales network of its toiletry products with the cosmetics business. The realisation of the synergic benefits by further diversifying the cosmetics product categories into the Group's existing distribution network and vice versa would continue to capture the ample potentials of cosmetics, skincare and toiletries products in the PRC steadily growing market.

The Group has been able to integrate its logistics facilities in Shanghai, Zhongshan and Beijing, the PRC into its traditional distribution business during the year under review. The Group's logistics centre in Zhongshan is now fully functional since its grand opening in November 2006. It has strengthened our distribution network and capability in the fresh produce industry in the PRC and provided another stream of revenue in form of logistics services and rental income. Further, the Group is finalising plans for the second phase development of Zhongshan logistics centre to extend its current operations to cover export trade in agro-based products. The second phase development would encompass the establishment of an internationally recognised standard central warehouse, a hygiene and quarantine centre and various repackaging facilities for export trade. The central warehouse would act as the storage and processing hub for agro-based products sourced in the PRC and repackaged for export after they meet the hygiene and quarantine requirements for the importing countries.

The supportive depot equipped with the logistics, procurement and distribution functions in Beijing is also in operations now and two more supportive depots in Kunming and Changsha would also come into operations in the coming year. These supportive depots would be strategically located in the mid-way among the Group's logistics centres and would serve as complementary arms to the fragmented markets in the PRC.

The Group would also invest in the construction of two packing centres in Thailand in the coming year. The packing centres would be located in the proximity of the fresh produce collection points and equipped with the grading and packing facilities. They would serve as the overseas procurement arms of our PRC logistics centres and depots to secure quality and steady supply to meet the ever increasing demand for fresh fruit in the PRC market.

Further, the Group has come into the cooperative terms with a global logistics provider to form a venture business. The formation of such venture business would require the Group to handle temperature controlled inland transport, cargo consolidation, storage and delivery in the PRC for imports of cold-chain and agro-based products from global reach of the shipping and logistics activities of such global logistics provider. The venture business would necessitate the establishment of cold-chain infrastructure next to the port entry in the PRC with immediate handling and processing ability upon their arrival on ports. Within an appropriate timeframe, the cooperation would be further extended for export of China's agro-based products and the second phase development of Zhongshan logistics centre would come into play to serve as the ultimate post-harvest processing hub for export of agro-based products leading to a significant increase in business volume and profitability.

To cope with the imminent capital expenditure for further development in the interrelated logistics, cold-chain and agro-based business, the Group has raised net proceeds of approximately HK$245 million from issue of 142,500,000 new shares in July 2007. Additional source of funding of HK$200 million is also secured by disposal of the Group's investment in China Zenith Chemical Group Limited ("China Zenith"). The Group's previous diversification investment plans in the logistics infrastructure of Shanghai and Zhongshan have proven their success during the year under review. For the years to come, our management firmly believe China will still set the pace in the global economy and domestic demand for consumable, cold-chain and agro-based products and their related handling logistics will be vigorous. Our forthcoming upfront investments in expansion plans for the interrelated logistics, cold-chain and agro-based business would turn into the growth drivers to sustain the Group's growth momentum in the coming years.

PROSPECT

In the years ahead, we will continue to enhance our business model to become a leading integrated provider of distribution, logistic services and brand building in the fast moving consumable goods, cold-chain and agro-based products and consistently pursue our mission to create shareholders' value with astute customer compliance and professional management through delivering the value adds.

APPRECIATION

The development and success of the Group would not be possible without the commitment, effort and vision of my fellow management team. I would like to take this opportunity to express my appreciation to them and our staff for their dedication to the Group's success during the past year. I also wish to thank for the full support and trust from our shareholders and business partners in our business expansion strategy.

On behalf of the Board
Lam Kwok Hing
Chairman

Hong Kong, 26 October 2007

Management Discussion and Analysis

Heng Tai Consumables Group Limited (the "Company") and its subsidiaries (collectively the "Group") are principally engaged in investment holding, distribution of packaged food, beverages, household consumable products, cosmetics and skincare products, cold chain products and fresh fruit and the provision of cold chain logistics services. During the year under review, the Group has been able to integrate its logistics facilities in Shanghai, Zhongshan and Beijing, the PRC into its core business and perform as a fast growing one-stop services platform provider conducting distribution, brand-building and value-added functions for the fast moving consumable goods, cosmetics, cold chain products and fresh produce industry.

BUSINESS ENVIRONMENT

China's retail and consumer markets continued to be the market place where the Group secured its business and growth. During the year under review, China has seen another year of very strong growth in its economy development. The consumer spending power has been greatly increased with vigorous domestic demand for consumable goods becoming one of the contributors to the strong GDP growth. China's gross domestic product ("GDP") has continued to grow in consecutive years at an annualized rate in the ridge of approximately 10%, which is among the best in the world's economies. The appreciation of Renminbi has also lifted consumer spending power on imported consumables in the PRC. The continual enlargement in the proportion of the middle-class consumers relative to the PRC's total population and the continued process of urbanisation in the PRC have also generated enormous demands for quality imported consumables. These various factors have created very favourable macro economic climate under which the Group operated. Coupled with its logistics facilities now in use in Shanghai, Zhongshan and Beijing, the Group has been able to further complement its one-stop distribution and logistics services and well positioned to capitalise prevailing market potential in the PRC.

FINANCIAL PERFORMANCE

During the year under review, the Group has achieved continuous growth in turnover and net profit attributable to shareholders. Turnover increased to approximately HK$1,727 million, representing an increase of approximately HK$510 million or 41.9% when compared with the preceding financial year. The increase in turnover was mainly attributable to (i) the increased sales quantity sold to the established distribution network; (ii) the increased sales of cold chain and fresh produce products served by our Shanghai Logistics Centre and Zhongshan Logistics Centre respectively; (iii) the increased sales of nourishing and exclusively licensed branded products; (iv) increased sales and contribution following completion of the acquisition of the entire equity interest of the cosmetics business; and (v) provision of logistics services by Zhongshan Logistics Centre since its commencement of operations in November 2006.

Gross profit margin improved continually to approximately 20.2% during the year under review when compared with approximately 18.3% in the preceding financial year. The improvement in gross profit margin was mainly attributable to the continuous refinement of product mix as a result of sales of cold chain products, nourishing and branded products and cosmetic products and provision of logistics services with their relatively higher profit margin. The Group expects the gross margin will further improve with a higher utilization of the Group's logistics facilities in the coming year.

Other income increased to approximately HK$19.7 million, representing an increase of approximately HK$9.7 million or 96.6% when compared with the preceding financial year. The increase was mainly attributable to the recognition of unrealised gain of approximately HK$12.6 million fair value as at 30 June 2007 on 58,212,000 listed bonus warrants of China Zenith Chemical Group Limited ("China Zenith") which were issued to the Group in April 2007.

Selling and distribution expenses recorded approximately 61.8% increase or increased from approximately 5.1% to 5.9% of the turnover when compared with the preceding financial year. Such increase was mainly attributable to the increase in marketing and promotion campaigns, amortisation of distribution rights, headcounts for sales force and miscellaneous selling expenses with extra outlay and operating costs since the commencement of our Zhongshan Logistics Centre in November 2006.

Administrative expenses recorded approximately 57.3% increase when compared with the preceding financial year. Such increase was mainly attributable to expansion of the Group's existing and cosmetic distribution operations in the PRC and the administration costs including depreciation, payroll and miscellaneous operating expenses incurred for Zhongshan Logistics Centre since it became fully functional in November 2006.

Other expenses were approximately HK$8.0 million for the year, which was mainly attributable to the losses incurred on disposals of subsidiaries. During the year under review, the Group had disposed of Nature Intuition Group Limited and certain subsidiaries in view of their progress and advancement that did not meet the management expectation while significant running costs and resources would still be required in their operations and development.

Finance costs remained fairly stable at approximately HK$9.7 million during the year under review when compared with approximately HK$9.0 million in the preceding financial year.

During the year under review, the Group recorded share of results of associated companies of approximately HK$2.9 million, which consisted of the share of net profit of approximately HK$8.9 million from China Zenith, a public listed company with 13.95% equity interest owned by the Group as at 30 June 2007 and the share of net loss of approximately HK$6.0 million mainly from the pre-startup operating costs of Zhongshan fresh produce logistics centre prior to the acquisition of the controlling equity interest in January 2007.

Profit from operations increased to approximately HK$203.9 million, representing an increase of approximately 58.3% compared to HK$128.8 million in the preceding financial year. Net profit attributable to shareholders increased to HK$190.1 million, representing an increase of approximately 55.4% compared to HK$122.3 million in the preceding financial year.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

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

On 28 June 2007, the Company entered into a placing and subscription agreement for placing 142,500,000 ordinary shares of the Company to independent placees at a placing price of HK$1.78 per share. The net proceeds of approximately HK$245 million would provide strong shareholder funding for the Group's further development in logistics and agro-based business.

At 30 June 2007, the Group had interest-bearing bank borrowings of approximately HK$194.9 million (30 June 2006: HK$149.4 million) of which over 90% of the bank borrowings were denominated in Hong Kong dollars and approximately 60% mature within one year. All of the Group's banking 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 any 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 2007.

At 30 June 2007, the Group's current assets amounted to approximately HK$681.7 million (30 June 2006: HK$741.0 million) and the Group's current liabilities amounted to approximately HK$244.5 million (30 June 2006: HK$138.0 million). The Group's current ratio had decreased to approximately 2.8 as at 30 June 2007 (30 June 2006: 5.4). The decrease in the current ratio was mainly attributable to the increase in current trade debts used in support of the Group's increased sales volume and the decrease in cash and bank balances due to payments for the completion of the acquisition of the remaining 30% equity interests in cosmetic business and the remaining 50% equity interests in HT Jenco International (Holdings) Limited (formerly known as Senox Co., Ltd.), which on consolidation for accounting purposes, were represented by a significant investment in form of non-current assets. At 30 June 2007, the Group had total assets of approximately HK$1,671.1 million (30 June 2006: HK$1,363.5 million) and total liabilities of approximately HK$333.4 million (30 June 2006: HK$224.4 million) with a gearing ratio of approximately 11.7% (30 June 2006: 11.0%). The gearing ratio was expressed as a ratio of total bank borrowings to total assets. The gearing ratio remained at a fairly stable level during the year under review.

NUMBER AND REMUNERATION OF EMPLOYEES

At 30 June 2007, the Group had approximately 470 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. At 30 June 2007, a total of 10,752,000 share options remain unexercised.

BUSINESS REVIEW, DEVELOPMENT AND PROSPECT

The Group is principally engaged in investment holding, distribution of fast moving consumable goods, cold chain-products and fresh produce and the provision of cold-chain logistics services. The product groups distributed by the Group included packaged food, beverages, household consumable products, cosmetic and skincare products, frozen and chilled products and fresh fruit with their respective contribution of approximately 47%, 4%, 4%, 8%, 10%, and 23% and the provision of cold-chain logistics services represented approximately 4% to the Group's turnover for the year ended 30 June 2007. The categories of packaged food were mainly biscuits, candies, chocolate, condiments, healthy food, jams, margarine, milk power products, noodles, rice, snacks and nourishing and exclusively licensed branded products. Beverages were mainly beers, wines and soft drinks and household consumable products were mainly batteries and toiletries. Cosmetic products included make-up, perfumes, fragrance, cleaners, skin and sun care products. Cold chain products consisted of frozen meat, seafood and diary products and fresh fruit.

During the year under review, wholesalers were still the main customer category of the Group, which accounted for approximately 63% of the Group's turnover. The retailer and on-premise sectors had increased its stake in the client max and accounted for the remaining 37% of the Group's turnover for the year ended 30 June 2007. Such shift in client mix was mainly attributable to sales of more cold chain and fresh produce products to on-premise and retailer customers with the availability of the cold chain facilities by our Shanghai and Zhongshan

Logistics Centres. In the year ahead, the Group will keep on strengthening its services capability and scope to the on-premise and retailer sectors in cold-chain and fresh produce products to seek for a higher gross profit margin relative to the wholesaler sector.

The Group's products were mainly sourced from the Southeast Asia, the United States of America, Europe, Australia, New Zealand and South Africa and sold to wholesalers, retailers and on-premise customers mainly in the eastern, southern and northern parts of the PRC. Recognizing the procurement network as one of the key success factors to its core business, the Group had committed to establish two packhouses in Thailand to secure quality and steady supply of fresh produce. Further, supportive depots would also be established in Beijing, Kunming and Changsha of the PRC to strengthen the Group's sourcing and distribution capability and functions for fresh produce products in the PRC. The investments in fresh produce industry would enable the Group to strengthen its sourcing network, enrich the product variety, diversify the product and service ranges and take a more active role as a one-stop value-added services platform provider.

During the year under review, the Group had made significant progress in diversifying its business scope to a service-oriented conglomerate. Certain well-defined projects had been finalised in order to reinforce the Group's development in the logistics capability of the fresh produce industry. These investment projects would lead the Group to become the first mover to operate a nation-wide network of cold-chain distribution and logistics platform for the fresh produce industry in the PRC and would become the Group's growth drivers in the years ahead.

On 31 August 2006, the Group had completed the acquisition of the remaining 30% equity interest of Sunning State Group Limited and its subsidiaries ("Sunning State Group") at a consideration of HK$40 million. During the year under review, the Group had been successfully carrying out the integration of its existing distribution business in toiletry products to the cosmetic business carried out by Sunning State Group and turnover from sales of cosmetic products represented approximately 8% of the Group's turnover. The realisation process of the synergic benefits by further diversifying Sunning State Group's cosmetic product categories in the Group's existing distribution network and vice versa would continue to capture the ample potentials of cosmetic, skincare and toiletries products in the PRC steadily growing market.

On 4 November 2006, Hurdle Limited, a wholly-owned subsidiary of the Group, entered into the Sale and Purchase Agreement to acquire the remaining 50% equity interests in HT Jenco International (Holdings) Limited ("HT Jenco") for a consideration of HK$211 million. The acquisition was subsequently approved by shareholders in the extraordinary general meeting in December 2006. Upon completion of the acquisition in January 2007, the Group had been able to consolidate the financial performance and position of HT Jenco and its subsidiaries into its consolidated financial statements for the six months ended 30 June 2007 since completion. With full control of HT Jenco, the Group would be able to fully integrate its existing distribution networks with the facilities of Zhongshan Logistic Centre, and to utilize its capacities to store and distribute the fresh fruit products of the Group to better serve the Group's clients. Such acquisition would also compliment the Group's distribution and logistics networks in the PRC by improving the coverage in the southern region in the PRC.

On 23 November 2006, the Group, as the single largest shareholder interested in 294,040,000 ordinary shares of China Zenith at that time, had irrevocably undertaken to subscribe 147,020,000 open offer shares at a subscription price of HK$0.3 per share in the issued share capital of China Zenith, at an aggregate subscription price of HK$44,106,000. The net proceeds from the open offer of approximately HK$305 million would be used to finance the establishment and development of the coal-related chemical business and as the general working capital of China Zenith. Subsequent to subscription of the open offer shares, the Group was interested in 441,060,000 ordinary shares of China Zenith, representing 13.99% of the issued share capital of China Zenith.

On 24 April 2007, HT Jenco and Kalgoorlie Limited ("Kalgoorlie"), an independent third party, entered into the joint venture agreement, pursuant to which HT Jenco and Kalgoorlie would each contribute US$20,000,000 (equivalent to approximately HK$155,600,000) and US$5,000,000 (equivalent to approximately HK$38,900,000) respectively in the form of share capital contribution and shareholder advances to form a joint venture company. The joint venture company would then be owned as to 80% by HT Jenco and 20% by Kalgoorlie and would be engaged principally in the holding of the entire equity interests of a wholly foreign owned enterprise ("WFOE") of the PRC. The WFOE would be based in Dalian, the PRC and would be principally engaged in the provision of various logistics services in fresh produce industry, including procurement, packaging, grading, export certification system, marketing, trading and distribution services. At the date of this report, the Group was still seeking appropriate locality that the WFOE would either undertake the construction of the logistics and distribution centre itself or acquire an existing logistics centre. The establishment of such logistics centre in the north-eastern region of the PRC, in addition to the two strategically located logistics centres already established in the eastern (Shanghai) and southern (Zhongshan) regions of the PRC, would further expand and complement the Group's distribution and logistics network and capability in the PRC.

On 28 June 2007, the Company entered into a top-up placing and subscription agreement for the placing of 142,500,000 ordinary shares of the Company to independent placees at a placing price of HK$1.78 per share. The subsequent subscription was completed on 10 July 2007 with 142,500,000 new ordinary shares of the Company issued at HK$1.78 per share. The net proceeds of approximately HK$245 million from the placement would be used as to (i) as to approximately HK$90 million for the acquisition or construction of three supportive depots for fresh produce. It was intended that the three supportive depots would be located in the mid-way among the Group's logistics centres in Beijing, Kunming and Changsha, the PRC and would be equipped with the logistics, procurement and distribution functions to enhance the distribution and trading capabilities of the Group; (ii) as to approximately HK$50 million for the construction/acquisition of two packing centres in Thailand. The packing centres, which would be strategically located in the proximity of the fresh produce collection points and equipped with the grading and packing capabilities, would enhance the procurement and sourcing functions of the Group; (iii) as to approximately HK$100 million for the development of cold-chain infrastructure next to the port entry in the PRC. Such cold-chain infrastructure would enable the Group to develop the processing and distribution capabilities for cold-chain products with immediate handling and processing ability upon their arrival on ports; and (iv) as to the balance of HK$5 million for the general working capital of the Group. The placing proceeds would provide strong shareholder funding for the Group's further development in logistics and agro-based business.

On 8 October 2007, the Group entered into the sale and purchase agreement pursuant to which the Group agreed to sell 400,000,000 shares in China Zenith at HK$0.505 per share to an independent third party. The purchaser was entitled to complete the acquisition of the entire sales shares by 31 March 2008. However, if completion did not take place as a result of the default solely of the purchaser, the Group would then be entitled to take any action including but not limited to claim damages or to enforce specific performance or any other rights and remedies. Upon completion of the disposal of the sales shares, the Group would only be interested in 71,060,000 China Zenith's shares. The net proceeds of the disposal would be approximately HK$200 million, which would further strengthen the Group's funding base for development plans in agro-based and logistics businesses and general working capital.

In the years ahead, the Group will continue to enhance its business by strengthening its nation-wide network of distribution and logistics platform for the cold-chain and agro-based products in the PRC and consistently pursue its mission to become a leading integrated provider of distribution, logistics services and brand building in the fast moving consumable goods, cold-chain and agro-based products.

EXECUTIVE DIRECTORS

Mr. LAM Kwok Hing, aged 51, 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 54, 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. Mr. Chu was an Executive Director of China Zenith Chemical Group Limited ("China Zenith") during the period from 13 January 2004 to 13 December 2005.

Mr. FONG Yiu Ming, Anson, aged 45, is an Executive Director of the Company and a founder of the Group. Mr. Fong has over 20 years' experience in the consumer products industry and worked as a Sales Representative in the Wine & Spirits Division of Dodwell Hong Kong Limited prior to joining the Group. Mr. Fong is responsible for the sales and marketing management of the Group.

Ms. LEE Choi Lin, Joecy, aged 47, 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 10 years' experience in the consumer products industry. Ms. Lee is the spouse of Mr. Lam, an Executive Director of the Company.

Mr. PENG Zhanrong, aged 37, is an Executive Director of the Company and is responsible for the overall management and business development of the Group's investment in a listed company on the Main Board of The Stock Exchange of Hong Kong Limited, China Zenith. Mr. Peng graduated from the South China University of Technology majoring in Chemical Engineering in the PRC. Mr. Peng has over 10 years' experience in the auto and petroleum industries in the PRC prior to joining the Group in February 2004. Mr. Peng is also an Executive Director of China Zenith.

Mr. CHIAU Che Kong, aged 39, is an Executive Director of the Company. Mr. Chiau is specialized and has over 10 years' experience in the trading industry of consumer products in Hong Kong and the PRC prior to joining the Group in April 2004. Mr. Chiau is responsible for the Group's overall product and marketing development. Mr. Chiau is also an Executive Director of China Zenith.

NON-EXECUTIVE DIRECTOR

Ms. CHAN Yuk, Foebe, aged 38, 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 responsible for the overall business development of the Group and also of the Group's investment in China Zenith. Ms. Chan is also an Executive Director of China Zenith.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. John HANDLEY, aged 63, 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 15 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.

Mr. POON Yiu Cheung, Newman, aged 52, 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 49, is an Independent Non-Executive Director of the Company appointed in April 2004. She is a fellow member of the Association of Chartered Certified Accountants and a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants, and has over 10 years' experience in accounting and administration.

SENIOR MANAGEMENT

Mr. WONG Siu Hong, aged 39, 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 10 years' experience in accounting and auditing. Mr. Wong is also an independent non-executive director of Huafeng Textile International Group Limited, a listed company on the Main Board of the Stock Exchange.

Ms. HUNG Sau Yung, Rebecca, aged 41, is the Administration and Accounting Manager 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 10 years' experience in accounting and administration.

Mr. ONG Hong Hoon, Bernard, aged 57, 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 fresh produce logistics 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 15 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 54, joined the Group in September 1995 and now as Deputy 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 fresh produce logistics business of the Group. Mr. Wong has over 15 years' work experience in the consumer goods industry.

Mr. WONG Chun, aged 35, joined the Group in February 2006 as Financial Controller of a wholly owned subsidiary of the Company engaged in the fresh produce division. Mr. Wong is responsible for supervising and managing the financial operations and reporting of the fresh produce division. Mr. Wong holds a Diploma in Accountancy and is a member of the Association of Chartered Certified Accountants and has over 10 years' accounting and auditing experience in an auditing firm.

Ms. GAO Qin Jian, aged 47, 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 logistic business in the PRC.

Mr. Dirk Butch WALTER, aged 44, joined the Group in May 2005 as Food Service Manager. Mr. Walter is responsible for managing the cold-chain operations in Shanghai logistics centre. Mr. Walter holds a Master Craftsman's Diploma and is a Certified German Masterbutcher. He has over 12 years' experience in importing and supplying high quality frozen meat and seafood and catering products to the hotels, restaurants, airline catering and on-premise sectors in the PRC.

Mr. Daniel KEY, aged 28, joined the Group in February 2003 as Business Development Manager. Mr. Key is responsible for the Group's product procurement and development and is specialized in product management and global sourcing of cold-chain products. Mr. Key obtained an Bachelor Degree in British Law in the United Kingdom.

Mr. HO Sik Leung, Alex, aged 40, joined the Group in April 2006 as Managing Director of a Company's subsidiary engaged in logistics business. Mr. Ho is responsible for managing the Group's logistics business in cold chain products. Mr. Ho obtained a Bachelor of Arts Degree in Hong Kong and has over 15 years' experience in international shipping, container terminals services, trade development and cold-chain logistics in Hong Kong and the PRC. Mr. Ho is a member of the Transport Expert Committee of the Government of Shenzhen Special Economic Zone and a Chartered Member of the Chartered Institute of Logistics and Transport.

Mr. HUNG Ling Ming, aged 53, joined the Group in April 2006 and now as Marketing Manager in fast moving consumables goods. Mr. Hung is responsible for the Group's product development and marketing functions. Mr. Hung obtained a Bachelor Degree in the United Kingdom and a Master of Business Administration Degree in Hong Kong and has over 20 years' work experience in sales and marketing.

Mr. ONG Chew Sheng, aged 37, joined the Group in April 2005 as Senior Business Development Manager of a wholly owned subsidiary of the Company engaged in fresh produce division. Mr. Ong is responsible for business development of the Group's cold-chain business. Mr. Ong obtained a Bachelor of Arts Degree in Business Organisation in Ireland and has over 10 years' work experience in sales and marketing in Malaysia and the PRC.

Mr. CHENG Hok Ming, aged 54, joined the Group in July 2005 as Assistant General Manger of a wholly owned subsidiary of the Company engaged in the fresh produce division. Mr. Cheng is responsible for operational, trading and warehousing functions of the Group's cold-chain business. Mr. Cheng has over 12 years' work experience in logistics and warehouse management and retail chain stores operations in Hong Kong and Taiwan.

Mr. VOON Fu Hiung, aged 29, joined the Group in June 2005 and now as Manager, Cold Chain Operation of a wholly owned subsidiary of the Company engaged in the fresh produce division. Mr. Voon is responsible for supervising and managing the operations and inventory flow in the cold-chain warehouse. Mr. Voon obtained a Bachelor of Arts Degree in Logistics and Supply Chain Management in the United Kingdom and has over 3 years' relevant work experience in cold chain and logistics operations in Malaysia.

The directors have pleasure in presenting their report and the audited financial statements for the year ended 30 June 2007.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in note 38 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 2007 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 34.

The state of affairs of the Group at 30 June 2007 are set out in the consolidated balance sheet on pages 35 and 36.

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 Directors do not recommend the payment of dividend for the year ended 30 June 2007.

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				
	2007	2006	2005	2004	2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Profit attributable to:					
– Equity holders of the Company	**190,127**	122,319	105,142	72,094	46,222
– Minority interests	**(47)**	1,299	(7)	–	–
Profit for the year	**190,080**	123,618	105,135	72,094	46,222

Assets, liabilities and equity

	At 30 June				
	2007	2006	2005	2004	2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	**1,671,086**	1,363,505	689,023	409,761	280,159
Total liabilities	**(333,381)**	(224,389)	(223,661)	(97,611)	(84,643)
Total minority interests	**(24)**	(10,013)	(28)	–	–
Total equity attributable to equity holders of the Company	**1,337,681**	1,129,103	465,334	312,150	195,516

Note: The results of the Group for the four years ended 30 June 2003, 2004, 2005 and 2006 and the assets, liabilities and equity of the Group as at these dates have been extracted from the audited financial statements of the Company for the respective years and restated as appropriate. The results of the Group for the year ended 30 June 2007 and the assets, liabilities and equity of the Group as at 30 June 2007 are those set out in page 34 and pages 35 and 36 of the financial statements, respectively.

FIXED ASSETS

Details of the movements in fixed assets of the Group are set out in note 14 to the financial statements.

CONSTRUCTION IN PROGRESS

Details of the movements in construction in progress of the Group are set out in note 16 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 30 to the financial statements.

DISTRIBUTABLE RESERVES

At 30 June 2007, the Company had distributable reserves of approximately HK$902,378,000. Under the Companies Law (Revised) of the Cayman Islands, the share premium account of the Company of approximately HK$761,205,000 as at 30 June 2007 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 2007.

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 for the year.

MAJOR CUSTOMERS AND SUPPLIERS *(Continued)*

Purchases from the Group's five largest supplying principals taken together and the Group's largest supplying principal accounted for approximately 36% and 13% respectively 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

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

Executive Directors
Mr. Lam Kwok Hing
Mr. Chu Ki
Mr. Fong Yiu Ming, Anson
Ms. Lee Choi Lin, Joecy
Mr. Peng Zhanrong
Mr. Chiau Che Kong

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. Lee Choi Lin, Joecy, Mr. Peng Zhanrong and Mr. Chiau Che Kong 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 2007, 25 November 2009 and 7 April 2010 respectively.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of directors of the Company and senior management of the Group are set out on pages 14 to 17 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Mr. Lam Kwok Hing, Mr. Chu Ki, Mr. Fong Yiu Ming, Anson 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.

Mr. Peng Zhanrong and Mr. Chiau Che Kong entered into service contracts with the Company on and with effective from 13 February 2004 and 8 April 2004 respectively which continue thereafter until terminated by either party giving not less than three months' notice in writing to the other party.

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

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

DIRECTORS' INTERESTS IN CONTRACTS

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

MANAGEMENT CONTRACTS

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

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 June 2007, 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 the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code"), were as follows:

Interests in shares of the Company

Name of director	*Note*	Number of issued ordinary shares held	Percentage of the issued share capital
Mr. Lam Kwok Hing	1	239,400,000	16.80%
Ms. Lee Choi Lin, Joecy	2	85,680,000	6.01%
Mr. Chu Ki	3	14,000,000	0.98%

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 of the Company.

Save as disclosed above, as at 30 June 2007, none of the directors or chief executive of the Company and their respective associates had any interests or short positions in shares, underlying shares or debentures of the Company, its subsidiaries or any associated corporations (within the meaning of Part XV of the SFO) which were required to be entered into the register kept by the Company pursuant to Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

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

SHARE OPTION SCHEME

Details of the Company's share option scheme are set out in note 32 to the financial statements.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2007, 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*	239,400,000	Corporate interests	16.80%
World Invest	*2*	85,680,000	Corporate interests	6.01%
Arisaig Greater China Fund ("Arisaig")	*3*	149,838,600	Corporate interests	10.51%
Arisaig Partners (Mauritius) Limited ("Arisaig Mauritius")	*3*	149,838,600	Corporate interests	10.51%
Lindsay William Ernest Cooper	*3*	149,838,600	Corporate interests	10.51%
Keywise Capital Management (HK) Limited		145,066,000	Corporate interests	10.18%
Keywise Greater China Opportunities Master Fund		108,003,000	Corporate interests	7.58%
JPMorgan Chase & Co		139,970,000	Corporate interests	9.82%
Value Partners Limited	*4*	121,818,800	Corporate interests	8.55%
Mr. Cheah Cheng Hye	*4*	121,818,800	Corporate interests	8.55%
Pope Asset Management		99,019,214	Corporate interests	6.95%
UBS AG		85,181,000	Corporate interests	5.98%

SUBSTANTIAL SHAREHOLDERS' INTERESTS *(Continued)*

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.

3. This represented a direct shareholding of the Company by Arisaig. Arisaig Mauritius was the investment manager of Arisaig. This represented an interest in the shares arised by virtue of Arisaig Mauritius acting as discretionary investment manager of Arisaig pursuant to the SFO. Lindsay William Ernest Cooper was deemed to be interested, through his indirect 33.33% beneficial interest, in Arisaig Mauritius.

4. Value Partners Limited was holding 121,818,800 shares as investment manager. Mr. Cheah Cheng Hye was deemed to be interested in the shares through 35.65% interest in Value Partners Limited.

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

Save as disclosed above, as at 30 June 2007, no person, other than the directors and chief executive of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

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 during the year ended 30 June 2007.

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 2007 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.

EVENTS AFTER THE BALANCE SHEET DATE

Details of the significant events after the balance sheet date of the Group are set out in note 39 to the financial statements.

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
26 October 2007

CORPORATE GOVERNANCE PRACTICES

The board of directors (the "Board") believes that good corporate governance is crucial to improve the efficiency and performance of the Group and to safeguard the interests of the shareholders. Throughout the year ended 30 June 2007, 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. 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 2007 and they all confirmed that they had fully complied with the required standard set out in the Model Code.

BOARD OF DIRECTORS

During the year ended 30 June 2007, the composition of the Board was as follows:

Executive Directors
Mr. Lam Kwok Hing
Mr. Chu Ki
Mr. Fong Yiu Ming, Anson
Ms. Lee Choi Lin, Joecy
Mr. Peng Zhanrong
Mr. Chiau Che Kong

Non-executive Director
Ms. Chan Yuk, Foebe

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

The biographical details of the Directors has been disclosed under the section "Directors, Senior Management and Staff" section on pages 14 to 17 of the annual report.

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 2007, 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.

During the year ended 30 June 2007, six board meetings were held and the attendance records were as follow:

Name of Director	**Number of Board Meetings Attended**	**Attendance Rate**
Executive Directors		
Mr. Lam Kwok Hing	6/6	100%
Mr. Chu Ki	6/6	100%
Mr. Fong Yiu Ming, Anson	2/6	33%
Ms. Lee Choi Lin, Joecy	6/6	100%
Mr. Peng Zhanrong	2/6	33%
Mr. Chiau Che Kong	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 with the Company and the Company considers these directors to be independent under Rule 3.13 of the Listing Rules.

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

DISTINCTIVE ROLES OF CHAIRMAN AND CHIEF EXECUTIVE DIRECTOR

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

AUDIT COMMITTEE

The current members of the Audit Committee are:

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

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

During the year ended 30 June 2007, the Audit Committee met twice 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 2007 and for the six months ended 31 December 2006 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*
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 one meeting during the year ended 30 June 2007.

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*
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 first Remuneration Committee meeting was held in the second quarter of Year 2005.

AUDITOR'S SERVICE

For the year ended 30 June 2007, the Group engaged RSM Nelson Wheeler, auditor of the Company, to perform audit service only.

DIRECTORS' RESPONSIBILITY STATEMENT

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

On behalf of the Board
Wong Siu Hong
Company Secretary

Hong Kong, 26 October 2007

RSM! Nelson Wheeler
羅申美會計師行
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") set out on pages 34 to 96, which comprise the consolidated balance sheet as at 30 June 2007, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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 2007 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

26 October 2007

Consolidated Income Statement

For the year ended 30 June 2007

	Note	2007 HK$'000	2006 HK$'000
Turnover	6	1,726,825	1,217,041
Cost of sales		(1,378,103)	(993,935)
Gross profit		348,722	223,106
Other income	7	19,699	10,021
Selling and distribution expenses		(101,377)	(62,638)
Administrative expenses		(55,179)	(35,084)
Other expenses		(8,014)	(6,618)
Profit from operations		203,851	128,787
Finance costs	9	(9,669)	(8,980)
Share of profits of associates	21	2,906	6,116
Profit before tax		197,088	125,923
Income tax expense	10	(7,008)	(2,305)
Profit for the year	11	190,080	123,618
Attributable to:			
Equity holders of the Company		190,127	122,319
Minority interests		(47)	1,299
		190,080	123,618
Earnings per share	13		
Basic		HK13.3 cents	HK11.5 cents
Diluted		HK13.3 cents	HK11.5 cents

Consolidated Balance Sheet

As at 30 June 2007

	Note	2007 HK$'000	2006 HK$'000
Non-current assets			
Fixed assets	14	**423,079**	155,304
Prepaid land lease payments	15	**42,183**	10,763
Construction in progress	16	**23,845**	–
Goodwill	17	**168,090**	65,437
Other intangible assets	18	**77,925**	69,225
Other assets	19	**26,689**	–
Investment in a club membership	20	**108**	108
Investments in associates	21	**227,420**	321,702
		989,339	622,539
Current assets			
Inventories	22	**149,082**	113,129
Trade receivables	23	**207,165**	143,777
Prepayments, deposits and other receivables		**59,488**	69,490
Investments	24	**20,574**	–
Bank and cash balances	25	**245,438**	414,570
		681,747	740,966
TOTAL ASSETS		**1,671,086**	1,363,505
Capital and reserves			
Share capital	30	**14,251**	14,251
Reserves	31	**1,323,430**	1,114,852
Equity attributable to equity holders of the Company		**1,337,681**	1,129,103
Minority interests		**24**	10,013
Total equity		**1,337,705**	1,139,116

Consolidated Balance Sheet

As at 30 June 2007

	Note	2007 HK$'000	2006 HK$'000
Non-current liabilities			
Bank loans	27	80,000	77,726
Finance lease payables	28	205	112
Deferred tax liabilities	29	8,693	8,564
		88,898	86,402
Current liabilities			
Trade payables	26	52,195	37,178
Accruals and other payables		62,626	22,082
Bank loans	27	114,895	71,626
Finance lease payables	28	121	171
Current tax liabilities		14,646	6,930
		244,483	137,987
Total liabilities		333,381	224,389
TOTAL EQUITY AND LIABILITIES		1,671,086	1,363,505
Net current assets		437,264	602,979
Total assets less current liabilities		1,426,603	1,225,518

Approved by Board of Directors on 26 October 2007

Lam Kwok Hing
Chairman

Chu Ki
Director

	Attributable to equity holders of the Company									
	Share capital HK$'000	Share premium account HK$'000	Foreign currency translation reserve HK$'000	Share-based payment reserve HK$'000	Revaluation reserve HK$'000	Retained profits HK$'000	Proposed final dividend HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 July 2005	8,250	180,361	80	–	11,011	255,742	9,890	465,334	28	465,362
Translation difference	–	–	1,665	–	–	–	–	1,665	–	1,665
Surplus on revaluation of buildings	–	–	–	–	25,716	–	–	25,716	–	25,716
Deferred tax liabilities arising on revaluation of buildings *(Note 29)*	–	–	–	–	(8,486)	–	–	(8,486)	–	(8,486)
Share of reserves of associates	–	(246)	5,692	711	(13,627)	–	–	(7,470)	–	(7,470)
Net income recognised directly in equity	–	(246)	7,357	711	3,603	–	–	11,425	–	11,425
Profit for the year	–	–	–	–	–	122,319	–	122,319	1,299	123,618
Total recognised income and expenses for the year	–	(246)	7,357	711	3,603	122,319	–	133,744	1,299	135,043
Issue of Subscribed Shares	1,640	200,734	–	–	–	–	–	202,374	–	202,374
Business combinations	–	–	–	–	–	–	–	–	8,686	8,686
Recognition of share-based payment	–	–	–	4,729	–	–	–	4,729	–	4,729
Final dividend in respect of the previous year approved and paid	–	–	–	–	–	–	(9,890)	(9,890)	–	(9,890)
Open offer	4,071	294,785	–	–	–	–	–	298,856	–	298,856
Shares issued on exercise of share options	290	37,007	–	(3,341)	–	–	–	33,956	–	33,956
	6,001	532,526	–	1,388	–	–	(9,890)	530,025	8,686	538,711
At 30 June 2006	14,251	712,641	7,437	2,099	14,614	378,061	–	1,129,103	10,013	1,139,116
At 1 July 2006	14,251	712,641	7,437	2,099	14,614	378,061	–	1,129,103	10,013	1,139,116
Translation difference	–	–	12,939	–	–	–	–	12,939	–	12,939
Share of reserves of associates	–	–	5,166	(748)	1,094	–	–	5,512	–	5,512
Net income recognised directly in equity	–	–	18,105	(748)	1,094	–	–	18,451	–	18,451
Profit for the year	–	–	–	–	–	190,127	–	190,127	(47)	190,080
Total recognised income and expenses for the year	–	–	18,105	(748)	1,094	190,127	–	208,578	(47)	208,531
Business combinations *(Note 33(a)(ii))*	–	–	–	–	–	–	–	–	31,023	31,023
Acquisition of minority interests	–	–	–	–	–	–	–	–	(9,942)	(9,942)
Disposals of subsidiaries *(Note 33(b))*	–	–	–	–	–	–	–	–	(31,023)	(31,023)
	–	–	–	–	–	–	–	–	(9,942)	(9,942)
At 30 June 2007	14,251	712,641	25,542	1,351	15,708	568,188	–	1,337,681	24	1,337,705

Consolidated Cash Flow Statement

For the year ended 30 June 2007

	2007 HK$'000	2006 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	**197,088**	125,923
Adjustments for:		
Finance costs	**9,669**	8,980
Share of profits of associates	**(2,906)**	(6,116)
Interest income	**(4,614)**	(5,774)
Unrealised fair value gain on financial assets at fair value through profit or loss	**(12,574)**	–
Allowance for other receivable	**600**	–
Gain on acquisition of an associate	**(1,661)**	–
Share-based payment expenses	**–**	4,729
Loss on deemed disposals of an associate	**–**	1,889
Loss on disposals of subsidiaries	**7,262**	–
Depreciation	**15,205**	5,615
Amortisation of prepaid land lease payments	**526**	237
Amortisation of other intangible assets	**16,300**	4,950
Fixed assets written off	**127**	43
Operating profit before working capital changes	**225,022**	140,476
Increase in inventories	**(39,524)**	(30,848)
Increase in other assets	**(25,614)**	–
Increase in trade and other receivables, prepayments and deposits	**(46,510)**	(35,951)
(Decrease)/increase in trade and other payables	**(25,307)**	12,608
Decrease/(increase) in amount due from associates	**742**	(623)
Cash generated from operations	**88,809**	85,662
Income taxes paid	**(112)**	(64)
Interest paid	**(9,633)**	(8,954)
Finance lease charges paid	**(36)**	(26)
Net cash generated from operating activities	**79,028**	76,618

Consolidated Cash Flow Statement

For the year ended 30 June 2007

	2007 HK$'000	2006 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of subsidiaries, net of cash acquired *(Note 33(a)(ii))*	(204,177)	(105,671)
Acquisition of minority interests *(Note 33(a)(i))*	(40,000)	–
Acquisition of further interests in associates	(63,057)	(99,060)
Disposals of subsidiaries, net of cash received *(Note 33(b))*	56,327	–
Interest received	4,614	5,774
Purchases of fixed assets	(19,103)	(34,395)
Purchases of other intangible assets	–	(58,500)
Purchases of available-for-sale financial assets	(8,000)	–
Increase in prepaid land lease payments	(5,062)	(3,846)
Increase in construction in progress	(23,845)	(11,615)
Net cash used in investing activities	(302,303)	(307,313)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of bank loans	(83,876)	(9,126)
Drawdown of bank loans	80,000	–
Increase/(decrease) in import loans	49,419	(29,923)
Repayment of capital element of finance lease	(214)	(165)
Proceeds from issue of share capital	–	535,186
Dividends paid to equity holders of the Company	–	(9,890)
Net cash generated from financing activities	45,329	486,082
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(177,946)	255,387
Effect of foreign exchange rate changes	8,814	(1,113)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	414,570	160,296
CASH AND CASH EQUIVALENTS AT END OF YEAR	245,438	414,570
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	245,438	414,570

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's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 38 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 accounting periods beginning on or after 1 January 2006. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the current year and prior years.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

(a) Consolidation

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Consolidation *(Continued)*

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

(b) Business combination and goodwill

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policies of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has significant influence.

Investment in an associate is accounted for in the consolidated financial statements by the equity method of accounting and is initially recognised at cost. Identifiable assets, liabilities and contingent liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities is recorded as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised in the consolidated income statement.

The Group's share of an associate's post-acquisition profits or losses is recognised in the consolidated income statement, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

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

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

(iii) *Translation on consolidation*

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Foreign currency translation *(Continued)*

(iii) Translation on consolidation (Continued)

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

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

(e) Fixed assets

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Fixed assets *(Continued)*

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
Leasehold improvements	5 years
Plant and machinery	10 years
Furniture, office equipment and motor vehicles	5 years

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

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

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

(f) Leases

(i) Operating leases

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

(ii) Finance leases

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Leases *(Continued)*

(ii) Finance leases (Continued)

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

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

(g) Trademarks and distribution rights

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

(h) 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.

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out basis. The cost of finished goods comprises raw materials, director labour and an appropriate proportion of all production overhead expenditure and where appropriate, subcontracting charges. 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 balance sheet when the Group becomes a party to the contractual provisions of the instruments.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Investments

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

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

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

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

(ii) *Available-for-sale financial assets*

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

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

(l) Trade and other receivables

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Trade and other receivables *(Continued)*

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

(m) Cash and cash equivalents

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

(n) Financial liabilities and equity instruments

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

(o) Borrowings

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

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

(p) 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Equity instruments

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

(r) 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.

Logistics services 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.

(s) Employee benefits

(i) *Employee leave entitlements*

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

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

(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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Employee benefits *(Continued)*

(ii) Retirement benefits schemes (Continued)

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.

(t) Share-based payments

The Group issues equity-settled share-based payments to certain employees and business associates. 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.

(u) Borrowing costs

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Taxation

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) 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.

(x) Segment reporting

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) Segment reporting *(Continued)*

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

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

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

(y) Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets except goodwill, investments, 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 the income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(y) Impairment of assets *(Continued)*

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

(z) 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.

(aa) Events after the balance sheet date

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

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.

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.

Key sources of estimation uncertainty

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

(a) *Fixed assets and depreciation*

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

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

Key sources of estimation uncertainty *(Continued)*

(b) *Other intangible assets and amortisation*

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

(c) *Income taxes*

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

(d) *Impairment of goodwill*

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying amount of goodwill at the balance date was approximately HK$168,090,000. Details of the impairment test are provided in note 17 to the financial statements.

5. FINANCIAL RISK MANAGEMENT

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

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in Hong Kong dollars, Renminbi and United States dollars. 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.

(b) Price risk

The Group's financial assets at fair value through profit or loss and available-for-sale financial assets are measured at fair value at each balance sheet date. Therefore, the Group is exposed to equity and debt security price risk. The directors manage this exposure by maintaining a portfolio of investments with difference risk profiles.

(c) Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that sales are made to customers with an appropriate credit history.

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

(d) 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.

(e) Interest rate risk

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

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(f) Fair values

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

6. TURNOVER

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

	2007 *HK$'000*	2006 *HK$'000*
Sales of goods	**1,665,479**	1,217,041
Rental income	**1,262**	–
Logistics services income	**60,084**	–
	1,726,825	1,217,041

7. OTHER INCOME

	2007 *HK$'000*	2006 *HK$'000*
Interest income	**4,614**	5,774
Exchange gain	**463**	3,707
Gain on acquisition of an associate	**1,661**	–
Unrealised fair value gain on financial assets at fair value through profit or loss	**12,574**	–
Sundry income	**387**	540
	19,699	10,021

8. SEGMENT INFORMATION

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

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

(a) Primary reporting format – geographical segments

For the years ended 30 June 2006 and 2007, over 90% of the Group's revenue, results, assets and liabilities are derived from customers and operations based in the People's Republic of China (the "PRC") and accordingly, no further analysis of the Group's geographical segments is disclosed.

(b) Secondary reporting format – business segments

For the year ended 30 June 2007, the Group is organised into three main business segments:

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

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

(iii) Provision of logistics services income ("Logistics Services").

For the year ended 30 June 2006, all of the Group's revenue, results, assets and liabilities were attributed to the distribution of packaged food, beverages, household consumable products, cosmetic products, cold chain products and fresh fruit and therefore, no further analysis of the Group's business segments is disclosed.

8. SEGMENT INFORMATION *(Continued)*

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

	Distribution HK$'000	Leasing HK$'000	Logistics Services HK$'000	Corporate and unallocated HK$'000	Consolidated HK$'000
Year ended 30 June 2007					
Revenue	1,665,479	1,262	60,084	-	1,726,825
Segment results	174,715	992	18,588	-	194,295
Other income					19,699
Unallocated expenses					(10,143)
Share of profits of associates	-	-	-	2,906	2,906
Finance costs	(4,075)	-	-	(5,594)	(9,669)
Profit before tax					197,088
At 30 June 2007					
Segment assets	901,874	8,583	367,185	145,450	1,423,092
Investments in associates					227,420
Investments					20,574
Total assets					1,671,086
Segment liabilities	169,565	1,564	3,553	158,699	333,381
Total liabilities					333,381
Other segment information:					
Capital expenditure	12,894	130	6,047	32	19,103
Depreciation and amortisation	9,680	121	4,770	634	15,205
Amortisation of other intangible assets	16,300	-	-	-	16,300
Allowance for other receivable	-	-	600	-	600
Fixed assets written off	38	-	89	-	127

9. FINANCE COSTS

	2007	2006
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts	**9,633**	8,954
Finance lease charges	**36**	26
	9,669	8,980

10. INCOME TAX EXPENSE

	2007	2006
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**59**	244
Over-provision in prior years	**(78)**	–
	(19)	244
Current tax – Overseas		
Provision for the year	**7,847**	1,983
Deferred tax *(Note 29)*	**(820)**	78
	7,008	2,305

Hong Kong Profits Tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits for the year ended 30 June 2007.

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries 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 15.75% (2006: 15.75%) 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 for the year.

10. INCOME TAX EXPENSE *(Continued)*

The provision for income tax of subsidiaries operating in the PRC have been calculated at the rate of 33%, based on existing legislation, interpretation and practices in respect thereof.

For the year ended 30 June 2007, the tax rate applicable to disposed subsidiaries established and operating in the PRC are 33%. No provision for PRC enterprise income tax has been made for the year as these disposed subsidiaries did not generate any assessable profits arising in the PRC during the period up to the dates of disposals.

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

	2007				2006			
	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	224,659	(35,968)	8,397	197,088	144,469	(18,046)	(500)	125,923
Applicable income tax rate	15.75%	17.50%	33.00%		15.75%	17.50%	33.00%	
Tax at the applicable income tax rate	35,384	(6,294)	2,771	31,861	22,754	(3,158)	(165)	19,431
Tax effect of income not taxable	-	(5,472)	-	(5,472)	–	(724)	–	(724)
Tax effect of expenses not deductible for tax purpose	-	11,156	2,390	13,546	–	5,221	2,148	7,369
Profits exempted from the Macau Complementary Tax	(35,384)	-	-	(35,384)	(22,754)	–	–	(22,754)
Tax effect of share of results of associates	-	(509)	-	(509)	–	(1,070)	–	(1,070)
Tax effect of unused tax losses not recognised	-	1,093	1,844	2,937	–	6	–	6
Tax effect on unrecognised temporary difference	-	7	100	107	–	47	–	47
Overprovision in prior years	-	(78)	-	(78)	–	–	–	–
Income tax expense	-	(97)	7,105	7,008	–	322	1,983	2,305

10. INCOME TAX EXPENSE *(Continued)*

The new PRC enterprise income tax law passed by the Tenth National People's Congress on 16 March 2007 introduces various changes which include the unification of the enterprise income tax rate for domestic and foreign enterprise at 25%. The new tax law will be effective from 1 January 2008. The impact of the new tax law on the Group's consolidated financial statements will depend on the detailed implementation rules and regulations that have not been issued as of the date of the approval of these consolidated financial statements. Therefore, the Group cannot reasonably estimate the financial impact of the new tax law to the Group at this stage.

11. PROFIT FOR THE YEAR

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

	2007	2006
	HK$'000	*HK$'000*
Amortisation of other intangible assets#	**16,300**	4,950
Auditors' remuneration	**1,177**	889
Cost of inventories sold	**1,373,653**	991,985
Depreciation	**15,205**	5,615
Loss on disposals of subsidiaries	**7,262**	–
Loss on deemed disposals of interest in an associate	**–**	1,889
Operating lease charges on land and buildings	**5,180**	3,346
Share-based payment expenses	**–**	4,729
Staff costs (excluding directors' emoluments – *Note 12*)		
Salaries, wages, bonus and allowances	**19,710**	10,558
Retirement benefits scheme contributions	**603**	177
	20,313	10,735

\# *Amortisation of other intangible assets of HK$4,450,000 (2006: HK$1,950,000) and HK$11,850,000 (2006: HK$3,000,000) for the year are included in "Cost of sales" and "Selling and distribution expenses" respectively on the face of the consolidated income statement.*

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

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

	2007 HK$'000	2006 HK$'000
Fees	450	150
Other emoluments:		
Salaries, bonuses, allowances and benefits in kind	3,945	3,464
Retirement benefits scheme contributions	48	48
	4,443	3,662

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:

	2007 HK$'000	2006 HK$'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 (2006: HK$Nil).

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

(b) Executive and non-executive directors

	Fees HK$'000	Salaries, bonuses, allowances and benefits in kind HK$'000	Retirement benefits scheme contributions HK$'000	Total emoluments HK$'000
2007				
Mr. Lam Kwok Hing	-	1,420	12	1,432
Mr. Chu Ki	-	1,139	12	1,151
Mr. Fong Yiu Ming, Anson	-	931	12	943
Ms. Lee Choi Lin, Joecy	-	455	12	467
Ms. Chan Yuk, Foebe	300	-	-	300
Mr. Peng Zhanrong	-	-	-	-
Mr. Chiau Che Kong	-	-	-	-
	300	3,945	48	4,293
2006				
Mr. Lam Kwok Hing	-	1,265	12	1,277
Mr. Chu Ki	-	974	12	986
Mr. Fong Yiu Ming, Anson	-	770	12	782
Ms. Lee Choi Lin, Joecy	-	455	12	467
Ms. Chan Yuk, Foebe	-	-	-	-
Mr. Peng Zhanrong	-	-	-	-
Mr. Chiau Che Kong	-	-	-	-
	-	3,464	48	3,512

There was no arrangement under which a director waived or agreed to waive any emolument during the year.

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

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

The five highest paid individuals in the Group during the year included three (2006: three) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining two (2006: two) individuals, are set out below:

	2007 HK$'000	2006 HK$'000
Salaries, bonuses, allowances and benefits in kind	1,889	1,381
Retirement benefits scheme contributions	18	24
	1,907	1,405

The emoluments fell within the following band:

	Number of individuals	
	2007	2006
Nil to HK$1,000,000	1	2
HK$1,000,000 to HK$1,500,000	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.

13. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share attributable to equity holders of the Company is based on the profit for the year attributable to equity holders of the Company of approximately HK$190,127,000 (2006: HK$122,319,000) and the weighted average number of ordinary shares of 1,425,130,000 (2006: 1,067,911,040) in issue during the year.

Diluted earnings per share

The calculation of diluted earnings per share attributable to equity holders of the Company is based on the profit for that year attributable to equity holders of the Company of approximately HK$190,127,000 (2006: HK$122,319,000) and the weighted average number of ordinary shares of 1,425,652,301 (2006: 1,068,442,150), being the weighted average number of ordinary shares of 1,425,130,000 (2006: 1,067,911,040) in issue during that year used in the basic earnings per share calculation plus the weighted average number of ordinary shares of 522,301 (2006: 531,110) assumed to have been issued at no consideration on the deemed exercise of the share options outstanding at the balance sheet date.

14. FIXED ASSETS

	Buildings 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 2005	–	6,516	–	3,908	10,424
Additions	–	6,886	19,711	7,929	34,526
Acquisition of subsidiaries	–	1	209	957	1,167
Transfer from construction in progress *(Note 16)*	90,973	–	–	–	90,973
Disposals/written off	–	–	–	(102)	(102)
Revaluation	24,708	–	–	–	24,708
Exchange differences	2,659	51	–	–	2,710
At 30 June 2006	118,340	13,454	19,920	12,692	164,406
Additions	1,699	–	–	17,404	19,103
Acquisition of subsidiaries	211,568	6,770	41,652	4,275	264,265
Disposals of subsidiaries	–	(419)	(2,847)	(721)	(3,987)
Disposals/written off	–	(1)	–	(159)	(160)
Adjustment on revaluation	(4,828)	–	–	–	(4,828)
Exchange differences	3,550	160	–	–	3,710
At 30 June 2007	330,329	19,964	58,725	33,491	442,509
Accumulated depreciation and impairment					
At 1 July 2005	–	3,170	–	1,379	4,549
Charge for the year	1,008	2,044	986	1,577	5,615
Disposals/written off	–	–	–	(59)	(59)
Adjustment on revaluation	(1,008)	–	–	–	(1,008)
Exchange differences	–	5	–	–	5
At 30 June 2006	–	5,219	986	2,897	9,102
Charge for the year	4,828	2,727	3,943	3,707	15,205
Disposals/written off	–	–	–	(33)	(33)
Disposals of subsidiaries	–	–	–	(32)	(32)
Adjustment on revaluation	(4,828)	–	–	–	(4,828)
Exchange differences	–	16	–	–	16
At 30 June 2007	–	7,962	4,929	6,539	19,430
Carrying amount					
At 30 June 2007	330,329	12,002	53,796	26,952	423,079
At 30 June 2006	118,340	8,235	18,934	9,795	155,304

14. FIXED ASSETS *(Continued)*

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

	Buildings	Leasehold improvements	Plant and machinery	Furniture, office equipment and motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 30 June 2007					
At cost	–	19,964	58,725	33,491	112,180
At directors' valuation 2007	330,329	–	–	–	330,329
	330,329	19,964	58,725	33,491	442,509
At 30 June 2006					
At cost	–	13,454	19,920	12,692	46,066
At valuation 2006	118,340	–	–	–	118,340
	118,340	13,454	19,920	12,692	164,406

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

The Group's buildings were last revalued at 30 June 2006 on the depreciated replacement cost basis by Castores Magi (Hong Kong) Limited, an independent professionally qualified valuers. The resulting revaluation surplus of approximately HK$25,716,000 has been credited to revaluation reserve as set out in the consolidated statement of changes in equity.

The carrying amount of the Group's buildings would have been approximately HK$296,278,000 (2006: HK$92,624,000) had they been stated at cost less accumulated depreciation and impairment losses.

14. FIXED ASSETS *(Continued)*

At 30 June 2007 the carrying amount of furniture, office equipment and motor vehicles held by the Group under finance leases amounted to approximately HK$447,000 (2006: HK$352,000).

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

	2007	2006
	HK$'000	*HK$'000*
Within one year	**1,991**	–

15. 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.

16. CONSTRUCTION IN PROGRESS

	HK$'000
At 1 July 2005	79,358
Additions	11,615
Transfer to fixed assets *(Note 14)*	(90,973)
At 30 June 2006	–
Additions	23,845
At 30 June 2007	23,845

17. GOODWILL

	HK$'000
At 1 July 2005	–
Arising on acquisition of subsidiaries	65,437
At 30 June 2006	65,437
Transfer from an associate	16,008
Arising on acquisition of subsidiaries	99,443
Disposals of subsidiaries *(Note 33(b))*	(12,798)
At 30 June 2007	168,090

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:

	2007	2006
	HK$'000	*HK$'000*
Distribution of cosmetic products business *(a)*	**89,472**	59,415
Distribution of fresh fruit and provision of cold chain facilities and logistics services business *(b)*	**76,900**	–
Distribution of packaged food, beverages, household consumable products, cold chain products and fresh fruit business	**-**	4,304
Logistics services business	**1,718**	1,718
	168,090	65,437

17. 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 14% 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 cash-generating unit.

(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 10% and cash flows beyond five years period are extrapolated using a growth rate of 21% 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 cash-generating unit.

18. OTHER INTANGIBLE ASSETS

	Distribution rights *(a)*	Trademark	Total
	HK$'000	*HK$'000*	*HK$'000*
Cost			
At 1 July 2005	19,500	1,500	21,000
Additions	58,500	–	58,500
At 30 June 2006	78,000	1,500	79,500
Additions through acquisition of subsidiaries	25,000	–	25,000
At 30 June 2007	103,000	1,500	104,500
Accumulated amortisation and impairment losses			
At 1 July 2005	4,875	450	5,325
Amortisation for the year	4,800	150	4,950
At 30 June 2006	9,675	600	10,275
Amortisation for the year	16,150	150	16,300
At 30 June 2007	25,825	750	26,575
Carrying amount			
At 30 June 2007	77,175	750	77,925
At 30 June 2006	68,325	900	69,225

18. 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 in Hong Kong and the PRC. The carrying amount of distribution rights at 30 June 2007 is HK$77,175,000 (2006: HK$68,325,000). The average remaining amortisation period for these distribution rights are 5 years (2006: 5 years).

19. OTHER ASSETS

	2007	2006
	HK$'000	*HK$'000*
Prepaid operating leases for pack houses facilities	**23,598**	–
Deposit paid for acquisition of land use rights	**3,091**	–
	26,689	–

20. INVESTMENT IN A CLUB MEMBERSHIP

The Group's club membership of HK$108,000 (2006: HK$108,000) at 30 June 2007 is assessed as having indefinite useful life because there is no time limit that the Group can enjoy the services provided by that club.

21. INVESTMENTS IN ASSOCIATES

	2007	2006
	HK$'000	*HK$'000*
Share of net assets	**209,724**	287,619
Goodwill	**17,696**	33,341
	227,420	320,960
Due from associates	**-**	742
	227,420	321,702
Listed investment in an associate	**227,420**	151,939
Unlisted investment in an associate	**-**	169,763
	227,420	321,702
Fair value of listed investment in Hong Kong	**310,900**	145,257

21. INVESTMENTS IN ASSOCIATES *(Continued)*

The amounts due from associates are unsecured, interest-free and have no fixed terms of repayment.

Details of the Group's associate at 30 June 2007 is as follows:

Name	Place of incorporation	Paid-up capital	Percentage of ownership interest	Principal activities
China Zenith Chemical Group Limited ("China Zenith") (formerly known as Daqing Petroleum & Chemical Group Limited)*	Cayman Islands	HK$33,778,291	13.95%	Investment holding in business of polyvinyl-chloride, vinyl acetate, glucose and starch products and supply of heat and power business

The above associate is indirectly held by the Company.

* *Although the Group holds less than 20% of the interest in China Zenith, the Group exercises significant influences over China Zenith because the Group is entitled to appoint three directors out of the six directors of China Zenith.*

Summarised financial information in respect of the Group's associates is set out below:

	2007 HK$'000	2006 HK$'000
At 30 June		
Total assets	2,148,626	1,563,855
Total liabilities	(404,447)	(100,106)
Net assets	1,744,179	1,463,749
Group's share of associates' net assets	209,724	287,619
Year ended 30 June		
Total revenue	924,211	784,158
Total profit for the year	62,864	99,142
Group's share of associates' profit for the year	2,906	6,116

22. INVENTORIES

	2007 HK$'000	2006 HK$'000
Packing materials	1,120	593
Finished goods	147,962	112,536
	149,082	113,129

23. TRADE RECEIVABLES

The Group normally allows credit terms to established customers ranging from 15 to 90 days. Allowance is made for outstanding debts aged over 365 days.

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

	2007 HK$'000	2006 HK$'000
1 – 30 days	113,040	115,077
31 – 60 days	90,942	22,580
61 – 90 days	3,183	6,120
	207,165	143,777

24. INVESTMENTS

	2007 HK$'000	2006 HK$'000
Available-for-sale financial assets		
– unlisted structure notes, at cost *(note (a))*	8,000	–
Financial assets at fair value through profit or loss		
– listed warrants in Hong Kong, at fair value	12,574	–
	20,574	–

Notes:

(a) The unlisted structure notes carried at cost as they do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

(b) The fair value of the listed bonus warrants is based on quoted market price.

25. BANK AND CASH BALANCES

At 30 June 2007, the bank and cash balances of the Group denominated in Renminbi ("RMB") amounted to approximately HK$143,113,000 (2006: HK$206,574,000). 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.

26. TRADE PAYABLES

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

	2007 ***HK$'000***	2006 *HK$'000*
1 – 30 days	**45,136**	34,861
31 – 60 days	**6,689**	245
61 – 90 days	**370**	2,072
	52,195	37,178

27. BANK LOANS

	2007 ***HK$'000***	2006 *HK$'000*
Bank loans, secured *(Note 34)*	**194,895**	149,352
The borrowings are repayable as follows:		
On demand or within one year	**114,895**	71,626
In the second year	**24,000**	68,352
In the third to fifth years, inclusive	**56,000**	9,374
	194,895	149,352
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(114,895)**	(71,626)
Amount due for settlement after 12 months	**80,000**	77,726

The carrying amount of the Group's bank loans are denominated in Hong Kong dollar.

27. BANK LOANS *(Continued)*

The interest rates at 30 June were as follows:

	2007	2006
Bank loans	**5.45% – 6.47%**	5.74% – 6.44%

All borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

28. FINANCE LEASE PAYABLES

	Minimum lease payments		**Present value of minimum lease payments**	
	2007 HK$'000	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
Within one year	**139**	199	**121**	171
In the second to fifth years, inclusive	**228**	40	**205**	35
After five years	**–**	84	**–**	77
	367	323	**326**	283
Less: Future finance charges	**(41)**	(40)	**–**	–
Present value of lease obligations	**326**	283	**326**	283
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(121)**	(171)
Amount due for settlement after 12 months			**205**	112

28. FINANCE LEASE PAYABLES *(Continued)*

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 2007, the effective borrowing rates were on the range from 5.96% to 8.86% (2006: 6%). 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.

29. DEFERRED TAX LIABILITIES

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

	Accelerated tax depreciation	**Revaluation of buildings**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 July 2005	–	–	–
Charge to equity	–	8,486	8,486
Charge to income statement *(Note 10)*	78	–	78
At 30 June 2006	78	8,486	8,564
Acquisition of a subsidiary *(Note 33(a)(ii))*	–	949	949
Charge to income statement *(Note 10)*	(78)	(742)	(820)
At 30 June 2007	–	8,693	8,693

The deferred tax liabilities in relation to revaluation of buildings have been charged to equity directly.

29. DEFERRED TAX LIABILITIES *(Continued)*

At the balance sheet date the Group had unused tax losses of approximately HK$17,617,000 (2006:HK$11,309,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future taxable profit streams. The tax losses are subject to approval of tax bureau and may be carried forward indefinitely.

30. SHARE CAPITAL

	Authorised ordinary shares of HK$0.01 each	
	Number of shares	*HK$'000*
At 30 June 2006 and 2007	2,000,000,000	20,000

	Issued and fully paid ordinary shares of HK$0.01 each	
	Number of shares	*HK$'000*
At 1 July 2005	824,950,000	8,250
Issue of Subscribed Shares	164,000,000	1,640
Open offer	407,180,000	4,071
Share issued on exercise of share options	29,000,000	290
At 30 June 2006	1,425,130,000	14,251
At 30 June 2007	1,425,130,000	14,251

31. RESERVES

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

(b) (i) Share premium account

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

(ii) 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 policies set out in note 3(d) to the financial statements.

(iii) Share-based payment reserve

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

(iv) Revaluation reserve

Revaluation reserve has been set up and are dealt with in accordance with the accounting policies adopted for buildings in note 3(e) to the financial statements.

32. SHARE-BASED PAYMENTS

Equity-settled share option scheme

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

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

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

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

32. 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 2006	Granted during the year	Exercised during the year	At 30 June 2007	Date of grant of share options Note (i)	Exercise period of share options	Exercise prices of share options Note (ii) HK$	Closing Price of Company's shares immediately before the date the options were granted/exercised Note (iii) HK$
Other eligible participants (in aggregate)	672,000	-	-	672,000	30 April 2002	1 May 2002 to 30 April 2012	0.249	0.279/N/A
	10,080,000	-	-	10,080,000	3 February 2006	3 February 2006 to 2 February 2011	1.196	1.348/N/A
	10,752,000	-	-	10,752,000				

Name or category of participants	Number of share options: At 1 July 2005	Granted during the year	Exercised during the year	At 30 June 2006	Date of grant of share options Note (i)	Exercise period of share options	Exercise prices of share options Note (ii) HK$	Closing Price of Company's shares immediately before the date the options were granted/exercised Note (iii) HK$
Other eligible participants (in aggregate)	672,000*	-	-	672,000	30 April 2002	1 May 2002 to 30 April 2012	0.249 *	0.279/N/A
	-	4,000,000	4,000,000	-	19 January 2006	19 January 2006 to 18 January 2011	1.138	1.138/1.41
	-	8,000,000	8,000,000	-	23 January 2006	23 January 2006 to 22 January 2011	1.084	1.084/1.41
	-	8,000,000	8,000,000	-	23 January 2006	23 January 2006 to 22 January 2011	1.084	1.084/1.41
	-	9,000,000	9,000,000	-	3 February 2006	3 February 2006 to 2 February 2011	1.340	1.348/1.50
	-	10,080,000*	-	10,080,000	3 February 2006	3 February 2006 to 2 February 2011	1.196*	1.348/N/A
	672,000	39,080,000	29,000,000	10,752,000				

* *The number of share options and exercise prices have been adjusted to reflect the open offer issue during the year ended 30 June 2006.*

Notes:

(i) There are no vesting period of the share options from the date of the grant.

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

(iii) The price of the Company's shares disclosed as at the date of the grant of the share options is the average Stock Exchange closing price for the five business days immediately preceding the date of the grant of the share options.

32. SHARE-BASED PAYMENTS *(Continued)*

Equity-settled share option scheme *(Continued)*

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

	2007		2006	
	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	10,752,000	1.137	672,000*	0.249
Granted during the year	-	-	39,080,000	1.177
Exercised during the year	-	-	(29,000,000)	1.171
Outstanding at the end of the year	10,752,000	1.137	10,752,000	1.137
Exercisable at the end of the year	10,752,000	1.137	10,752,000	1.137

* *The number of share options and exercise prices have been adjusted to reflect the open offer issue during the year ended 30 June 2006.*

No options were exercised, cancelled or lapsed during the year ended 30 June 2007.

The options outstanding at the end of the year have a weighted average remaining contractual life of 4 years (2006: 5 years) and the exercise prices range from HK$0.249 to HK$1.196 (2006: HK$0.249 to HK$1.196). No option was granted during the year. In 2006, options were granted on 19 January, 23 January and 3 February. The estimated fair values of the options on those dates are approximately HK$566,000, HK$1,458,000 and HK$2,705,000 respectively.

32. SHARE-BASED PAYMENTS *(Continued)*

Equity-settled share option scheme *(Continued)*

At 30 June 2007 the Company had 10,752,000 share options outstanding under the SO Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 10,752,000 additional ordinary shares and additional share capital of HK$107,520 and share premium of approximately HK$12,115,000 (before share issue expenses).

33. NOTES TO THE CONSOLIDATED CASH FLOWS STATEMENT

(a) Acquisition of subsidiaries

(i) On 31 August 2006, the Group further acquired the remaining 30% of the issued share capital of Sunning State Group Limited and its subsidiaries (collectively referred as "Sunning State Group") for a cash consideration of HK$40,000,000. The fair value of the identifiable assets and liabilities of Sunning State Group acquired as at it's date of acquisition was HK$9,942,000, which has no significant difference from it's carrying amount. Goodwill of HK$30,058,000 was arising from this acquisition. Sunning State Group was engaged in distribution of cosmetic products.

(ii) On 31 December 2006, the Group further acquired the remaining 50% of the issued share capital of HT Jenco International (Holdings) Limited (formerly known as Senox Co., Ltd.) and its subsidiaries (collectively referred as "Jenco Group") for a cash consideration of HK$211,000,000. Jenco Group was engaged in distribution of Thailand fresh fruits and the provision of cold chain facilities and logistics services.

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

(a) Acquisition of subsidiaries *(Continued)*

(ii) *(Continued)*

The fair value of the identifiable assets and liabilities of the subsidiary acquired as at the date of acquisition, which has no significant difference from its carrying amount, is as follows:

	Jenco Group
Net assets acquired:	*HK$'000*
Fixed assets	264,265
Prepaid land lease payments	26,453
Deposit paid for acquisition of land use rights	55,950
Deposit paid for acquisition of distribution rights	25,000
Inventories	330
Trade receivables	2,969
Prepayments, deposits and other receivables	18,411
Bank and cash balances	6,823
Accruals and other payables	(75,709)
Finance lease payables	(257)
Current tax liabilities	(18)
Deferred tax liabilities	(949)
Minority interests	(31,023)
	292,245
Transfer from investment in an associate	(150,630)
Goodwill on acquisition	69,385
Satisfied by cash	211,000

Net cash outflow arising on acquisition:

Cash consideration paid	211,000
Cash and cash equivalents acquired	(6,823)
	204,177

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

(a) Acquisition of subsidiaries *(Continued)*

(ii) *(Continued)*

The goodwill arising on the acquisition of the subsidiary is attributable to the anticipated profitability of the distribution of the Group's products in the new markets and the anticipated future operating synergies from the combination.

Jenco Group contributed approximately HK$160,714,000 to the Group's turnover and approximately HK$35,164,000 to the Group's profit before tax, for the period between the date of the acquisition and the balance sheet date.

If the acquisition of the subsidiary had been completed on 1 July 2006, the Group's turnover for the year would have been approximately HK$1,739,528,000, and profit for the year would have been approximately HK$183,733,000. The proforma information is for illustrative purposes only and is not necessarily an indication of turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 July 2006, nor is intended to be a projection of future results.

(b) Disposals of subsidiaries

(i) On 30 November 2006, the Group disposed of its entire interests of the issued share capital of Excel Prime Limited and its subsidiary (collectively referred as "Excel Group") for a cash consideration of HK$3,000,000. Excel Group was engaged in investment holding.

(ii) On 30 April 2007, the Group disposed of its entire interests of the issued share capital of Profit Grand (China) Limited and its subsidiary (collectively referred as "Profit Group") for a cash consideration of HK$5,000,000. Profit Group was engaged in trading of packaged goods.

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

(b) Disposal of subsidiaries *(Continued)*

(iii) On 2 January 2007, the Group disposed of 60% of the issued share capital of Nature Intuition Group Ltd. and its subsidiaries (collectively referred as "Nature Group") for a cash consideration of HK$50,000,000. Nature Group was engaged in trading of fresh produce.

	Excel Group	Profit Group	Nature Group	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Fixed assets	–	545	3,410	3,955
Deposits for land use rights	–	–	54,875	54,875
Inventories	–	3,571	330	3,901
Trade receivables	–	4,818	2,906	7,724
Prepayment and other receivables	–	1,017	5,201	6,218
Due from immediate holding company	–	–	14,614	14,614
Bank and cash balances	93	606	974	1,673
Trade payables	–	(447)	–	(447)
Accruals and other payables	(14)	(3,860)	(4,810)	(8,684)
Current tax liabilities	–	(342)	–	(342)
Net assets disposed of	79	5,908	77,500	83,487
Goodwill *(Note 17)*	4,304	–	8,494	12,798
Minority interests	–	–	(31,023)	(31,023)
	4,383	5,908	54,971	65,262
Loss on disposal	(1,383)	(908)	(4,971)	(7,262)
Total consideration satisfied by cash	3,000	5,000	50,000	58,000
Net cash inflow arising on disposal:				
Cash consideration received	3,000	5,000	50,000	58,000
Cash and cash equivalents disposed of	(93)	(606)	(974)	(1,673)
	2,907	4,394	49,026	56,327

34. BANKING FACILITIES

At 30 June 2007, 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.

35. CONTINGENT LIABILITIES

At 30 June 2007, the Group did not have any significant contingent liabilities.

36. CAPITAL COMMITMENTS

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

	2007	2006
	HK$'000	*HK$'000*
Contracted but not provided for		
– Construction in progress	**6,505**	–
– Fixed assets	**336**	–
– Acquisition of further interests in subsidiaries	**–**	20,000
	6,841	20,000

37. OPERATING LEASE COMMITMENTS

At 30 June 2007, the Group's total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2007	2006
	HK$'000	*HK$'000*
Within one year	**2,488**	3,078
In the second to fifth years, inclusive	**20,879**	2,070
After five years	**3,443**	–
	26,810	5,148

38. SUBSIDIARIES

Particulars of the subsidiaries as at 30 June 2007 are as follows:

Name	Place of incorporation/ registration/ and operations	Issued/ paid-up capital	Percentage of ownership interest/ voting power/ profit sharing	Principal activities
Directly held				
Fiorfie Trading Limited	British Virgin Islands ("BVI")	Ordinary US$1,000	100%	Investment holding
Indirectly held				
Alfe Trading Limited	Hong Kong	Ordinary HK$2	100%	Debenture holding
Deal Time Holdings Limited	BVI	Ordinary US$1	100%	Investment holding
Golden Sector Limited	Hong Kong	Ordinary HK$10,000	100%	Distribution of packaged food, beverages, household consumable products and nourishing products
Heng Tai Consumables Group (New Zealand) Limited	New Zealand	Ordinary NZ$10,000	100%	Provision of procurement services

38. SUBSIDIARIES *(Continued)*

Particulars of the subsidiaries as at 30 June 2007 are as follows *(Continued)*:

Name	Place of incorporation/ registration/ and operations	Issued/ paid-up capital	Percentage of ownership interest/ voting power/ profit sharing	Principal activities
Indirectly held *(Continued)*				
Heng Yui (Macao) Commercial Offshore Limited	Macau	MOP100,000	100%	Distribution of packaged food, beverages, household consumable products, cold chain products and fresh fruit
Hurdle Limited	BVI	Ordinary US$1	100%	Investment holding
Master Oriental Limited	Hong Kong	Ordinary HK$10,000	100%	Investment holding
Step First Ltd.	BVI	Ordinary US$1	100%	Trademark holding
Sui Tai & Associates Limited	Hong Kong	Ordinary HK$10,000	100%	Provision of administrative services
Si Wan Limited	Hong Kong	Ordinary HK$2	100%	Investment holding
Shanghai Sypher Ltd.*	PRC	Registered capital US$10,100,000	100%	Logistics centre operations

38. SUBSIDIARIES *(Continued)*

Particulars of the subsidiaries as at 30 June 2007 are as follows *(Continued)*:

Name	Place of incorporation/ registration/ and operations	Issued/ paid-up capital	Percentage of ownership interest/ voting power/ profit sharing	Principal activities
Indirectly held *(Continued)*				
Heng Tai Finance Limited	Hong Kong	Ordinary HK$10,000	100%	Provision of treasury services
Amazing Victory Ltd.	BVI	Ordinary US$1	100%	Distribution of packaged food, beverages, household consumable products, cold chain products and fresh fruit
Heng Tai Consumable Group (Australia) Pty Limited	Australia	Ordinary AUD10,000	100%	Provision of procurement services
Sunning State Group Limited	BVI	Ordinary US$2,000,000	100%	Investment holding
Triglory Enterprises Limited	BVI	Ordinary US$10,000	100%	Distribution of cosmetic products
Triglory (H.K.) Limited	Hong Kong	Ordinary HK$1	100%	Distribution of cosmetic products
Swift Force Logistics Limited	BVI	Ordinary US$3,000,000	100%	Investment holding

38. SUBSIDIARIES *(Continued)*

Particulars of the subsidiaries as at 30 June 2007 are as follows *(Continued)*:

Name	Place of incorporation/ registration/ and operations	Issued/ paid-up capital	Percentage of ownership interest/ voting power/ profit sharing	Principal activities
Indirectly held *(Continued)*				
Nexus Logistics (International) Limited	Hong Kong	Ordinary HK$4,000,000	70%	Provision of logistics and transportation services
Nexus Logistics Development Limited	BVI	Ordinary US$100	70%	Provision of logistics and transportation services
HT Jenco International (Holdings) Limited (formerly known as Senox Co., Ltd.)	BVI	Ordinary US$39,802,914	100%	Investment holding
Harvestgate Enterprises Limited	BVI	Ordinary US$30,000	100%	Investment holding
Golden Harvest (Macao Commercial Offshore) Limited	Macau	MOP100,000	100%	Sourcing and distribution of fresh produce
New Sino International Ltd.	BVI	Ordinary US$10,000	100%	Operator of overseas packing houses and PRC distribution depots

38. SUBSIDIARIES *(Continued)*

Particulars of the subsidiaries as at 30 June 2007 are as follows *(Continued)*:

Name	Place of incorporation/ registration/ and operations	Issued/ paid-up capital	Percentage of ownership interest/ voting power/ profit sharing	Principal activities
Indirectly held *(Continued)*				
Sino Combo International Limited	HK	Ordinary HK$10,000	100%	Investment holding
Jin Tao (Zhongshan) Fresh Produce Logistics Co., Ltd.*	PRC	Registered capital US$30,000,000	100%	Owner and operator of Zhongshan logistics centre
Rich Label Holdings Inc.	BVI	Ordinary US$100	100%	Investment holding
Gold Ace Development Limited	HK	Ordinary HK$100	100%	Investment holding

* *Foreign wholly-owned enterprise.*

39. EVENTS AFTER THE BALANCE SHEET DATE

Subsequent to the balance sheet date:

(a) On 28 June 2007, the Company announced that, pursuant to a placing and subscription agreement, Best Global Asia Limited, a shareholder of the Company, would sell 142,500,000 existing shares of the Company (the "Placing") at a price of HK$1.78 per placing share and subscribe for 142,500,000 new shares of the Company (the "Subscription") at a price of HK$1.78 per new share, respectively. The Placing and Subscription were completed on 10 July 2007. The gross proceeds from the issue of new shares were approximately HK$254 million.

(b) The Group sold 58,212,000 listed warrants issued by China Zenith at HK$0.12 per warrant to an independent third party on 28 August 2007 at a total consideration of approximately of HK$7 million through broker. On 8 October 2007, the Group entered into a sale and purchase agreement with the same party to sell 400,000,000 issued ordinary shares of China Zenith, representing approximately 11% of the issued share capital of China Zenith, at a total consideration of HK$202 million.

40. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the board of directors on 26 October 2007.