Creating the
Growth Drivers

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)

2008 ANNUAL REPORT

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors:
Mr. Lam Kwok Hing *(Chairman)*
Mr. Chu Ki
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
29th Floor, Caroline Centre
Lee Gardens Two
28 Yun Ping Road
Hong Kong

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL BANKERS

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

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 2008.

FINANCIAL PERFORMANCE

The past financial year has seen another year of sustainable growth and strong performance from the Group with its turnover grew by approximately 31.7% to HK$2,274 million and operating profit increased to approximately HK$246.0 million from HK$203.9 million when compared with the preceding financial year. Gross profit margin improved continually to approximately 22.4% during the year under review when compared with approximately 20.2% in the preceding financial year. Profit for the year surged by approximately 32.5% to HK$251.9 million.

The increase in turnover was mainly driven by increased sales volume of cold chain, cosmetic and fresh produce products and increased handling volume of logistics services provided by our logistics facilities in the People's Republic of China (the "PRC"). During the year under review, the Group continued to enhance its business model and kept on strengthening its capability as a fast growing one-stop services platform provider with a more focused strategy in logistics development for cold chain and agro-products. The successful transformation from a traditional distribution mentality to a service-oriented conglomerate enabled us to broaden our scope of services, product variety and sales network and secured growth momentum.

Gross profit margin improvement was mainly achieved through the continuous enlargement in sales mix in the provision of cold chain logistics services and sales of cold chain and cosmetic products with their relatively higher profit margin.

Though operating expenses had recorded approximately 66.3% increase or increased from approximately 9.5% to 12.0% of the turnover given a higher level of operating expenses and overheads had been incurred to achieve the growth in sales turnover and to support expanded operations in logistics business, the Group had managed to achieve a net profit of HK$251.9 million or approximately 32.5% increase when compared with the preceding financial year. Earnings per share also increased from 13.3 HK cents to 16.3 HK cents during the year under review.

DIVIDEND

The Board does not recommend the payment of the final dividend in respect of the year ended 30 June 2008. Though the Group maintained a strong financial position throughout the year under review, the Board decided to maintain adequate cash reserve for the imminent capital expenditure in the agro-business development in the coming year as well as keeping the Group in a solvent position.

Chairman's Statement

BUSINESS MODEL, DEVELOPMENT REVIEW AND GROWTH STRATEGIES

During the year, the Group has consistently delivered itself as a one-stop service platform incorporating the functions of traders, marketing agent and supply chain solutions provider in the fast moving consumable goods ("FMCG"), cold chain, cosmetic and agro-industry in the PRC.

During the year, the Group had been able to achieve a significant growth for its distribution business in cold chain, cosmetic and fresh produce products and the logistics services. The secured growth momentum had been attributable to certain acquisition plans to strengthen its market presence and also a cautiously planned transformation plan implemented over the years through the Group's evolving business model from its traditional asset-light FMCG business to correlated logistics services equipped with appropriately-invested infrastructure. The transformation though necessitated the upfront capital, was beneficial to the Group's long-term development by reducing its subsequent leverage on working capital requirement with lesser trading stocks and shorter receivables terms and was also considered critical to substantiate continuous business growth and the Group's competitive edge to address market needs and fill the market voids in the PRC.

During the year under review, the Group had been able to integrate its logistics facilities in Shanghai, Zhongshan and Beijing of the PRC into its traditional distribution business. Following the grand opening of the Group's logistics centre in Zhongshan since November 2006, the centre had become fully functional for a full financial year and had strengthened our distribution network and capability to secure significant growth momentum in the distribution business of agro-products and provision of logistics services. To cope with its on-going development in the logistics and agro-business, the Group had acquired a parcel of land adjacent to Zhongshan logistics centre for its second phase development. The second phase development would encompass the establishment of a central warehouse, an internationally recognised standard hygiene and quarantine centre and various repackaging facilities. The central warehouse would act as the storage and processing hub for China's domestic agro-products and reprocessed for export after they meet the hygiene and quarantine requirements of the importing countries in Zhongshan logistics centre.

In October 2007, the Group had entered into the cooperative terms with a global logistics provider to form a venture business to carry out perishable logistics in the PRC. The venture business would set to expand the Group's scope and volume in logistics for cold chain and agro-products from global reach of the shipping and logistics activities of such global logistics provider. Within an appropriate timeframe, the cooperation would be further extended for export of China's agro-products with the availability of the outbound logistics infrastructure of the global logistics provider.

To cope with the forthcoming development in perishable logistics, the Group has initiated a diversification plan to equip itself to become a one-stop vertical integrated service platform provider conducting cultivation, value-added processing, perishable logistics and distribution for the agro-industry in the PRC. The diversification plan would further its existing business into upstream farming to ensure quality and stable supply of agro-products. Midstream value-added processing, packaging and storage would be carried out through the Group's existing and expanding logistics facilities. Downstream sales would be achieved through further development in existing sales network in the PRC and export with the global reach of the strategic alliance logistics provider. The realisation of such development plan would lead to a significant increase in business volume and hence create a strong growth driver for the coming years.

To cope with the funding requirement for the forthcoming development, the Group had during the year disposed of 400,000,000 shares in China Zenith Chemical Group Limited ("China Zenith"). The net sale proceeds of approximately HK$200 million together with the Group's existing cash reserve and internally generated resources would provide a strong capital base for the imminent expenditure and further development.

PROSPECT

In spite of the severe fluctuation of the global economic environment dominated by concerns about the worldwide economy, the Group is still cautiously optimistic towards the consumer market and forthcoming development in the PRC. The recent downturn in the global economy exerted severe pressure on the export and foreign investment in the PRC, but the PRC government has explicitly indicated that it would rely on fiscal and administrative policies to stimulate domestic demand in order to maintain a continuous GDP growth and stable rural economy. In the year ahead, the turbulent financial market will affect the global economic environment and the conservative sentiment among consumers is expected to make our operating environment more challenging. However, with the well established sales network and logistics infrastructure in the PRC and the carefully planned entry plan into the agro-industry in an operating environment with strong government's policy support, the Group is well positioned to secure growth momentum to create shareholder value in the years ahead.

APPRECIATION

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

On behalf of the Board
Lam Kwok Hing
Chairman

Hong Kong, 28 October 2008

Management Discussion and Analysis

Heng Tai Consumables Group Limited (the "Company") and its subsidiaries (collectively the "Group") are principally engaged in (i) distribution of packaged food, beverages, household consumable products, cosmetics and skincare products and cold chain products; (ii) the provision of cold chain logistics services; and (iii) cultivation and distribution of agro-products. During the year under review, the Group has been able to integrate its logistics facilities in Shanghai, Zhongshan and Beijing of the PRC into its traditional distribution business. The integration has strengthened the distribution network and capability to secure growth momentum in the distribution business and provision of logistics services and enable us to 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 agro-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 still demonstrated a strong and rapid development of the macro economy. The continuous growth of disposal income of urban and rural residents, enlargement of middle class consumers relative to China's total population and accelerated urbanization in the PRC have generated enormous demands for quality consumables and created very favourable macro economic environment 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 capitalize prevailing market potential in the PRC.

In spite of the recent severe fluctuation of the global economic environment, the Group is still cautiously optimistic towards the consumer market and forthcoming development in the PRC. The recent downturn in the global economy exerted severe pressure on the export and foreign investment in the PRC, but clear fiscal and administrative policies from the PRC government have been in place to boost up consumer spending and stimulate domestic demand in order to maintain a continuous GDP growth and stable rural economy. It is anticipated that China's retail and consumer markets would continue to offer enormous opportunities for our business to grow.

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$2,274 million, representing an increase of approximately HK$547 million or 31.7% when compared with the preceding financial year. The increase in turnover was mainly attributable to (i) the increased sales volume of cold chain, cosmetic and fresh produce products; (ii) increased sales and contribution from a newly acquired distribution business in cold chain products; and (iii) increased handling volume of logistics services provided by Zhongshan logistics facilities in the PRC, which became fully functional for a full financial year since its grand opening in November 2006.

Gross profit margin improved continually to approximately 22.4% during the year under review when compared with approximately 20.2% in the preceding financial year. The improvement in gross profit margin was mainly attributable to the continuous enlargement in sales mix in the provision of cold chain logistics services and sales of cold chain and cosmetic products with their relatively higher gross profit margin.

Selling and distribution expenses increased from approximately HK$101.4 million to HK$142.1 million or increased from approximately 5.9% to 6.2% of the turnover when compared with the preceding financial year. Such increase was mainly attributable to the increased outlays in marketing development and promotion campaigns, transportation and handling, rentals for liaison offices, depreciation, headcounts for sales force and miscellaneous selling expenses incurred for expanding distribution business and Zhongshan logistics centre with a full year operation for the year ended 30 June 2008.

Administrative expenses increased from approximately HK$55.2 million to HK$111.7 million or recorded approximately 102.3% increase when compared with the preceding financial year. Such increase was mainly attributable to the increased outlays in depreciation, utility and communication, corporate development, business travelling, headcount costs, share-based payments and miscellaneous operating expenses incurred for expanding operations, Beijing depot and Zhongshan logistics centre with a full year operation for the year ended 30 June 2008.

Other operating expenses were approximately HK$20.0 million for the year, which was mainly attributable to the loss of approximately HK$10.2 million on disposal of 400,000,000 shares in China Zenith Chemical Group Limited ("China Zenith") and the loss of approximately HK$5.6 million on disposal of 58,212,000 listed warrants issued by China Zenith, which had reversed part of the unrealized fair value gain of approximately HK$12.6 million recognised in last financial year. The loss on disposal of 400,000,000 shares at HK$0.505 per share in China Zenith was mainly attributable to the addition to the average acquisition cost of HK$0.393 per share for the accumulated share of its profit under equity accounting treatment since acquisition.

Finance costs decreased to approximately HK$8.4 million during the year when compared with approximately HK$9.7 million in the preceding financial year.

During the year under review, the Group recorded share of results of associated companies of approximately HK$22.8 million, which mainly represented the share of net profit of China Zenith under equity accounting treatment up to the date of the disposal.

Profit from operations increased to approximately HK$246.0 million, representing an increase of approximately 20.7% compared to HK$203.9 million in the preceding financial year. Profit for the year increased to approximately HK$251.9 million, representing an increase of approximately 32.5% compared to approximately HK$190.1 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 top-up placing and subscription agreement for the placing of 142,500,000 existing shares of the Company to independent places at a placing price of HK$1.78 per share. The placing and subscription were completed on 10 July 2007. The net proceeds of approximately HK$245 million provided strong shareholder funding for the Group's further development in logistics and agro-business.

During the year, the Company issued 22,500,000 new shares through exercise of share options by option holders with net proceeds of approximately HK$27.9 million.

At 30 June 2008, the Group had interest-bearing borrowings of approximately HK$249.2 million (30 June 2007: HK$194.9 million) of which over 95% of the borrowings were denominated in Hong Kong dollars and approximately 42% mature within one year. All of the Group's bank borrowings were floating-interest bearing and secured by corporate guarantees given by the Company and certain subsidiaries of the Company.

A significant portion of sales, purchases and services income of the Group were either denominated in Renminbi, Hong Kong dollars and US dollars. The Directors consider that the operations of the Group are not exposed to significant foreign currency exchange risk in view of the appreciation of Renminbi that was in favour of the Group and the stability of the exchange rates between Hong Kong and US dollars. The Group did not have any significant hedging instrument outstanding as at 30 June 2008.

At 30 June 2008, the Group's current assets amounted to approximately HK$1,139.5 million (30 June 2007: HK$681.7 million) and the Group's current liabilities amounted to approximately HK$245.4 million (30 June 2007: HK$244.5 million). The Group's current ratio had significantly improved to approximately 4.6 as at 30 June 2008 (30 June 2007: 2.8). The improvement in the current ratio was mainly attributable to the increase in cash and bank balances from a combined effect including the proceeds from disposal of China Zenith's shares, the top-up placing and subscription completed during the year and the internally generated earnings. At 30 June 2008, the Group had total assets of approximately HK$2,400.3 million (30 June 2007: HK$1,671.1 million) and total liabilities of approximately HK$406.5 million (30 June 2007: HK$333.4 million) with a gearing ratio of approximately 10.4% (30 June 2007: 11.7%). The gearing ratio was expressed as a ratio of total borrowings to total assets. The gearing ratio remained at a fairly stable level during the year under review.

NUMBER AND REMUNERATION OF EMPLOYEES

At 30 June 2008, the Group had approximately 770 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 2008, a total of 166,752,000 share options remain unexercised.

BUSINESS REVIEW, DEVELOPMENT AND PROSPECT

The Group is principally engaged in (i) distribution of fast moving consumable goods, cosmetics and cold chain products; (ii) the provision of cold chain logistics services; and (iii) cultivation and distribution of fresh produce products. The product groups distributed by the Group included packaged food, beverages, household consumable products, cosmetic and skincare products, frozen and chilled products, and fresh produce products with their respective contribution of approximately 35%, 3%, 3%, 7%, 13%, and 31% and the provision of cold chain logistics services represented approximately 8% to the Group's turnover for the year ended 30 June 2008. 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, cleansers, skin and sun care products. Cold chain products consisted of frozen meat, seafood and dairy products. Fresh produce products included fresh fruit and vegetables.

The Group's distribution products were mainly sourced from the Southeast Asia, the United States of America, Europe, Australia and New Zealand and sold to wholesalers, retailers and on-premise customers in the PRC. Wholesalers were still the main customer category, which accounted for approximately 51% of the Group's turnover for the year and the Group had been consistently expanding its customer base in retailing and on-premise sectors to approximately 20% and 21% and servicing sectors to approximately 8% respectively. The progressive enlargement in retailing, on-premise and servicing sectors was mainly attributable to sales of more cosmetic products and also the cold chain and fresh produce products with the availability of our cold chain facilities by in Shanghai, Zhongshan and Beijing of the PRC.

During the year under review, the Group has consistently performed as a fast growing one-stop services platform provider delivering distribution, brand-building, supply chain solutions and value-added functions for the fast moving consumable goods, cosmetic, cold chain and fresh produce products in the PRC. The Group had been also realising its investments plans to reinforce its development in the cosmetic, cold chain and fresh produce products and logistics business.

Recognizing the procurement network as one of the key success factors to its core business, the Group had established two packhouses in Thailand during the year. These packhouses served as the overseas procurement arms of our PRC logistics hubs and depots to ensure the quality and steady supply of fresh produce products to the PRC market. The supportive depot in Beijing of the PRC had also come into operations during the year under review. Two more supportive depots in Kunming and Changsha of the PRC were expected to become fully functional in the coming financial year to complement the Group's sourcing and distribution network for fresh produce products in the eastern and western parts of the PRC.

In October 2007, the Group had entered into the cooperative terms with a global logistics provider to form a venture business to carry out perishable logistics in the PRC. The formation of such venture business would require the Group to establish cold chain infrastructure next to the port entry in the PRC with immediate handling and processing ability and subsequent logistics capability, including the carry-out of cargo consolidation, storage, temperature controlled inland transport and delivery to door for perishables upon their arrival on ports in the PRC. The venture business would set to expand the Group's scope and volume in logistics for cold chain and agro-products from global reach of the shipping and logistics activities of such global logistics provider. Within an appropriate timeframe, the cooperation would be further extended for export of China's agro-products with the availability of the outbound logistics infrastructure of the global logistics provider. The Group's logistics hubs and depots would come into play to a significant role by serving as the ultimate post-harvest processing facilities for export of agro-products in the southern and north-eastern regions of the PRC leading to a significant increase in business volume and profitability.

During the year under review, the Group had acquired a parcel of land adjacent to Zhongshan logistics centre for its second phase development. The second phase development would encompass the establishment of a central warehouse, an internationally recognised standard hygiene and quarantine centre and various repackaging facilities. The central warehouse would act as the storage and processing hub for China's agro-products for domestic sales and reprocessed for export after they meet the hygiene and quarantine requirements of the importing countries in Zhongshan logistics centre.

The Group was still seeking appropriate locality at a reasonable cost to construct or acquire another logistics hub in the north-eastern region of the PRC. This logistics hub would form part of the cold chain infrastructure next to the port entry to carry out the perishable logistics with the global logistics provide in the PRC. The operations of such logistics hub in the north-eastern region of the PRC, in addition to the two strategically located logistics hubs already established in the eastern (Shanghai) and southern (Zhongshan) regions of the PRC together with the supportive depots, would enable the Group to operate a nation-wide network comprising cold chain distribution and logistics services for cold chain and fresh produce products and to address market needs and fill market voids with the first mover advantage in the PRC.

In October 2007, the Group entered into the sale and purchase agreement pursuant to which the Group would sell 400,000,000 shares in China Zenith at HK$0.505 per share to an independent third party. The net sale proceeds of approximately HK$200 million would form part of the capital investment base to cope with the funding requirement for the forthcoming development in the logistics, cold chain and agro business. Subsequent to the disposal, the Group's investment in China Zenith had been reduced to 71,060,000 shares, which represented approximately 1.89% shareholding in China Zenith as at 30 June 2008.

In November 2007, the Group entered into the acquisition agreement to acquire 100% equity interest of Panna Fine Group Limited and its subsidiaries ("Panna Fine Group") at a consideration of HK$80 million. Panna Fine Group is principally engaged in the wholesaling and distribution of imported cold chain products with established sales network in the southern and northern regions of the PRC. The acquisition of Panna Fine Group would enable the Group to enrich its product lines, further raise the utilization of its cold chain infrastructure in Shanghai logistics hub and expand its current cold chain distribution network to a broader coverage in the PRC.

To strengthen its cosmetic business development, the Group had set up a wholly owned subsidiary in the PRC in April 2008. Different from the existing cosmetic business model run by the Group with its sourcing from overseas countries, this subsidiary performed its sourcing from the PRC manufacturers and sold the cosmetic products and toiletries to the department, pharmacy and retail chain stores at a more affordable price in the PRC. Currently, this subsidiary had secured exclusive distribution rights for certain established brandnames and would enrich the Group's product varieties to capture the ever-growing cosmetic market in the PRC.

To cope with the forthcoming development in perishable logistics with the global logistics provider and cater for the second phase development of Zhongshan logistics centre for domestic and export sales of China's agro-products, the Group has initiated a diversification plan to equip itself to become a one-stop vertical integrated service platform provider conducting cultivation, value-added processing, perishable logistics and distribution for the agro-industry in the PRC. In May 2008, the Group had participated in upstream farming through acquisition of 70% equity interest in a farming business with its cultivation base in Jiangxi Province of the PRC. The farming business was mainly engaged in the cultivation and sales of vegetables to wholesalers and retail markets in the PRC and also to wholesaler markets, established food servicing chains and its own retail shops in Hong Kong. Further, the Group has progressed to acquire its own farmland and to conclude contract farming arrangement to ensure a steady quality-assured supply at a competitive pricing to meet the expected significant demand of agro-products in its forthcoming perishable logistics and export expansion. Post-harvest value-added processing, packaging and storage would be carried out through the Group's existing and expanding logistics facilities. Downstream sales would be achieved through further development in existing sales network in the PRC and export with the global reach of the strategic alliance logistics provider. The realisation of such development plan would lead to a significant increase in business volume and hence create a strong growth driver for the coming years.

In the years ahead, the Group will continue to enhance its business model and keep on strengthening its capability as a fast growing one-stop services platform provider in its traditional distribution business while with a more focused expansion plan in the logistics and agro-business.

EXECUTIVE DIRECTORS

Mr. LAM Kwok Hing, aged 52, 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 55, is an Executive Director and Chief Executive Officer of the Company and a founder of the Group. Mr. Chu has over 25 years' managerial experience in the food and beverage and the transportation industries, both in Hong Kong and in the PRC. Mr. Chu is responsible for the Group's overall development, management and external corporate and investor communication.

Ms. LEE Choi Lin, Joecy, aged 48, is an Executive Director of the Company and a founder of the Group. Ms. Lee is currently responsible for the general administration and management of the Group. She has over 15 years' experience in the consumer products industry. Ms. Lee is the spouse of Mr. Lam, an Executive Director of the Company.

Mr. PENG Zhanrong, aged 38, 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 (the "Stock Exchange"), China Zenith Chemical Group 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 40, 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 39, 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 64, 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 53, 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 50, 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 40, 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 42, is the General Manager of the Administration and Accounting of the Group. Ms. Hung obtained a Bachelor of Business Degree in Australia. Ms. Hung joined the Group in March 1998 and is responsible for overseeing the financial operations and administrative function of the Group. She has over 15 years' experience in accounting and administration.

Mr. ONG Hong Hoon, Bernard, aged 58, joined the Group in November 2004 as General Manager of a wholly owned subsidiary of the Company engaged in the fresh produce division. Mr. Ong is responsible for managing the operations and development of the agro-business of the Group. Mr. Ong holds a Master Degree in Business Administration from Golden Gate University, USA. Mr. Ong is an associate member of Yayasan Pengurusan Malaysia (Malaysian Institute of Management and an associate of the Institute of Bankers of United Kingdom. Mr. Ong has over 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 55, 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 agro-based logistics business of the Group. Mr. Wong has over 20 years' work experience in the consumer goods industry.

Mr. WONG Chun, aged 36, joined the Group in February 2006 as Financial Controller of a wholly owned subsidiary of the Company engaged in the fresh produce division. Mr. Wong is responsible for supervising and managing the financial operations and reporting of the agro-business division. Mr. Wong holds a Diploma in Accountancy and is a member of the Association of Chartered Certified Accountants and has over 10 years' accounting and auditing experience in an auditing firm.

Ms. GAO Qin Jian, aged 48, is the General Manager of a PRC subsidiary of the Company. Ms. Gao obtained a Bachelor of Business Degree, majoring in business administration in Fudan University of the PRC. Ms. Gao has over 20 years' experience in accounting, finance and also managerial experience in the distribution and logistic industries. Ms. Gao joined the Group in March 2004 and is responsible for the management and business development of the Group's distribution and Cold Chain logistic business in the PRC.

Mr. Dirk Butch WALTER, aged 45, 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.

Directors, Senior Management and Staff

Mr. HUNG Ling Ming, aged 54, joined the Group in April 2006 and now as General Manager of a wholly owned subsidiary of the Company engaged in the distribution division of the fast moving consumables goods. Mr. Hung is responsible for the Group's product sales, 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 38, joined the Group in April 2005 as Senior Business Development Manager of a wholly owned subsidiary of the Company engaged in agro-business division. Mr. Ong is responsible for business development of the Group's cold-chain business. Mr. Ong obtained a Bachelor of Arts Degree in Business Organisation in Edinburgh, Scotland and has over 10 years' work experience in sales and marketing in Malaysia and the PRC.

Mr. CHENG Hok Ming, aged 55, joined the Group in July 2005 as Assistant General Manger of a wholly owned subsidiary of the Company engaged in the agro-business division. Mr. Cheng is responsible for operational, trading and warehousing functions of the Group's agro-business business. Mr. Cheng has over 12 years' work experience in logistics and warehouse management and retail chain stores operations in Hong Kong and Taiwan.

Ms. KWAN Kar Ling, Rosanna, aged 38, is the Human Resources Manager of the Group. Ms. Kwan obtained a Master of Business Administration in International Management in the United Kingdom and an Honour Diploma in the Human Resources Management in Hong Kong. Ms. Kwan is an associate member of the Hong Kong Institute of Human Resource Management. Ms. Kwan joined the Group in February 2008 and is responsible for overseeing the human resources functions of the Group in Hong Kong and PRC. She has over 14 years' experience in human resources field.

The directors have pleasure in presenting their report and the audited financial statements for the year ended 30 June 2008.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

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

An analysis of the Group's performance by business and geographical segments for the year ended 30 June 2008 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 2008 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 any dividend for the year ended 30 June 2008.

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				
	2008	2007	2006	2005	2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Profit attributable to:					
– Equity holders of the Company	**255,148**	190,127	122,319	105,142	72,094
– Minority interests	**(3,297)**	(47)	1,299	(7)	–
Profit for the year	**251,851**	190,080	123,618	105,135	72,094

Assets, liabilities and equity

	At 30 June				
	2008	2007	2006	2005	2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	**2,400,299**	1,671,086	1,363,505	689,023	409,761
Total liabilities	**(406,489)**	(333,381)	(224,389)	(223,661)	(97,611)
Total minority interests	**(5,026)**	(24)	(10,013)	(28)	–
Total equity attributable to equity holders of the Company	**1,988,784**	1,337,681	1,129,103	465,334	312,150

Note: The results of the Group for the four years ended 30 June 2004, 2005, 2006 and 2007 and the assets, liabilities and equity of the Group as at these dates have been extracted from the audited consolidated financial statements of the Company for the respective years and restated as appropriate. The results of the Group for the year ended 30 June 2008 and the assets, liabilities and equity of the Group as at 30 June 2008 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 32 to the financial statements.

DISTRIBUTABLE RESERVES

At 30 June 2008, the Company had distributable reserves of approximately HK$1,195,930,000. Under the Companies Law (Revised) of the Cayman Islands, the share premium account of the Company of approximately HK$1,034,704,000 as at 30 June 2008 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 2008.

MAJOR CUSTOMERS AND SUPPLIERS

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

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

DIRECTORS

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

Executive Directors

Mr. Lam Kwok Hing
Mr. Chu Ki
Ms. Lee Choi Lin, Joecy
Mr. Peng Zhanrong
Mr. Chiau Che Kong
Mr. Fong Yiu Ming, Anson (resigned on 4 February 2008)

Non-executive Director

Ms. Chan Yuk, Foebe

Independent Non-executive Directors

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

In accordance with the Company's articles of association, Mr. Chu Ki, Ms. Chan Yuk, Foebe and Mr. John Handley will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Mr. John Handley, Mr. Poon Yiu Cheung, Newman and Ms. Mak Yun Chu were appointed for a term of three years expiring on 5 November 2010, 25 November 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 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 contract with the Company on and effective from 13 February 2004 and 8 April 2004 respectively which continues thereafter until terminated by either party giving not less than three months' notice in writing to the other party.

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

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

DIRECTORS' INTERESTS IN CONTRACTS

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

MANAGEMENT CONTRACTS

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

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 June 2008, 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/underlying shares of the Company

Name of director	*Note*	Number of shares/ underlying shares held	Percentage of the issued share capital
Mr. Lam Kwok Hing	*1*	239,400,000	15.06%
Ms. Lee Choi Lin, Joecy	*2*	85,680,000	5.39%
Mr. Chu Ki	*3*	14,000,000	0.88%
Mr. John Handley	*4*	3,500,000	0.22%

Notes:

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

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

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

4. The interests of Mr. John Handley represent the interests in 3,500,000 underlying shares in respect of the share options granted by the Company.

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

Save as disclosed above, as at 30 June 2008, 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 34 to the financial statements.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2008, 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	15.06%
World Invest	*2*	85,680,000	Corporate interests	5.39%
Keywise Capital Management (HK) Limited	*3*	220,671,000	Corporate interests	13.88%
Keywise Greater China Opportunities Master Fund	*3*	140,203,000	Corporate interests	8.82%
JPMorgan Chase & Co.		172,610,000	Corporate interests	10.86%
Arisaig Greater China Fund Limited	*4*	153,903,600	Corporate interests	9.68%
Arisaig Partners (Mauritius) Limited	*4*	153,903,600	Corporate interests	9.68%
Lindsay William Ernest Cooper	*4*	153,903,600	Corporate interests	9.68%
Value Partners Limited	*5*	140,008,800	Corporate interests	8.80%
Value Partners Group Limited	*5*	140,008,800	Corporate interests	8.80%
Cheah Capital Management Limited	*5*	140,008,800	Corporate interests	8.80%
Cheah Company Limited	*5*	140,008,800	Corporate interests	8.80%
Hang Seng Bank Trustee International Limited	*5*	140,008,800	Corporate interests	8.80%
Cheah Cheng Hye	*5*	140,008,800	Corporate interests	8.80%
To Hau Yin	*5*	140,008,800	Corporate interests	8.80%
UBS AG	*6*	85,181,000	Corporate interests	5.36%

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. Keywise Capital Management (HK) Limited was deemed to be interested in 220,671,000 shares, out of which 140,203,000 shares was beneficially owned by Keywise Greater China Opportunities Master Fund and 78,963,000 shares was beneficially owned by Keywise Greater China Master Fund, by virtue of Keywise Capital Management (HK) Limited acting as discretionary manager of these two funds.

4. Arisaig Partners (Mauritius) Limited was deemed to be interested in the 153,903,600 shares held by Arisaig Greater China Fund Limited by virtue of it acting as discretionary investment manager of Arisaig Greater China Fund Limited. Lindsay William Ernest Cooper was deemed to be interested in the 153,903,600 shares held by Arisaig Greater China Fund Limited through his indirect 33.33% beneficial interest in Arisaig Partners (Mauritius) Limited.

5. Hang Seng Bank Trustee International Limited has 100% control of Cheah Company Limited, which has 100% control of Cheah Capital Management Limited, which has 35.65% control of Value Partners Group Limited, which in turn has 100% control of Value Partners Limited. Mr. Cheah Cheng Hye also has 100% control of Cheah Capital Management Limited and is the founder of C H Cheah Family Trust. To Hau Yin is the spouse of Cheah Cheng Hye.

6. These shares were held by UBS AG as a person having a security interest in shares.

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

Save as disclosed above, as at 30 June 2008, 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 2008.

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 2008 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 42 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
28 October 2008

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 2008, 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 (the "Listing Rules") 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 2008 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 2008, the composition of the Board was as follows:

Executive Directors
Mr. Lam Kwok Hing
Mr. Chu Ki
Ms. Lee Choi Lin, Joecy
Mr. Peng Zhanrong
Mr. Chiau Che Kong
Mr. Fong Yin Ming, Anson (resigned on 4 February 2008)

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 have 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 2008, 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 2008, 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 (resigned on 4 February 2008)	3/4	75%
Ms. Lee Choi Lin, Joecy	6/6	100%
Mr. Peng Zhanrong	5/6	83%
Mr. Chiau Che Kong	6/6	100%
Non-executive Director		
Ms. Chan Yuk, Foebe	5/6	83%
Independent Non-executive Directors		
Mr. John Handley	6/6	100%
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 2008, 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 2008 and for the six months ended 31 December 2007 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 two meetings during the year ended 30 June 2008.

NOMINATION COMMITTEE

The Company established the Nomination Committee in July 2005. The current members of the Nomination 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 assess the independence of Independent Non-executive Directors of the Group.

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

The Nomination Committee held two meetings during the year ended 30 June 2008.

INTERNAL CONTROL AND RISK MANAGEMENT

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

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

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

SHAREHOLDERS' RIGHTS AND INVESTOR RELATIONS

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

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

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

AUDITOR'S SERVICE

For the year ended 30 June 2008, 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.

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

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

We have audited the consolidated financial statements of Heng Tai Consumables Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 34 to 108, which comprise the consolidated balance sheet as at 30 June 2008, 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 2008 and of the Group's results and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

RSM Nelson Wheeler
Certified Public Accountants
Hong Kong

28 October 2008

Consolidated Income Statement

For the year ended 30 June 2008

	Note	2008 HK$'000	2007 HK$'000
Turnover	6	2,274,317	1,726,825
Cost of sales		(1,764,541)	(1,378,103)
Gross profit		509,776	348,722
Other income	7	9,916	19,699
Selling and distribution expenses		(142,083)	(101,377)
Administrative expenses		(111,651)	(55,179)
Other operating expenses		(19,990)	(8,014)
Profit from operations		245,968	203,851
Finance costs	9	(8,358)	(9,669)
Share of profits of associates	21	22,779	2,906
Profit before tax		260,389	197,088
Income tax expense	10	(8,538)	(7,008)
Profit for the year	11	251,851	190,080
Attributable to:			
Equity holders of the Company		255,148	190,127
Minority interests		(3,297)	(47)
		251,851	190,080
Earnings per share	13		
Basic		HK16.3 cents	HK13.3 cents
Diluted		HK16.1 cents	HK13.3 cents

	Note	2008 HK$'000	2007 HK$'000
Non-current assets			
Fixed assets	14	558,855	423,079
Prepaid land lease payments	15	237,531	42,183
Construction in progress	16	2,223	23,845
Goodwill	17	287,378	168,090
Other intangible assets	18	90,943	77,925
Other assets	19	50,671	26,689
Investment in a club membership	20	108	108
Investment in an associate	21	–	227,420
Investments	25	33,043	–
		1,260,752	989,339
Current assets			
Biological assets	22	1,314	–
Inventories	23	171,808	149,082
Trade receivables	24	298,025	207,165
Prepayments, deposits and other receivables		78,984	59,488
Investments	25	334	20,574
Bank and cash balances	26	589,082	245,438
		1,139,547	681,747
TOTAL ASSETS		2,400,299	1,671,086
Capital and reserves			
Share capital	32	15,901	14,251
Reserves	33	1,972,883	1,323,430
Equity attributable to equity holders of the Company		1,988,784	1,337,681
Minority interests		5,026	24
Total equity		1,993,810	1,337,705

Consolidated Balance Sheet

As at 30 June 2008

	Note	2008 HK$'000	2007 HK$'000
Non-current liabilities			
Borrowings	28	144,204	80,000
Finance lease payables	29	93	205
Deferred tax liabilities	30	7,514	8,693
Deferred income	31	9,260	–
		161,071	88,898
Current liabilities			
Trade payables	27	77,699	52,195
Accruals and other payables		39,597	62,626
Borrowings	28	105,016	114,895
Finance lease payables	29	114	121
Current tax liabilities		22,992	14,646
		245,418	244,483
Total liabilities		406,489	333,381
TOTAL EQUITY AND LIABILITIES		2,400,299	1,671,086
Net current assets		894,129	437,264
Total assets less current liabilities		2,154,881	1,426,603

Approved by Board of Directors on 28 October 2008

Lam Kwok Hing
Chairman

Chu Ki
Director

Consolidated Statement of Changes in Equity

For the year ended 30 June 2008

	Attributable to equity holders of the company										
	Share capital HK$'000	Share premium account HK$'000	Legal reserve HK$'000	Foreign currency translation reserve HK$'000	Share-based payment reserve HK$'000	Property revaluation reserve HK$'000	Investment revaluation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
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	-	-	-	-	-	-	-	-	-	31,023	31,023
Acquisition of minority interests	-	-	-	-	-	-	-	-	-	(9,942)	(9,942)
Disposals of subsidiaries	-	-	-	-	-	-	-	-	-	(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
At 1 July 2007	14,251	712,641	-	25,542	1,351	15,708	-	568,188	1,337,681	24	1,337,705
Translation difference	-	-	-	104,142	-	-	-	-	104,142	(50)	104,092
Share of reserves of associates	-	-	-	8,224	2,992	1,540	-	-	12,756	-	12,756
Change in tax rate	-	-	-	-	-	2,366	-	-	2,366	-	2,366
Change in fair value of available-for-sale financial assets	-	-	-	-	-	-	(4,647)	-	(4,647)	-	(4,647)
Net income recognised directly in equity	-	-	-	112,366	2,992	3,906	(4,647)	-	114,617	(50)	114,567
Profit for the year	-	-	-	-	-	-	-	255,148	255,148	(3,297)	251,851
Total recognised income and expenses for the year	-	-	-	112,366	2,992	3,906	(4,647)	255,148	369,765	(3,347)	366,418
Business combinations *(Note 35)*	-	-	-	-	-	-	-	-	-	8,349	8,349
Issue of subscribed shares	1,425	242,935	-	-	-	-	-	-	244,360	-	244,360
Realised on disposal of an associate	-	-	-	(12,479)	-	-	-	-	(12,479)	-	(12,479)
Transfer reserves on disposal of an associate	-	-	-	-	(2,955)	(3,225)	-	6,180	-	-	-
Recognition of share-based payment	-	-	-	-	21,557	-	-	-	21,557	-	21,557
Shares issued on exercise of share options	225	30,564	-	-	(2,889)	-	-	-	27,900	-	27,900
Transfer to legal reserve	-	-	97	-	-	-	-	(97)	-	-	-
	1,650	273,499	97	(12,479)	15,713	(3,225)	-	6,083	281,338	8,349	289,687
At 30 June 2008	15,901	986,140	97	125,429	20,056	16,389	(4,647)	829,419	1,988,784	5,026	1,993,810

Consolidated Cash Flow Statement

For the year ended 30 June 2008

	2008 HK$'000	2007 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	260,389	197,088
Adjustments for:		
Fair value loss of biological assets	199	–
Finance costs	8,358	9,669
Share of profits of associates	(22,779)	(2,906)
Interest income	(6,298)	(4,614)
Unrealised fair value loss/(gain) on financial assets at fair value through profit or loss	391	(12,574)
Allowance for other receivable	–	600
Trade receivables written off	2,699	–
Gain on acquisition of an associate	–	(1,661)
Share-based payment expenses	21,557	–
Impairment loss of goodwill	1,718	–
Loss on deemed disposal of interest in an associate	1,185	–
Loss on disposals of subsidiaries	–	7,262
Loss on disposals of interest in an associate	10,159	–
Depreciation	29,203	15,205
Amortisation of prepaid land lease payments	1,416	526
Amortisation of other intangible assets	18,800	16,300
Amortisation of deferred income	(78)	–
Loss on disposal of financial assets at fair value through profit or loss	4,981	–
Fixed assets disposals/written off	260	127
Operating profit before working capital changes	332,160	225,022
Increase in prepaid land lease payments	(186,647)	(5,062)
Increase in inventories	(15,156)	(39,524)
Increase in other assets	(27,073)	(25,614)
Increase in trade and other receivables, prepayments and deposits	(92,441)	(46,510)
Decrease in biological assets	131	–
Decrease in trade and other payables	(14,258)	(25,307)
Decrease in amount due from associates	–	742
Increase in deferred income	384	–
Cash (used in)/generated from operations	(2,900)	83,747
Income taxes paid	(192)	(112)
Interest paid	(8,339)	(9,633)
Finance lease charges paid	(19)	(36)
Net cash (used in)/generated from operating activities	(11,450)	73,966

	2008 *HK$'000*	2007 *HK$'000*
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of subsidiaries, net of cash acquired *(Note 35)*	**(127,775)**	(204,177)
Acquisition of minority interests	**-**	(40,000)
Acquisition of an associate *(Note 21)*	**(20,000)**	–
Acquisition of further interests in associates	**-**	(63,057)
Disposals of subsidiaries, net of cash received	**-**	56,327
Interest received	**6,298**	4,614
Proceeds from disposals of fixed assets	**8**	–
Purchases of fixed assets	**(56,693)**	(19,103)
Purchase of other intangible assets	**(31,818)**	–
Purchases of available-for-sale financial assets	**-**	(8,000)
Proceeds from disposal/redemption of available-for-sales financial assets	**159,500**	–
Purchases of financial assets at fair value through profit or loss	**(75,298)**	–
Proceeds from disposals of financial assets at fair value through profit or loss	**82,166**	–
Proceeds from disposal of interest in an associate	**50,500**	–
Increase in construction in progress	**(6,721)**	(23,845)
Net cash used in investing activities	**(19,833)**	(297,241)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of bank loans	**(53,026)**	(83,876)
Drawdown of bank loans	**150,375**	80,000
(Decrease)/increase in import loans	**(45,124)**	49,419
Repayment of capital element of finance leases	**(119)**	(214)
Proceeds from issue of share capital	**272,260**	–
Net cash generated from financing activities	**324,366**	45,329
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**293,083**	(177,946)
Effect of foreign exchange rate changes	**50,561**	8,814
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**245,438**	414,570
CASH AND CASH EQUIVALENTS AT END OF YEAR	**589,082**	245,438
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	**589,082**	245,438

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 40 to the financial statements.

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

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 July 2007. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the current year and prior years.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) "Capital Disclosures" and HKFRS 7 "Financial Instruments: Disclosures" retrospectively. Certain information presented in prior year under the requirements of HKAS 32 "Financial Instruments: Disclosure and Presentation" has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

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

3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with HKFRSs, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and 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 and the biological assets which are carried at fair value less estimated point-of-sale costs.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Consolidation *(Continued)*

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

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

(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 or directors' best estimation, less subsequent depreciation and impairment losses. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other fixed assets are stated at cost less accumulated depreciation and impairment losses.

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

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

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
Farmland infrastructure	10 years
Leasehold improvements	5 years
Plant and machinery	5 – 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Leases *(Continued)*

(ii) Finance leases

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

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

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

(g) Biological assets

Biological assets are plants managed by the Group which is involved in the agricultural activities of the transformation of biological assets into agricultural produce. Biological assets are measured at fair value less estimated point-of-sale costs at initial recognition and at each balance sheet date. The fair value of biological assets is determined based on the present value of expected net cash flows from biological assets with reference to the growing condition of the agricultural produce.

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

(h) 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) 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.

(j) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using weighted average basis. The cost of finished goods comprises raw materials, direct 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.

(k) 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.

(l) 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Investments *(Continued)*

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Trade and other receivables

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

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

(n) 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.

(o) 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) 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.

(q) Trade and other payables

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

(r) Equity instruments

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

(s) Revenue recognition

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

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

Logistic service income is recognised when the service is rendered.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Employee benefits

(i) Employee leave entitlements

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

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

(ii) Retirement benefits schemes

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

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

(iii) Termination benefits

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Share-based payments

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

(v) Borrowing costs

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

(w) Government grants

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) Taxation

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

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

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

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) Taxation *(Continued)*

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

(y) Related parties

A party is related to the Group if:

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

(ii) the party is an associate;

(iii) the party is a joint venture;

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

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

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

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

(z) Segment reporting

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(z) 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, prepaid land lease payments, goodwill, other intangible assets, inventories and trade receivables. Segment liabilities comprise operating liabilities and exclude items such as tax liabilities and corporate borrowings.

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

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

(aa) Impairment of assets

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

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

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)*

(aa) 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.

(ab) Provisions and contingent liabilities

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

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

(ac) Events after the balance sheet date

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

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 sheet date was approximately HK$287,378,000. Details of the impairment test are provided in note 17 to the financial statements.

(e) *Fair values of fixed assets*

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

(f) *Valuation of biological assets*

The Group determines the fair value less estimated point-of-sale costs of biological assets on initial recognition and at each balance sheet date with reference to the market-determined prices, cultivation area, species, growing conditions, cost incurred and expected yield of the agricultural produce. The directors have exercised their judgement and are satisfied that the valuation is reflective of their fair value.

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

Key sources of estimation uncertainty *(Continued)*

(g) *Share-based payment expenses*

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

5. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

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

	2008 HK$'000	2007 HK$'000
Financial assets		
Financial assets at fair value through profit or loss	334	12,574
Available-for-sale financial assets	33,043	8,000
Loans and other receivables		
– Trade and other receivables	343,961	231,424
– Bank and cash balances	589,082	245,438
	966,420	497,436

5. FINANCIAL INSTRUMENTS *(Continued)*

(a) Categories of financial instruments *(Continued)*

	2008 *HK$'000*	2007 *HK$'000*
Financial liabilities		
At amortised cost		
– Trade payables	**77,699**	52,195
– Accruals and other payables	**38,475**	62,626
– Borrowings	**249,220**	194,895
– Finance lease payables	**207**	326
	365,601	310,042

(b) Financial risk management

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

(i) 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 the functional currencies of the principal operating entities of the Group. The Group currently does not have a foreign currency hedging policy in respect of foreign currency assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

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

5. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management *(Continued)*

(i) Foreign currency risk (Continued)

	2008	2007
	HK$'000	HK$'000
ASSETS		
Renminbi ("RMB")	4,917	42
United States dollars	2,532	2,473
LIABILITIES		
RMB	2,298	1,474
United States dollars	76,903	38,920

Monetary assets and monetary liabilities denominated in United States dollars have no material foreign currency risk exposure as Hong Kong dollars is pegged with United States dollars. Since the effect of a reasonable possible change in RMB/HK$ exchange rate on profit for the year is not significant, no sensitivity analysis has been presented.

(ii) Price risk

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

If the prices of the Group's investments had been 10% higher/lower, the consolidated profit after tax and investment revaluation reserve for the year would be increased/decreased by approximately HK$28,000 (2007: HK$1,037,000) and HK$3,304,000 (2007: HK$Nil) as a result of changes in fair value of listed equity securities and listed warrants.

(iii) Credit risk

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

5. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management *(Continued)*

(iii) Credit risk (Continued)

The Group has no significant concentrations of credit risk with exposure spread over a number of counterparties and customers. It has policies in place to ensure that sales are made to customers with an appropriate credit history.

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

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

(iv) Liquidity risk

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

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

	Repayable on demand or less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total undiscounted cash flow
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 30 June 2008				
Trade payables	**77,699**	**-**	**-**	**77,699**
Accruals and other payables	**38,475**	**-**	**-**	**38,475**
Borrowings	**109,361**	**63,528**	**84,888**	**257,777**
Finance lease payables	**130**	**60**	**40**	**230**
	225,665	**63,588**	**84,928**	**374,181**
At 30 June 2007				
Trade payables	52,195	–	–	52,195
Accruals and other payables	62,626	–	–	62,626
Borrowings	116,566	30,756	57,878	205,200
Finance lease payables	139	129	99	367
	231,526	30,885	57,977	320,388

5. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management *(Continued)*

(v) *Interest rate risk*

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

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

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

If interest rate had been 100 basis points higher/lower with all other variables held constant, the Group's profit after tax for the year ended 30 June 2008 would be decreased/increased by approximately HK$2,036,000 (2007: HK$1,590,000).

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

(vi) *Fair values*

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

6. TURNOVER

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

	2008 HK$'000	2007 HK$'000
Sales of goods	1,383,922	1,263,605
Sales of fresh produce products	704,358	401,874
Rental income	4,358	1,262
Logistics services income	181,679	60,084
	2,274,317	1,726,825

7. OTHER INCOME

	2008 HK$'000	2007 HK$'000
Interest income	6,298	4,614
Deferred income on government grant	78	–
Government grants received	698	–
Exchange gain	2,092	463
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	750	387
	9,916	19,699

8. SEGMENT INFORMATION

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

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

(a) Primary reporting format – geographical segments

For the years ended 30 June 2007 and 2008, over 95% of the Group's revenue, results, assets and liabilities are derived from customers and operations based in the People's Republic of China (the "PRC") and accordingly, no further analysis of the Group's geographical segments is disclosed.

(b) Secondary reporting format – business segments

During the year, the Group re-organised its main business segments as the Group enhanced its business by strengthening its nation-wide network of distribution and logistics platform for the cold chain and agro products.

For the year ended 30 June 2008, the Group is organised into four main business segments:

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

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

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

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

8. SEGMENT INFORMATION *(Continued)*

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

	Distribution HK$'000	Cultivation and distribution HK$'000	Leasing HK$'000	Logistics services HK$'000	Corporate and unallocated HK$'000	Consolidated HK$'000
Year ended 30 June 2008						
Revenue	1,383,922	704,358	4,358	181,679	-	2,274,317
Segment results	178,257	31,948	3,488	75,788	-	289,481
Other income						9,916
Unallocated expenses						(53,429)
Share of profits of associates	-	-	-	-	22,779	22,779
Finance costs	(2,753)	(9)	-	-	(5,596)	(8,358)
Profit before tax						260,389
At 30 June 2008						
Segment assets	1,313,058	529,114	9,023	488,644	27,083	2,366,922
Investments						33,377
Total assets						2,400,299
Segment liabilities	119,862	74,292	1,122	4,134	207,079	406,489
Total liabilities						406,489
Other segment information:						
Capital expenditure	26,714	3,034	687	25,354	904	56,693
Depreciation	15,439	222	241	12,618	683	29,203
Amortisation of other intangible assets	11,850	6,950	-	-	-	18,800
Trade receivables written off	311	2,350	-	38	-	2,699
Fixed assets written off	224	-	-	36	-	260

8. SEGMENT INFORMATION *(Continued)*

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

	Distribution HK$'000	Cultivation and distribution HK$'000	Leasing HK$'000	Logistics services HK$'000	Corporate and unallocated HK$'000	Consolidated HK$'000
Year ended 30 June 2007						
Revenue	1,263,605	401,874	1,262	60,084	–	1,726,825
Segment results	141,348	33,367	992	18,588	–	194,295
Other income						19,699
Unallocated expenses						(10,143)
Share of profits of associates	–	–	–	–	2,906	2,906
Finance costs	(3,275)	(800)	–	–	(5,594)	(9,669)
Profit before tax						197,088
At 30 June 2007						
Segment assets	698,256	203,618	8,583	367,185	145,450	1,423,092
Investment in an associate						227,420
Investments						20,574
Total assets						1,671,086
Segment liabilities	127,330	42,235	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	9,286	394	121	4,770	634	15,205
Amortisation of other intangible assets	11,850	4,450	–	–	–	16,300
Allowance for other receivable	–	–	–	600	–	600
Fixed assets written off	38	–	–	89	–	127

9. FINANCE COSTS

	2008 HK$'000	2007 HK$'000
Interest on bank loans	8,339	9,633
Finance lease charges	19	36
	8,358	9,669

10. INCOME TAX EXPENSE

	2008 HK$'000	2007 HK$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	22	59
Over-provision in prior years	-	(78)
	22	(19)
Current tax – Overseas		
Provision for the year	8,516	7,847
Deferred tax (*Note 30*)	-	(820)
	8,538	7,008

Hong Kong Profits Tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profits for the year ended 30 June 2008.

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 12% (2007: 15.75%) on the estimated assessable profits for the year. The maximum complementary tax rate was reduced to 12% during the year in accordance with the Decree-Law No. 21/78/M. 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 rates of 33% (2007: 33%) and 25% (2007: 33%) for the period from 1 July 2007 to 31 December 2007 and 1 January 2008 to 30 June 2008 respectively, based on existing legislation, interpretation and practices in respect thereof.

The Hong Kong Profits Tax rate and the PRC Enterprise Income Tax rate applicable to the current year have been changed to 16.5% and 25% respectively. The deferred tax for the year has been adjusted to reflect the change in tax rates accordingly.

For the year ended 30 June 2007, the tax rate applicable to disposed subsidiaries established and operating in the PRC was 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 are as follows:

10. INCOME TAX EXPENSE *(Continued)*

	2008				2007			
	Macau	Hong Kong	PRC	Total	Macau	Hong Kong	PRC	Total
	HK$000	*HK$000*	*HK$'000*	*HK$000*	*HK$000*	*HK$000*	*HK$'000*	*HK$000*
Profit/(loss) before tax	339,153	(87,941)	9,177	260,389	224,659	(35,968)	8,397	197,088
Applicable income tax rate	12.00%	16.50%	25.00%		15.75%	17.50%	33.00%	
Tax at the applicable income tax rate	40,698	(14,510)	2,294	28,482	35,384	(6,294)	2,771	31,861
Tax effect of income not taxable	-	(427)	-	(427)	-	(5,472)	-	(5,472)
Tax effect of expenses not deductible	-	16,115	2,984	19,099	-	11,156	2,390	13,546
Profits exempted from the Macau Complementary Tax	(40,698)	-	-	(40,698)	(35,384)	-	-	(35,384)
Tax effect of share of results of associates	-	(3,758)	-	(3,758)	-	(509)	-	(509)
Tax effect of unused tax losses not recognised	-	2,577	1,677	4,254	-	1,093	1,844	2,937
Tax effect of utilisation of tax losses not previously recognised	-	-	(2,728)	(2,728)	-	-	-	-
Tax effect of unrecognised temporary difference	-	25	2,164	2,189	-	7	100	107
Tax effect of change in tax rate	-	-	2,125	2,125	-	-	-	-
Overprovision in prior years	-	-	-	-	-	(78)	-	(78)
Income tax expense	-	22	8,516	8,538	-	(97)	7,105	7,008

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. On 6 December 2007, the State Council of the PRC issued implementation regulations of the new tax law to change the enterprise income tax rate from 33% to 25%. The new tax law was effective from 1 January 2008.

11. PROFIT FOR THE YEAR

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

	2008	2007
	HK$'000	*HK$'000*
Amortisation of other intangible assets	**18,800**	16,300
Auditors' remuneration	**1,336**	1,177
Cost of inventories sold	**1,764,541**	1,373,653
Depreciation	**29,203**	15,205
Loss on disposals of subsidiaries	**-**	7,262
Loss on deemed disposal of interest in an associate	**1,185**	–
Loss on disposals of interest in an associate	**10,159**	–
Loss on disposal of financial assets at fair value through profit or loss	**4,981**	–
Trade receivables written off	**2,699**	–
Impairment loss on goodwill	**1,718**	–
Operating lease charges on land and buildings	**14,217**	5,180
Staff costs (excluding directors' emoluments – *Note 12*)		
Salaries, wages, bonus and allowances	**35,694**	19,710
Equity-settled share-based payments	**21,557**	–
Retirement benefits scheme contributions	**542**	603
	57,793	20,313

11. PROFIT FOR THE YEAR *(Continued)*

Note:

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

	2008	2007
	HK$'000	*HK$'000*
Amortisation of other intangible assets	**6,950**	4,450
Depreciation	**6,926**	1,865
Operating lease charges on land and buildings	**4,951**	–
Staff costs	**7,692**	1,548

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

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

	2008	2007
	HK$'000	*HK$'000*
Fees	**150**	450
Other emoluments:		
Salaries, bonuses, allowances and benefits in kind	**4,409**	3,945
Retirement benefits scheme contributions	**43**	48
	4,602	4,443

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:

	2008	2007
	HK$'000	*HK$'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 (2007: HK$Nil).

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

(b) Executive and non-executive directors

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

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

	Fees	Salaries, bonuses, allowances and benefits in kind	Retirement benefits scheme contributions	Total emoluments
	HK$'000	*HK$'000*	*HK$'000*	*HK$'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

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

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

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

The five highest paid individuals in the Group during the year included two (2007: three) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining three (2007: two) individuals, were set out below:

	2008 HK$'000	2007 HK$'000
Salaries, bonuses, allowances and benefits in kind	2,791	1,889
Retirement benefits scheme contributions	12	18
	2,803	1,907

The emoluments fell within the following band:

	Number of individuals 2008	2007
Nil to HK$1,000,000	2	1
HK$1,000,000 to HK$1,500,000	1	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$255,148,000 (2007: HK$190,127,000) and the weighted average number of ordinary shares of 1,569,392,295 (2007: 1,425,130,000) 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 the year attributable to equity holders of the Company of approximately HK$255,148,000 (2007: HK$190,127,000) and the weighted average number of ordinary shares of 1,586,322,220 (2007: 1,425,652,301), being the weighted average number of ordinary shares of 1,569,392,295 (2007: 1,425,130,000) in issue during the year used in the basic earnings per share calculation plus the weighted average number of ordinary shares of 16,929,925 (2007: 522,301) assumed to have been issued at no consideration on the deemed exercise of the share options outstanding during the year.

14. FIXED ASSETS

	Buildings	Farmland infrastructure	Leasehold improvements	Plant and machinery	Furniture, office equipment and motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost or valuation						
At 1 July 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 and 1 July 2007	330,329	–	19,964	58,725	33,491	442,509
Additions	26,999	924	1,025	20,413	7,332	56,693
Acquisition of subsidiaries	10,587	11,537	1,008	3,639	1,718	28,489
Transfer from construction in progress	104	387	–	30,561	–	31,052
Disposals/written off	–	–	(224)	–	(161)	(385)
Adjustment on revaluation	(9,873)	–	–	–	–	(9,873)
Exchange differences	46,580	54	1,568	7	1,624	49,833
At 30 June 2008	404,726	12,902	23,341	113,345	44,004	598,318
Accumulated depreciation						
At 1 July 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 and 1 July 2007	–	–	7,962	4,929	6,539	19,430
Charge for the year	9,481	106	3,699	9,901	6,016	29,203
Disposals/written off	–	–	(66)	–	(51)	(117)
Adjustment on revaluation	(9,873)	–	–	–	–	(9,873)
Exchange differences	392	6	303	2	117	820
At 30 June 2008	–	112	11,898	14,832	12,621	39,463
Carrying amount						
At 30 June 2008	404,726	12,790	11,443	98,513	31,383	558,855
At 30 June 2007	330,329	–	12,002	53,796	26,952	423,079

14. FIXED ASSETS *(Continued)*

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

	Buildings	Farmland infrastructure	Leasehold improvements	Plant and machinery	Furniture, office equipment and motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 30 June 2008						
At cost	–	12,902	23,341	113,345	44,004	193,592
At directors' valuation 2008	404,726	–	–	–	–	404,726
	404,726	12,902	23,341	113,345	44,004	598,318
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

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

At 30 June 2008, the carrying amount of buildings pledged as security for the Group's government loan *(Note 28)* amounted to approximately HK$2,216,000 (2007: HK$Nil).

The carrying amount of the Group's buildings would have been approximately HK$366,712,000 (2007: HK$296,278,000) had they been stated at cost less accumulated depreciation.

At 30 June 2008 the carrying amount of furniture, office equipment and motor vehicles held by the Group under finance leases amounted to approximately HK$315,000 (2007: HK$447,000).

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

14. FIXED ASSETS *(Continued)*

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

	2008	2007
	HK$'000	*HK$'000*
Within one year	**2,867**	1,991
In the second to fifth years inclusive	**5,731**	–
	8,598	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 and prepaid operating lease payments of the farmland in the PRC under medium term leases.

16. CONSTRUCTION IN PROGRESS

	HK$'000
At 1 July 2006	–
Additions	23,845
At 30 June 2007 and 1 July 2007	23,845
Additions	6,721
Acquisition of subsidiaries *(Note 35)*	2,708
Transfers	(31,052)
Exchange differences	1
At 30 June 2008	2,223

17. GOODWILL

	HK$'000
At 1 July 2006	65,437
Transfer from an associate	16,008
Arising on acquisition of subsidiaries	99,443
Disposals of subsidiaries	(12,798)
At 30 June 2007 and 1 July 2007	168,090
Arising on acquisition of subsidiaries *(Note 35)*	121,006
Impairment loss recognised in current year	(1,718)
At 30 June 2008	287,378

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:

	2008 HK$'000	2007 HK$'000
Distribution of cosmetic products business *(a)*	89,472	89,472
Cultivation and distribution of agro-products and provision of cold chain facilities and logistics services business *(b)*	128,861	76,900
Distribution of cold chain products *(c)*	69,045	–
Logistics services business	-	1,718
	287,378	168,090

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%. Management estimated the budgeted gross margin based on past performance and their expectations for market development. The discount rate used is before tax and reflects specific risks relating to the CGU.

(b) The recoverable amount of the CGU is determined based on a value in use calculation using cash flow projections based on financial budgets approved by management covering a period of five years. The discount rate applied to cash flow projections is 10% and cash flows beyond five years period are extrapolated using a growth rate of 5% which is determined with reference to the long term business prospects and the general economic outlook of the PRC. Management estimated the budgeted gross margin based on past performance and their expectations for market development. The discount rate used is before tax and reflects specific risks relating to the CGU.

(c) The recoverable amount of the CGU is determined based on a value in use calculation using cash flow projections based on financial budgets approved by management covering a period of five years. The discount rate applied to cash flow projections is 10%. Management estimated the budgeted gross margin based on past performance and their expectations for market development. The discount rate used is before tax and reflects specific risks relating to the CGU.

At 30 June 2008, before impairment testing, goodwill of approximately HK$1,718,000 was allocated to the logistics services business segment. Due to changes in the directors' expectation, the Group has revised its cash flow forecasts for this CGU. The goodwill allocated to the logistic services business segment has therefore been reduced to its recoverable amount through recognition of an impairment loss against goodwill of approximately HK$1,718,000 during the year.

18. OTHER INTANGIBLE ASSETS

	Distribution rights *(a)* *HK$'000*	**Trademark** *HK$'000*	**Total** *HK$'000*
Cost			
At 1 July 2006	78,000	1,500	79,500
Additions through acquisition of subsidiaries	25,000	–	25,000
At 30 June 2007 and 1 July 2007	103,000	1,500	104,500
Addition	31,818	–	31,818
At 30 June 2008	134,818	1,500	136,318
Accumulated amortisation			
At 1 July 2006	9,675	600	10,275
Amortisation for the year	16,150	150	16,300
At 30 June 2007 and 1 July 2007	25,825	750	26,575
Amortisation for the year	18,650	150	18,800
At 30 June 2008	44,475	900	45,375
Carrying amount			
At 30 June 2008	90,343	600	90,943
At 30 June 2007	77,175	750	77,925

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 and cosmetics products in Hong Kong and the PRC. The carrying amount of distribution rights at 30 June 2008 is HK$90,343,000 (2007: HK$77,175,000). The average amortisation period for these distribution rights are 5 years (2007: 5 years).

19. OTHER ASSETS

	2008 HK$'000	2007 HK$'000
Prepaid operating leases for pack houses facilities	19,307	23,598
Prepaid operating leases for logistics license and resources	31,364	–
Deposit paid for acquisition of land use rights	-	3,091
	50,671	26,689

20. INVESTMENT IN A CLUB MEMBERSHIP

The Group's club membership of HK$108,000 (2007: HK$108,000) at 30 June 2008 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. INVESTMENT IN AN ASSOCIATE

	2008 HK$'000	2007 HK$'000
Share of net assets	-	209,724
Goodwill	-	17,696
	-	227,420
Listed investment in an associate	-	227,420
Fair value of listed investment in Hong Kong	-	310,900

21. INVESTMENT IN AN ASSOCIATE *(Continued)*

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") *	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

* In prior years, although the Group held less than 20% of the interest in China Zenith, the Group exercised significant influence over China Zenith because the Group was entitled to appoint three directors out of the six directors of China Zenith.

During the year, the Group disposed of majority interest in China Zenith and was not able to exercise significant influence over China Zenith. The Group's investment in China Zenith was recognised as available-for-sale financial assets thereafter.

Prior to a further acquisition of 50% of the issued share capital of Wide Fortune Investments Limited and its subsidiaries (collectively referred as "Wide Fortune Group") on 31 May 2008, the Group acquired 20% of the issued share capital of Wide Fortune Group on 31 March 2008 at a consideration of HK$20,000,000. The results of Wide Fortune Group for the period from 1 April 2008 to 31 May 2008 were recognised as share of profits of associates in the consolidated income statement.

21. INVESTMENT IN AN ASSOCIATE *(Continued)*

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

	2008 HK$'000	2007 HK$'000
At 30 June		
Total assets	N/A	2,148,626
Total liabilities	N/A	(404,447)
Net assets	N/A	1,744,179
Group's share of associates' net assets	-	209,724
Year ended 30 June		
Total revenue	1,683,260	924,211
Total profit for the year	302,626	62,864
Group's share of associates' profits for the year	22,779	2,906

22. BIOLOGICAL ASSETS

As at 30 June 2008, biological assets represent vegetables planted by the Group and comprise approximately 538,000 kg of vegetables. During the period subsequent to the acquisition of Wide Fortune Group from 1 June 2008 to the year end date on 30 June 2008, the Group harvested approximately 813,000 kg of vegetables which had a fair value less estimated point-of-sale costs of approximately HK$2,194,000 at the date of harvest.

22. BIOLOGICAL ASSETS *(Continued)*

Reconciliation of the carrying amount of vegetables is as follows:

	HK$'000
At 1 July 2007	–
Acquisition of subsidiaries *(Note 35)*	1,644
Increase due to purchase/raising	2,063
Decrease due to sale less estimated point-of-sale costs	(2,194)
Loss arising from changes in fair value less estimated point-of-sale costs	(199)
At 30 June 2008	1,314

Biological assets as at 30 June 2008 are stated at fair values less estimated point-of-sale costs.

The fair value of vegetables are determined by the directors with reference to market-determined prices, cultivation area, species, growing conditions, cost incurred and expected yield of the agricultural produce.

23. INVENTORIES

	2008	2007
	HK$'000	*HK$'000*
Raw materials	**979**	–
Packing materials	**914**	1,120
Finished goods	**169,798**	147,962
Fresh produce products	**117**	–
	171,808	149,082

24. TRADE RECEIVABLES

The Group normally allows credit terms to established customers ranging from 15 to 90 days.

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

	2008	2007
	HK$'000	*HK$'000*
1 – 30 days	**212,045**	113,040
31 – 60 days	**81,000**	90,942
61 – 90 days	**4,980**	3,183
	298,025	207,165

25. INVESTMENTS

	2008 HK$'000	2007 HK$'000
Non-current assets		
Available-for-sale financial assets		
– listed equity securities in Hong Kong, at fair value	33,043	–
Current assets		
Available-for-sale financial assets		
– unlisted structure notes, at cost	-	8,000
Financial assets at fair value through profit or loss		
– listed equity securities in Hong Kong, at fair value	334	–
– listed warrants in Hong Kong, at fair value	-	12,574
	334	20,574
	33,377	20,574

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.

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

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

26. BANK AND CASH BALANCES

At 30 June 2008, the bank and cash balances of the Group denominated in RMB amounted to approximately HK$435,681,000 (2007: HK$143,113,000). 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.

27. TRADE PAYABLES

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

	2008 HK$'000	2007 HK$'000
1 – 30 days	77,138	45,136
31 – 60 days	403	6,689
61 – 90 days	158	370
	77,699	52,195

28. BORROWINGS

	2008 HK$'000	2007 HK$'000
Bank loans, secured *(Note 36)*	247,941	194,895
Government loan, secured *(Note 14)*	1,279	–
	249,220	194,895
The borrowings are repayable as follows:		
On demand or within one year	105,016	114,895
In the second year	60,347	24,000
In the third to fifth years, inclusive	83,857	56,000
	249,220	194,895
Less: Amount due for settlement within 12 months (shown under current liabilities)	(105,016)	(114,895)
Amount due for settlement after 12 months	144,204	80,000

28. BORROWINGS *(Continued)*

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

	Hong Kong dollars HK$'000	RMB HK$'000	Total HK$'000
2008			
Bank loans	**247,941**	**–**	**247,941**
Government loan	**–**	**1,279**	**1,279**
	247,941	**1,279**	**249,220**
2007			
Bank loans	194,895	–	194,895

The interest rates at 30 June were as follows:

	2008	2007
Bank loans	**2.81% – 6%**	5.45% – 6.47%
Government loan	**2%**	–

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

29. FINANCE LEASE PAYABLES

	Minimum lease payments		Present value of minimum lease payments	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**130**	139	**114**	121
In the second to fifth years, inclusive	**100**	228	**93**	205
	230	367	**207**	326
Less: Future finance charges	**(23)**	(41)	**-**	–
Present value of lease payables	**207**	326	**207**	326
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(114)**	(121)
Amount due for settlement after 12 months			**93**	205

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 2008, the effective borrowing rate was on the range from 5.99% to 7.12% (2007: 5.96% to 8.86%). Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. At the end of each lease term, the Group has the option to purchase the office equipment and motor vehicles at nominal prices.

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

30. 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 2006	78	8,486	8,564
Acquisition of a subsidiary	–	949	949
Charge to income statement *(Note 10)*	(78)	(742)	(820)
At 30 June 2007 and 1 July 2007	–	8,693	8,693
Effect of change in tax rate	–	(2,366)	(2,366)
Exchange difference	–	1,187	1,187
At 30 June 2008	–	7,514	7,514

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

At the balance sheet date the Group had unused tax losses of approximately HK$25,816,000 (2007: HK$17,617,000) 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.

31. DEFERRED INCOME

	2008	2007
	HK$'000	*HK$'000*
Deferred income	**9,260**	–

In 2008, a subsidiary of the Group is entitled to a government grant of approximately HK$9,338,000 arising from the purchase of plant and equipment for the development of agricultural business. There are no unfulfilled conditions and other contingencies attaching to the government grant. The government grant is accounted for as deferred income and amortised over the estimated useful life of the related plant and equipment acquired. During the year, deferred income of approximately HK$78,000 (2007: HK$Nil) was amortised and recognised in the income statement.

32. SHARE CAPITAL

	Authorised ordinary shares of HK$0.01 each Number of shares	HK$'000
At 1 July 2006 and 30 June 2007	2,000,000,000	20,000
Addition	8,000,000,000	80,000
At 30 June 2008	10,000,000,000	100,000

	Note	Issued and fully paid ordinary shares of HK$0.01 each Number of shares	HK$'000
At 1 July 2006 and 30 June 2007		1,425,130,000	14,251
Issue of Subscribed Shares	*(a)*	142,500,000	1,425
Share issued on exercise of share options	*(b)*	22,500,000	225
At 30 June 2008		1,590,130,000	15,901

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

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

32. SHARE CAPITAL *(Continued)*

Notes:

(a) In July 2007, 142,500,000 ordinary shares of HK$0.01 each in the Company were placed by Best Global Asia Limited ("Best Global"), a substantial shareholder of the Company, to independent third parties not connected with the directors, the chief executives or the substantial shareholders of the Company, or any of its subsidiaries, or any of their associates as defined in the Listing Rules, at a price of HK$1.78 per share. Best Global then subscribed for a total of 142,500,000 new shares of HK$0.01 each in the Company (the "Subscribed Shares") at HK$1.78 per share. The gross proceeds of HK$253,650,000, are intended for the business development and as general working capital of the Group. The excess of the consideration received over the nominal value of the shares issued, net of expenses, in the amount of approximately HK$242,935,000, was credited to the share premium account.

(b) During the year, 22,500,000 share options were exercised at the subscription price of HK$1.24 per share, resulting in the issue of 22,500,000 ordinary shares of HK$0.01 each for a total cash consideration of HK$27,900,000.

33. 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) Legal reserve

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

(iii) Foreign currency translation reserve

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

33. RESERVES *(Continued)*

(b) *(Continued)*

(iv) Share-based payment reserve

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

(v) Property revaluation reserve

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

(vi) Investment revaluation reserve

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

34. 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.

34. SHARE-BASED PAYMENTS *(Continued)*

Equity-settled share option scheme *(Continued)*

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

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

34. 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 2007	Granted during the year	Exercised during the year	At 30 June 2008	Date of grant of share options *Note (i)*	Exercise period of share options	Exercise prices of share options *Note (ii)* *HK$*	Closing price of Company's shares immediately before the date the options were granted/exercised *Note (iii)* *HK$*
Independent non-executive director								
Mr. John Handley	-	1,500,000	-	1,500,000	13 November 2007	15 November 2007 to 14 November 2012	1.612	1.612/N/A
	-	2,000,000	-	2,000,000	18 March 2008	18 March 2008 to 17 March 2013	0.994	0.994/N/A
Employees (in aggregate)	-	120,000,000	22,500,000	97,500,000	21 August 2007	21 August 2007 to 20 August 2012	1.240	1.240/1.280
	-	55,000,000	-	55,000,000	18 March 2008	18 March 2008 to 17 March 2013	0.994	0.994/N/A
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	178,500,000	22,500,000	166,752,000				

34. SHARE-BASED PAYMENTS *(Continued)*

Equity-settled share option scheme *(Continued)*

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				

Notes:

(i) There is 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 a 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.

34. SHARE-BASED PAYMENTS *(Continued)*

Equity-settled share option scheme *(Continued)*

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

	2008		2007	
	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	10,752,000	1.137
Granted during the year	178,500,000	1.165	–	–
Exercised during the year	(22,500,000)	1.240	–	–
Outstanding at the end of the year	166,752,000	1.153	10,752,000	1.137
Exercisable at the end of the year	166,752,000	1.153	10,752,000	1.137

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

Grant date	21 Aug 2007	13 Nov 2007	18 Mar 2008
Option value – HK$	0.1284	0.1958	0.1027
Share price at date of grant – HK$	1.200	1.540	0.990
Exercise price – HK$	1.240	1.612	0.994
Volatility	73.84%	73.04%	53.08%
Risk-free interest free	3.95%	0.71%	0.63%
Expected life of options	68 days	90 days	90 days
Expected dividend yield	0.00%	0.00%	0.00%

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

34. SHARE-BASED PAYMENTS *(Continued)*

Equity-settled share option scheme *(Continued)*

No options were cancelled or lapsed during the year ended 30 June 2008.

The options outstanding at the end of the year have a weighted average remaining contractual life of 4 years (2007: 4 years) and the exercise prices range from HK$0.249 to HK$1.612 (2007: HK$0.249 to HK$1.196). During the year, options were granted on 21 August 2007, 13 November 2007 and 18 March 2008. No option was granted during the year ended 30 June 2007. The estimated fair values of the options on those dates are approximately HK$15,409,000, HK$294,000 and HK$5,854,000 respectively.

At 30 June 2008 the Company had 166,752,000 (2007: 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 166,752,000 (2007: 10,752,000) additional ordinary shares and additional share capital of HK$1,667,520 (2007: HK$107,520) and share premium of approximately HK$190,531,000 (2007: HK$12,115,000) (before share issue expenses).

35. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Acquisition of subsidiaries

(i) On 1 November 2007, the Group acquired 100% of the issued share capital of Panna Fine Group Limited and its subsidiary (collectively referred as "Panna Fine Group") for a cash consideration of HK$80,000,000. Goodwill of approximately HK$69,045,000 was arising from this acquisition. Panna Fine Group was engaged in distribution of chilled and frozen seafood and meat products.

(ii) As refer to note 21, the Group further acquired 50% of the issued share capital of Wide Fortune Group, previously recognised as an associate of the Group, on 31 May 2008 for a cash consideration of HK$52,000,000. Goodwill of approximately HK$51,961,000 was arising from this acquisition. Wide Fortune Group was engaged in cultivation and distribution of agro-products.

35. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

Acquisition of subsidiaries *(Continued)*

The fair value of the identifiable assets and liabilities of these subsidiaries acquired at the respective dates of acquisition, which has no significant difference from their carrying amounts, is as follows:

	Panna Fine Group *HK$'000*	Wide Fortune Group *HK$'000*	Total *HK$'000*
Net assets acquired:			
Fixed assets	225	28,264	28,489
Construction in progress	–	2,708	2,708
Prepaid land lease payments	–	1,321	1,321
Biological assets	–	1,644	1,644
Inventories	6,564	1,006	7,570
Trade receivables	5,302	1,480	6,782
Prepayments, deposits and other receivables	1,583	12,249	13,832
Bank and cash balances	496	3,729	4,225
Trade payables	(2,870)	(662)	(3,532)
Accruals and other payables	(345)	(12,856)	(13,201)
Bank borrowing	–	(821)	(821)
Government loan	–	(1,278)	(1,278)
Deferred income	–	(8,954)	(8,954)
Minority interests	–	(8,349)	(8,349)
	10,955	19,481	30,436
Transfer from investment in an associate	–	(19,442)	(19,442)
Goodwill on acquisition	69,045	51,961	121,006
Satisfied by cash	80,000	52,000	132,000
Net cash outflow arising on acquisition:			
Cash consideration paid	(80,000)	(52,000)	(132,000)
Cash and cash equivalents acquired	496	3,729	4,225
	(79,504)	(48,271)	(127,775)

35. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

Acquisition of subsidiaries *(Continued)*

The goodwill arising on the acquisition of the subsidiaries 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.

Panna Fine Group contributed approximately HK$37,732,000 to the Group's turnover and approximately HK$3,973,000 to the Group's profit before tax, for the period between the date of its acquisition and the balance sheet date.

Wide Fortune Group contributed approximately HK$1,961,000 to the Group's turnover and approximately HK$2,107,000 to the Group's loss before tax, for the period between the date of its acquisition and the balance sheet date.

If the acquisitions of these subsidiaries had been completed on 1 July 2007, the Group's turnover for the year would have been approximately HK$2,304,916,000, and profit for the year would have been approximately HK$254,735,000. The pro forma 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 2007, nor is intended to be a projection of future results.

36. BANKING FACILITIES

At 30 June 2008, the Group's banking facilities in respect of overdrafts, term loans and other trade finance facilities were secured by corporate guarantees executed by the Company and certain subsidiaries of the Company.

37. CONTINGENT LIABILITIES

At 30 June 2008, the Group did not have any significant contingent liabilities.

38. CAPITAL COMMITMENTS

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

	2008 HK$'000	2007 HK$'000
Contracted but not provided for		
– Construction in progress	–	6,505
– Fixed assets	–	336
	–	6,841

39. OPERATING LEASE COMMITMENTS

At 30 June 2008, the Group's total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2008 HK$'000	2007 HK$'000
Within one year	3,788	2,488
In the second to fifth years, inclusive	22,616	20,879
After five years	25,291	3,443
	51,695	26,810

40. SUBSIDIARIES

Particulars of the subsidiaries as at 30 June 2008 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
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

40. SUBSIDIARIES *(Continued)*

Particulars of the subsidiaries as at 30 June 2008 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)*				
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
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 Consumables 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 cosmetics products
Triglory (H.K.) Limited	Hong Kong	Ordinary HK$1	100%	Distribution of cosmetics products
上海潤歆貿易有限公司*	PRC	Registered capital US$3,000,000	100%	Distribution of cosmetics and household consumable products
Swift Force Logistics Limited	BVI	Ordinary US$3,000,000	100%	Investment holding
Nexus Logistics (International) Limited	Hong Kong	Ordinary HK$4,000,000	70%	Provision of logistics and transportation services

40. SUBSIDIARIES *(Continued)*

Particulars of the subsidiaries as at 30 June 2008 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 Development Limited	BVI	Ordinary US$100	70%	Provision of logistics and transportation services
HT Jenco International (Holdings) Limited	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
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
Panna Fine Group Limited	BVI	Ordinary US$1,000,000	100%	Investment holding
Earth Power Limited	BVI	Ordinary US$50,000	100%	Distribution of chilled and frozen seafood and meat products

40. SUBSIDIARIES *(Continued)*

Particulars of the subsidiaries as at 30 June 2008 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)*				
Profit Step Development Limited	HK	Ordinary HK$100	100%	Dormant
Simming Light Investment Ltd.	BVI	Ordinary US$10,000	100%	Investment holding
Wide Fortune Investments Limited	BVI	Ordinary US$5,600,000	100%	Investment holding
Vipro Enterprises Limited	BVI	Ordinary US$100	100%	Investment holding
Hongkang (Jiujiang) Agricultural Development Co., Ltd. *	PRC	Registered capital HK$18,409,000	100%	Cultivation, processing and sales of agricultural products
Imation Development Limited	BVI	Ordinary US$100	100%	Investment holding
B E L Agricultural Development Co., Limited	HK	Ordinary HK$1	100%	Investment holding and wholesales of agricultural products
BELS Company Limited	HK	Ordinary HK$1	100%	Retailing of agricultural products
宏泰易家河(九江)農業開發有限公司*	PRC	Registered capital US$1,000,000	100%	Processing and sales of agricultural products

* *Foreign wholly-owned enterprise.*

41. DIVIDENDS

The directors do not recommend the payment of any dividend (2007: HK$Nil) in respect of the year.

42. EVENT AFTER THE BALANCE SHEET DATE

As at the date of approval of these financial statements, the unrealised fair value losses, recognised directly in equity, on the available-for-sale financial assets held as at 30 June 2008 amounted to approximately HK$23 million.

43. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation. The changes included re-organisation of business segment and cash-generating units and reclassification of turnover for the disclosures purpose. The new classification of the disclosure items was considered to provide a more appropriate presentation of the state of affairs of the Group.

44. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the board of directors on 28 October 2008.