

Natural Dairy (NZ) Holdings Limited

天然乳品（新西蘭）控股有限公司

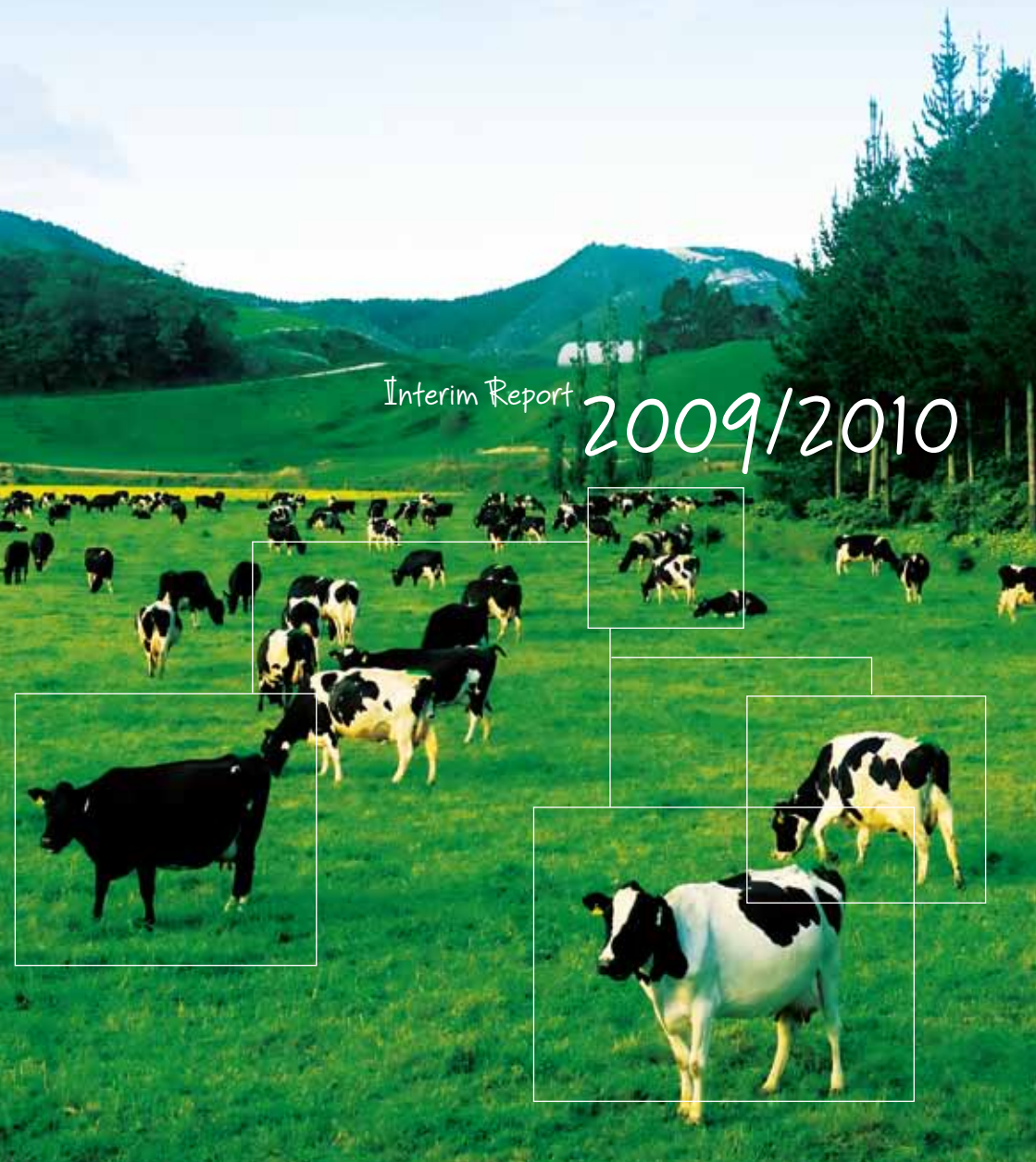
(Formerly known as China Jin Hui Corporation Limited 中國金匯礦業有限公司)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 462)



Interim Report 2009/2010



CONTENT

Corporate Information	2
Management Discussion and Analysis	3
Condensed Consolidated Statement of Comprehensive Income (Unaudited)	8
Condensed Consolidated Statement of Financial Position (Unaudited)	10
Condensed Consolidated Statement of Change in Equity (Unaudited)	11
Condensed Consolidated Cash Flow Statement (Unaudited)	13
Notes to the Condensed Consolidated Financial Statements	14
Other Information	33



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ms. Chan Wai Kay Katherine (*Chairman*)
Mr. Graham Chin
Ms. Chan Mei Mei

Independent Non-Executive Directors

Mr. Stephen Bryden Kerr
(*Chairman of Audit Committee and member of Remuneration Committee*)
Mr. Sze Cheung Hung
(*Member of Audit Committee and Remuneration Committee*)
Ms. Chan Man Kuen Laura
(*Chairman of Remuneration and member of Audit Committee*)

AUTHORISED REPRESENTATIVES

Ms. Chan Wai Kay Katherine
Mr. Navin K. Aggarwal

COMPANY SECRETARY

Mr. Navin K. Aggarwal

AUDITORS

SHINEWING (HK) CPA Limited

LEGAL ADVISER

In Hong Kong:
Kirkpatrick & Lockhart Preston Gates Eills
Solicitors

In Cayman Islands:
Conyers Dill & Pearman, Cayman

REGISTERED OFFICE

Century Yard, Cricket Square
Hutchins Drive
P.O.Box 2681 GT
George Town, Grand Cayman
British West Indies
The Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 3505-06, 35th Floor
Edinburgh Tower, The Landmark
15 Queen's Road Central, Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Butterfield Fund Services (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705
George Town, Grand Cayman
The Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor
Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

PRINCIPAL BANKERS

The Hongkong & Shanghai
Banking Corporation

STOCK CODE

462

COMPANY WEBSITE

<http://www.aplushk.com/clients/0462naturaldairy/index.html>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 30 September 2009, Natural Dairy (NZ) Holdings Limited (the "Company"), formerly known as China Jin Hui Mining Corporation Limited and its subsidiaries (collectively referred to as the "Group") was mainly engaged in engineering business, including system integration engineering projects on audio visual and broadcasting systems and the sales of consumables and spare parts sold as after sales services incidental and ancillary to the engineering system, and trading business.

Engineering Business

The past half year was the last half year of the engineering business. Result of the despondent of the market demand for the engineering system of audio-visual broadcast, the turnover of engineering keep on atrophy. During the period under review, the turnover of engineering business was approximately HK\$1.0 million. 100% turnover of engineering business was contributed from the sales of consumables and spare parts and nil contribution from the project contracting service. Given the continuous loss making in the engineering business, the Group decided to discontinue the engineering business by liquidating the Linfair Engineering (H.K.) Company Limited ("Linfair Engineering"), the core company operating the engineering business into voluntary liquidation during the reviewing period. The special resolution of Linfair Engineering to liquidate the company was duly passed by its shareholders at the extraordinary general meeting on 15 September 2009. On the same day, the creditors of Linfair Engineering duly passed a resolution to liquidate the company. After the liquidation of Linfair Engineering, the provision of engineering system contracting services and sales of related consumables and spare parts of the Group will be scaled down. As Linfair Engineering has been suffering huge losses for last two financial years, the Board therefore takes the view that the Group will attain a better result and the Group's resources will have a better return by scaling down of the provision of engineering systems contracting services and sales of related consumables and spare parts of the Group operating under Linfair Engineering.

Trading business

During the period under review, the Group stepped in the business of trading of beverages and food related products including snack foods, chili sources, dried longan and pecan nuts. The trading business started on August 2009. During the period under review, the turnover of trading business was approximately HK\$2.3 million, which represented 69.7% of total turnover of the Group and a segmental loss of approximately HK\$377,000 was incurred during the six months ended 30 September 2009. The gross profit margin for trading business was thin, but the cash flow velocity was fast. The Group will continue to expand its sales network and optimize its policies. We believe that the performance of trading business will improve in the second half of the year.

MARKET OUTLOOK

According to the preliminary information of the National Bureau of Statistics of China, the gross domestic product in the PRC for the first half of 2009 grew by 7.1% over the previous year. Total retail sales of consumer goods grew by 15.0% over the previous year. The disposable income per capita in urban areas also increased by 9.8%. With the improving global economic environment in the second half of 2009, it is believed that the PRC will be the first country to recover from the impact of financial crisis.

Through the PRC government's policies on promotion of domestic demand, stimulation of consumer spending and increase in the income of the rural population, various consumption stimulating measures were launched successively. Consumer spending continued to climb and income of urban residents grew steadily. It is expected that the scale of retail sales of consumer goods in the second half of this year will continue to expand. The food and beverages industry shows a fair and stable development trend and our Group stands to benefit therefrom.

PROSPECTS

In view of the fact that the business of production, sale and distribution of livestock, milk fat solids and dairy related products in New Zealand are in demand at all times, the Board considers that the demand for such business will maintain its growth momentum. In view of the prospects of the business, the Company entered into the agreement as briefly outlined below.

On 22 May 2009, the Company, UBNZ Trustee Limited ("UTCL") and UBNF Funds Management Limited ("UBFM") entered into an agreement (the "Agreement"), pursuant to which (a) UTCL has conditionally agreed to dispose of and the Company has conditionally agreed to acquire or procure one of the subsidiaries to acquire 20% of the entire issued share capital of UBNZ Assets Holdings Limited (a company established in New Zealand, legally and beneficially owned as to 10,000 shares, representing the entire issue capital of UBNZ Assets Holdings Limited (the "Target Company"), by UTCL ("Sale Shares") and the 20% of all obligations liabilities and debts due by the Target Company to UTCL, at the consideration of an amount of HK\$ equivalent of NZ\$100 million minus HK\$1.00; and (b) UTCL has conditionally agreed upon the compliance with the necessary consents, approval and authorizations of the Overseas Investment Process Office of the New Zealand, to grant to the Company the right to require UTCL to sell to the Company or its nominee the 80% of the entire issued share capital of the Target Company ("Option Share"), and the Outstanding Debt. In consideration of the sum of HK\$1.00 paid by the Company to UTCL, UTCL shall on or before the 5th business day after the conditions precedent in respect of the Sale Shares have been fulfilled or waived or such other date as may be agreed by the parties in writing irrevocable and conditionally upon the compliance with the necessary consents, approval and authorizations of the Overseas Investment Process Office of the New Zealand grants to the company the right at any time on or after the Sale Shares Completion to require UTCL to sell to the Company (and/or its nominee(s)) the number of Option Shares set forth in the Agreement, which represents shares of the Target Company which are not owned by the Company immediately before the completion of the sale and purchase of the Option Share at a consideration of an amount of HK\$ equivalent of NZ\$400 million (subject to adjustment). Completion of the acquisition is conditional upon fulfillment of a number of conditions. Details of the acquisition are set out in the Company's announcement dated 4 June 2009, 24 June 2009, 31 July 2009, 20 August 2009, 7 September and 13 November 2009 and the circulars dated 8 September 2009.

The completion of the aforesaid acquisition will provide the Group with an immediate stream of revenue and cash flow, and also brings in a team of experts in the new business. The Board is confident that the investment will produce considerable return to the Group in the future.

FINANCIAL REVIEW:

Turnover: The turnover of the Group for the six months ended 30 September 2009 was approximately of HK\$3.3 million (Six months ended 30 September 2008: HK\$40.8 million), representing a decrease of approximately 91.9% against the last corresponding period in 2008. The turnover for the six months ended 30 September 2009 comprises of approximately of HK\$2.3 million from trading business, the business newly developed by the Group, and approximately of HK\$1.0 million from engineering business. The sharp decrease in turnover was mainly resulted from the decline of the market demand in system integration engineering projects on audio and visual and broadcasting system. In the six months ended 30 September 2008, there was an amount of HK\$35.6 million of project income recorded. However, there was no such income under the reviewing period.

Gross profit margin: The gross profit margin of trading business and engineering business for the six months ended 30 September 2009 was approximately 2.9 % and 39.1%. The gross profit margin of trading business was thin. However, the cash flow velocity in trading business was fast when compared with the engineering business. Usually, there would be a credit period of 30 days allowed for the customer of trading business but there would be a credit period of 3 months to 12 months and even to 18 months for the long-established relationship customer of engineering business.

Impairment loss recognised in respect of trade and other receivables: The trade and other receivables has been impaired and recognised as expenses after specific assessment to its recoverability of each trade and other receivables. The decrement was mainly due to no such impairment was required during the reviewing period.

General and administrative expenses: The increment of general and administrative expenses was mainly due to the increase of legal and professional fee.

Equity-settled share-based payments: In April 2009, the Company issued 84,260,000 warrants. The fair value of the issued warrants valued by independent valuer has been recorded as expenses in the consolidated income statement and amortised over its vesting period. However, no such item in the last corresponding period in 2008.

Net gain on deconsolidation of subsidiaries: During the reviewing period, two subsidiaries, namely Beijing Jinlundo Resources Technology Company Limited and Changsha Sanjin Kuangye Touzi Zixun Youxia Gongsi were deconsolidated. However, no such item in the last corresponding period in 2008.

Net gain on liquidation of subsidiaries: During the reviewing period, two subsidiaries, namely Linfair Capital Limited and Linfair Engineering were voluntary winding up. However, no such item in the last corresponding period in 2008.

Segment Analysis

While the withdrawal from the business of integrated engineering projects on audio and visual and broadcasting systems due to the continuous despondent in market demand, the Group step in the trading business of beverage and food related products. In the first half of 2009, 69.7% of turnover was generated from the trading business and the remaining 30.3% was generated from the engineering business.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING

Bank balances and cash and pledged bank deposits as at 30 September 2009 amounted to approximately HK\$12.1 million (31 March 2009: HK\$11.4 million) which including, approximately HK\$9,980,000, MYR2,000, NZD168,000, and RMB1,036,000.

As at 30 September 2009, the Group had current assets of approximately HK\$19.0 million (31 March 2009: HK\$26.1 million) and current liabilities of approximately HK\$10.5 million (31 March 2009: HK\$30.2 million). The Group's current ratio as at 30 September 2009 was 1.81 (31 March 2009: 0.86).

The Group had nil interest-bearing loans as at 30 September 2009 (31 March 2009: nil). The Group's total liabilities divided by total assets as at 30 September 2009 was 0.51 (31 March 2009: 0.89).

DISCONTINUED OPERATIONS

During the period under review, the Group put its two subsidiaries, Linfair Capital Limited and Linfair Engineering, into voluntary liquidation. The liquidation was approved by shareholders in a special general meeting of the Company and creditors' meeting held on 15 September 2009. The liquidation is still in progress as at the report date. Immediately after completion of the liquidation process, the Group successfully ceased the engineering business which was loss-making and debt-burden.

MORTGAGES AND CHARGE

As at 30 September 2009, the Group did not have any outstanding mortgage loan (31 March 2009: nil). As at 31 March 2009, time deposits of approximately HK\$1.3 million of the Group were pledged to secure the general banking facilities granted.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND RELATED HEDGEDS

The Company had foreign currency sales and purchases which exposed the Group to foreign currency risk, mainly for the possible exchange fluctuation in United States Dollars. The Group currently does not have a foreign currency hedging policy as the Board considers that the currency risk exposure is immaterial. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

CAPITAL COMMITMENTS

Details of the capital commitments of the Group are set out in note 20(a) to the condensed consolidated financial statements.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 September 2009 and 31 March 2009 except for the bank guarantee granted to secure the performance in the provision of engineering system contracting services of approximately HK\$1.3 million as at 31 March 2009.

POST BALANCE SHEET EVENTS

Details of the post balance sheet events of the Group are set out in note 21 to the condensed consolidated financial statements.

TREASURE POLICIES AND CAPITAL STRUCTURE

The Group adopts a prudent approach with respect to treasury and funding policies, with a focus on risk management and transactions that are directly related to the underlying business of the Group.

EMPLOYEES

As at 30 September 2009, the Group employed a work force of approximately 11 staff. The remuneration of employees was in line with the market trend and commensurable to the level of pay in the industry. Remuneration of the Group's employees includes basic salaries, bonuses, and long term incentive (such as Pre-IPO Share Options and Share Option Scheme). Total staff cost incurred for the six months ended 30 September 2009 was approximately HK\$4,299,000 in which approximately HK\$2,732,000 incurred for the continuing operations.

INTERIM DIVIDEND

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30 September 2009 (2008: Nil).



CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six months ended 30 September 2009

		Six months ended 30 September	
	Note	2009 HK\$'000	2008 HK\$'000
Continuing operations			
Turnover	3	2,309	–
Cost of sales		<u>(2,241)</u>	<u>–</u>
Gross profit		68	–
Other revenues	4	67	328
Impairment loss recognised in respect of other receivables		–	(2,050)
Selling and distribution expenses		–	(2)
General and administrative expenses		<u>(14,496)</u>	<u>(7,667)</u>
Loss from operations		(14,361)	(9,391)
Equity-settled share-based payments		(7,559)	–
Gain on disposal of a subsidiary	5	–	4,813
Net gain on deconsolidation of subsidiaries	6	1,545	–
Net gain on liquidation of subsidiaries	7	<u>4,877</u>	<u>–</u>
Loss before tax	8	(15,498)	(4,578)
Income tax	9	<u>–</u>	<u>–</u>
Loss for the period from continuing operations		(15,498)	(4,578)
Discontinued operations			
Loss for the period from discontinued operations	10	<u>(3,940)</u>	<u>(626)</u>
Loss for the period		(19,438)	(5,204)
Other comprehensive income for the period, net of tax			
Exchange differences arising on translation of foreign operations		<u>61</u>	<u>1,968</u>
Total comprehensive loss for the period attributable to owners of the Company		<u>(19,377)</u>	<u>(3,236)</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) *(Continued)*

		Six months ended 30 September	
	Note	2009 HK\$'000	2008 HK\$'000
Loss per share	<i>12</i>		
From continuing and discontinued operations			
Basic (cents per share)		(4.34)	(1.23)
Diluted (cents per share)		N/A	N/A
From continuing operations			
Basic (cents per share)		(3.46)	(1.08)
Diluted (cents per share)		N/A	N/A
From discontinued operations			
Basic (cents per share)		(0.88)	(0.15)
Diluted (cents per share)		N/A	N/A

The notes on pages 14 to 32 form part of this interim financial report.



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 September 2009

		At 30 September 2009	At 31 March 2009 (Audited)
	<i>Notes</i>	HK\$'000	HK\$'000
Non-current assets			
Property, plant and equipment	13	1,478	7,606
Prepaid lease payments		–	759
		<u>1,478</u>	<u>8,365</u>
Current assets			
Inventories	15	–	502
Prepaid lease payments		–	20
Trade and bills receivables	16	–	3,065
Other receivables, deposits and prepayments		6,944	10,647
Tax recoverable		–	515
Pledged bank deposits		–	1,250
Bank balances and cash		12,094	10,137
		<u>19,038</u>	<u>26,136</u>
Current liabilities			
Trade and bills payables	17	–	18,578
Other payables and accrued charges		10,536	11,637
		<u>10,536</u>	<u>30,215</u>
Net current assets (liabilities)		<u>8,502</u>	<u>(4,079)</u>
Total assets less current liabilities		<u>9,980</u>	<u>4,286</u>
Capital and reserves			
Share capital	18	46,909	42,133
Reserves		(36,929)	(38,320)
		<u>9,980</u>	<u>3,813</u>
Non-current liabilities			
Deferred tax liabilities		–	473
		<u>9,980</u>	<u>4,286</u>

Approved and authorized for issue by the board of directors on 18 December 2009.



CONDENSED CONSOLIDATED STATEMENT OF CHANGE IN EQUITY (UNAUDITED)

For the six months ended 30 September 2009

	Share capital HK\$'000	Share premium HK\$'000	Merger reserve (note a) HK\$'000	Share options reserve HK\$'000	Other reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Total equity HK\$'000
At 1 April 2008	42,133	195,275	(14,990)	-	-	859	(97,951)	125,326
Total comprehensive loss for the period	-	-	-	-	-	1,968	(5,204)	(3,236)
Reserves released upon disposal of a subsidiary	-	-	-	-	-	534	-	534
At 30 September 2008	42,133	195,275	(14,990)	-	-	3,361	(103,155)	122,624
At 1 April 2009	42,133	195,275	(14,990)	4,006	-	2,952	(225,563)	3,813
Total comprehensive loss for the period	-	-	-	-	-	61	(19,438)	(19,377)
Reserves released upon liquidation of subsidiaries	-	-	-	-	-	3,771	-	3,771
Reserves released upon deconsolidation of subsidiaries	-	-	-	-	-	(2,163)	-	(2,163)
Equity-settled share-based payments	-	-	-	-	9,986	-	-	9,986
Share issued under share option scheme (note b)	2,100	5,820	-	(1,998)	-	-	-	5,922
Share issued under warrant agreement (note c)	2,676	8,524	-	-	(3,172)	-	-	8,028
	4,776	14,344	-	(1,998)	6,814	1,608	-	25,544
At 30 September 2009	46,909	209,619	(14,990)	2,008	6,814	4,621	(245,001)	9,980

Notes:

- (a) The merger reserve of the Group represented the difference between the nominal value of the share capital issued by the Company and the aggregate of the share capital of the subsidiaries acquired pursuant to the group reorganisation in May 2005.
- (b) During the six months ended 30 September 2009, an aggregate of 21,000,000 new shares of the Company were issued at the exercise price of HK\$0.282 pursuant to the share options scheme.
- (c) During the six months ended 30 September 2009, an aggregate of 26,760,000 new shares of the Company were issued at the exercise price of HK\$0.3 pursuant to the warrant agreement.

The notes on pages 14 to 32 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the six months ended 30 September 2009

	Six months ended 30 September	
	2009	2008
	HK\$'000	HK\$'000
Cash used in operations	(12,632)	(68,954)
Income tax paid	—	(2)
Net cash used in operating activities	(12,632)	(68,956)
Net cash used in investing activities	(1,849)	(736)
Net cash generated from financing activities	16,377	1,750
Net increase (decrease) in cash and cash equivalents	1,896	(67,942)
Cash and cash equivalents at 1 April	10,137	86,257
Effect of foreign exchange rates changes	61	1,867
Cash and cash equivalents at 30 September	12,094	20,182
Analysis of the balance of cash and cash equivalents, represented by:		
Bank balances and cash	12,094	20,475
Bank overdraft	—	(293)
	12,094	20,182

The notes on pages 14 to 32 form part of this interim financial report.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard ("HKAS") 34 Interim Financial Reporting.

2. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2009 except as described below:

In the current period, the Group has applied the following new standards, amendments and interpretation ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountant ("HKICPA") which are effective for the Group's financial year beginning 1 January 2009.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008 except for the amendments to HKFRS 5 which is effective for annual periods beginning on or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs 2009 in relation to the amendment to paragraph 80 to HKAS 39
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations
HKFRS 7 (Amendments)	Financial Instrument: Disclosures – Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs (Revised)
HKAS 32 and 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 and HKAS 27 (Amendments)	Cost of Investment in a Subsidiary, Jointly Controlled Entity or Associate
HK (IFRIC) – Interpretation ("Int") 9 and HKAS 39	Reassessment of Embedded Derivatives
HK (IFRIC) – Int 13	Customer Loyalty Programmes
HK (IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK (IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK (IFRIC) – Int 18	Transfer of Assets from Customers

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

The adoption of these new HKFRSs had no material effect on how the results and financial position of the Group for the current or prior accounting periods have been prepared and presented except for the change in presentation as described below.

HKAS 1 (Revised) Presentation of Financial Statements

The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present one single statement.

HKFRS 8 Operating Segments

This standard requires disclosure of information about the Group's operating segments and replaces the requirement to determine primary (business) and secondary (geographical) reporting segments of the Group. Adoption of this standard did not have any effect on the financial position or performance of the Group. The Group determined that the operating segments were the same as the business segments previously identified under HKAS 14 Segment Reporting. Additional disclosures about each of these segments are shown in note 3, including revised comparative information.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs issued in 2008 ¹
HKFRSs (Amendments)	Improvements to HKFRSs issued in April 2009 ²
HKAS 24 (Revised)	Related Party Disclosures ⁵
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ⁷
HKAS 32 (Amendment)	Classification of Right Issues ⁶
HKAS 39 (Amendment)	Eligible Hedged Items ⁷
HKFRS 1 (Amendment)	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters ⁴
HKFRS 1 (Revised)	First-time Adoption of HKFRSs ⁷
HKFRS 2 (Amendment)	Share-based Payment – Group Cash-settled Share-based Payment Transactions ⁴
HKFRS 3 (Revised)	Business Combinations ⁷
HKFRS 9	Financial Instruments ⁷
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners ⁷



2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

- ¹ Effective for annual periods beginning on or after 1 July 2009.
² Effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate.
³ Effective for transfers of assets from customers received on or after 1 July 2009.
⁴ Effective for annual periods beginning on or after 1 January 2010.
⁵ Effective for annual periods beginning on or after 1 January 2011.
⁶ Effective for annual periods beginning on or after 1 February 2010.
⁷ Effective for annual periods beginning on or after 1 January 2013.

3. TURNOVER AND SEGMENT INFORMATION

An analysis of the Group's revenue for the year, for both continuing and discontinued operations, is as follows:

	Six months ended	
	30 September	
	2009	2008
	HK\$'000	HK\$'000
Continuing operations		
Sales of beverage and food related products	2,309	–
Discontinued operations		
Provision of engineering systems contracting services and sales of consumables and spare parts	996	40,843
	3,305	40,843

The Group's reportable segments are entity or group of entities that offer different products and services, which is the basis by which the chief operating decision maker ("CODM") makes decisions about resources to be allocated to the segments and assesses their performance.

The CODM assesses performance of two reportable segments: trading business and engineering business. Trading business included trade of beverage and food related products. Engineering business included the provision of engineering systems contracting services and the sales of consumables and spare parts.



3. TURNOVER AND SEGMENT INFORMATION *(Continued)*

The operations of engineering business were discontinued immediately after the liquidation process of Linfair Capital Limited ("Linfair Capital") and Linfair Engineering (H.K.) Company Limited ("Linfair Engineering") and its subsidiaries ("Liquidation Subsidiaries") started on 15 September 2009 and the corresponding reportable segments were classified as discontinued operations accordingly.

For the six months ended 30 September 2009	Discontinued operations	Continuing operations	Consolidated HK\$'000
	Engineering business HK\$'000	Trading business HK\$'000	
Revenue from external customers	996	2,309	3,305
Segment results	(3,940)	(377)	(4,317)
Unallocated operating income and expenses			(13,984)
Loss from operations			(18,301)
Equity-settled share-based payments			(7,559)
Net gain on deconsolidation of subsidiaries			1,545
Net gain on liquidation of subsidiaries			4,877
Loss before tax			(19,438)
Income tax			-
Loss for the period			(19,438)

3. TURNOVER AND SEGMENT INFORMATION *(Continued)*

	Discontinued operations	Continuing operations	Consolidated HK\$'000
	Engineering business HK\$'000	Trading business HK\$'000	
For the six months ended 30 September 2008			
Revenue from external customers	40,843	–	40,843
Segment results	(626)	–	(626)
Unallocated operating income and expenses			(9,391)
Loss from operations			(10,017)
Gain on disposal of a subsidiary			4,813
Loss before tax			(5,204)
Income tax			–
Loss for the period			(5,204)

4. OTHER REVENUES

	Six months ended 30 September	
	2009 HK\$'000	2008 HK\$'000
Interest income	12	327
Other income	55	1
	67	328



5. GAIN ON DISPOSAL OF A SUBSIDIARY

On 5 June 2008, the Group entered into agreements with independent third parties for the disposal of 100% equity interests in Linfair Engineering Company Limited ("LEC"), a wholly-owned subsidiary of the Group, for an aggregate consideration of HK\$2,000,000. The financial cut-off date was set at 31 March 2008 ("Cut-Off Date"). The disposal had been completed on 23 July 2008. A gain of approximately HK\$4,813,000 resulted in the disposal.

The net liabilities of LEC at the Cut-Off Date were as follows:

	HK\$'000
Assets (liabilities) disposed of:	
Assets classified as held-for-sales	24,458
Liabilities associated with assets classify as subsidiary held-for-sales	(27,805)
Net liabilities disposal of	(3,347)
Realisation of exchange reserve	534
Gain on disposal	4,813
Total consideration	<u>2,000</u>
Satisfied by:	
Cash consideration	<u>2,000</u>
Net cash inflow arising on disposal:	
Cash consideration	<u>2,000</u>
	<u>2,000</u>

6 DECONSOLIDATION OF SUBSIDIARIES

Beijing Jinlundo Resources Technology Company Limited ("Beijing Jinlundo") and Changsha Sanjin Kuangye Touzi Zixum Youxia Gongsi ("Changsha Sanjin") are the wholly-owned subsidiaries of the Group which incorporated in the People's Republic of China ("PRC"). Ms. Zuo Lihua ("Ms. Zuo"), the ex-executive director of the Company, who was in charge to manage and operate Beijing Jinlundo and Changsha Sanjin for the Group. With reference to the Company's announcement dated 9 September 2009 and 22 September of 2009 respectively, Ms. Zuo breached her fiduciary duty as an executive director of the Company. The Group is having a potential dispute over the Company's ownership in both of Beijing Jinlundo and Changsha Sanjin.

6 DECONSOLIDATION OF SUBSIDIARIES *(Continued)*

Due to the above reason, the directors considered that the Group was unable to exercise its rights as major shareholder either to control the assets and operations or to exercise control over the financial and operating policy decisions of the Beijing Jinlundo and Changsha Sanjin. As such, the directors considered that it is inappropriate to consolidate the financial results of Beijing Jinlundo and Changsha Sanjin into the Group and therefore, both of Beijing Jinlundo and Changsha Sanjin have been deconsolidated during the six months ended 30 September 2009.

	HK\$'000
Aggregate assets deconsolidated	
Other receivables, deposits and prepayments	413
Bank balance and cash	<u>205</u>
	<u>618</u>
Net assets deconsolidated	618
Release of exchange reserve	<u>(2,163)</u>
Net gain on deconsolidation of subsidiaries	<u>(1,545)</u>

7. LIQUIDATION OF SUBSIDIARIES

As detailed in the Company announcement dated 31 August 2009, 3 September 2009 and 16 September 2009 respectively, the Group processed a voluntary liquidation of Linfair Capital and Linfair Engineering ("Proposed Liquidation").

7. LIQUIDATION OF SUBSIDIARIES *(Continued)*

With reference to the Company's announcement dated 16 September 2009, the shareholders' meeting and the creditors' meeting in respect of the Proposed Liquidation has been held on 15 September 2009 and the resolution has been passed to wind up both of Linfair Capital and Linfair Engineering.

Assets and liabilities of the Liquidation Subsidiaries	HK\$'000
Aggregate assets	
Property, plant and equipment	4,747
Prepaid lease payments	773
Inventories	502
Trade and bills receivables	2,280
Other receivables, deposits and prepayments	8,109
Tax recoverable	515
Pledged bank deposits	1,250
Bank balance and cash	1,625
	<u>19,801</u>
Aggregate liabilities	
Trade and bills payables	18,967
Other payables and accrued charges	9,009
Deferred tax liabilities	473
	<u>28,449</u>
Net liabilities	(8,648)
Release of exchange reserve	<u>3,771</u>
Net gain of liquidation of subsidiaries	<u>(4,877)</u>

8. LOSS BEFORE TAX

Loss before tax is arrived at after charging:

	Six months ended 30 September	
	2009	2008
	HK\$'000	HK\$'000
Depreciation and amortisation	<u>4,380</u>	<u>586</u>

9. INCOME TAX

Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands. No Hong Kong Profits Tax has been provided for as the Group had no estimated assessable profits in Hong Kong and no deferred tax asset has been recognised in respect of the estimated tax losses due to unpredictability of the future profit streams for the six months ended 30 September 2009 and 2008.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdiction.

10. DISCONTINUED OPERATIONS

A special resolution of Linfair Capital and Linfair Engineering to wind up Linfair Capital and Linfair Engineering were duly passed by their shareholders at the extraordinary meeting held on 15 September 2009. On the same date, the creditors of Linfair Capital and Linfair Engineering duly passed a resolution to wind up Linfair Capital and Linfair Engineering. Both of Linfair Capital and Linfair Engineering are limited liability company incorporated in Hong Kong. Before the liquidation, Linfair Engineering is principally engaged in provision of engineering systems contracting services and sales of related parts.

	Six months ended	
	30 September	
	2009	2008
	HK\$'000	HK\$'000
Turnover	996	40,843
Cost of contract works	(40)	(28,349)
Cost of sales	(566)	(3,781)
Gross profit	390	8,713
Other revenues	1,300	2,947
Impairment loss recognised in respect of trade receivables	-	(167)
Selling and distribution expenses	(67)	(832)
General and administrative expenses	(5,563)	(11,287)
Loss from operations and before tax	(3,940)	(626)
Income tax	-	-
Loss for the period from discontinued operations	(3,940)	(626)

11. DIVIDENDS

The board of directors does not recommend the payment of an interim dividend for the six months ended 30 September 2009 (six months ended 30 September 2008: HK\$nil).

No dividend payable to equity shareholders of the Company attributable to the previous financial years has been approved or paid during the current period.

12. LOSS PER SHARE

The calculations of basic and diluted loss per shares are based on following information:

	Six months ended	
	30 September	
	2009	2008
	HK\$'000	HK\$'000
Attributable to the equity holders of the Company, as used in the calculation of basic and diluted loss per shares		
Loss from continuing operations and discontinued operations	(19,438)	(5,204)
Loss from continuing operations	(15,498)	(4,578)
Loss from discontinued operations	(3,940)	(626)
Number of shares		
Weighted average number of ordinary shares in issue for the purpose of calculating basic loss per share	448,398,481	421,334,000

No dilutive loss per share is presented for the respective six months ended 30 September 2009 and 2008 as the exercise of the potential ordinary shares would result in reduction in loss per share in both periods.

13. PROPERTY, PLANT AND EQUIPMENT

During the reviewing period, the Group acquired property, plant and equipment amounting to approximately HK\$31,000 (six months ended 30 September 2008: approximately HK\$3,105,000).



14. DEPOSIT PAID FOR ACQUISITION OF A SUBSIDIARY

	At 30 September 2009 HK\$'000	At 31 March 2009 HK\$'000
Deposit paid for acquisition of a subsidiary	30,000	30,000
Less: impairment loss recognised	(30,000)	(30,000)
	—	—

On 7 December 2007, the Group and Citywin Pacific Limited (“Citywin”) entered into an agreement in relation to the acquisition of the entire equity interests in Qingdao Yongxinhui Mining Company Limited and its subsidiaries. The aggregate consideration for the acquisition is HK\$130,000,000. The balance as at 30 September 2009 and 31 March 2009 represented the deposit paid to Citywin under the acquisition agreement and the impairment loss has been made during the year of 2009.

15. INVENTORIES

	At 30 September 2009 HK\$'000	At 31 March 2009 HK\$'000
Consumables and spare parts	—	502

16. TRADE AND BILLS RECEIVABLES

	At 30 September 2009 HK\$'000	At 31 March 2009 HK\$'000
Trade receivables	—	52,001
Less: accumulated impairment recognised	—	(48,936)
	—	3,065

16. TRADE AND BILLS RECEIVABLES *(Continued)*

An aged analysis of the trade receivables is as follows:

	At 30 September 2009 HK\$'000	At 31 March 2009 HK\$'000
0 to 90 days	–	557
91 to 180 days	–	356
181 to 365 days	–	2,152
	–	3,065

The Group has a policy of allowing credit period ranging from 3 to 12 months to its trade customers of engineering business. For those trade customers of trading business, the Group would receive a deposit in advance and required full payment within 30 days after delivery.

17. TRADE AND BILLS PAYABLES

	At 30 September 2009 HK\$'000	At 31 March 2009 HK\$'000
Trade payables	–	18,578



17. TRADE AND BILLS PAYABLES *(Continued)*

Ageing analysis of trade payables is as follows:

	At 30 September 2009 HK\$'000	At 31 March 2009 HK\$'000
0 to 90 days	-	2,653
91 to 180 days	-	38
181 to 365 days	-	1,192
Over 1 year but not more than 2 years	-	686
Over 2 years	-	14,009
	<u>-</u>	<u>18,578</u>
Total trade payables	<u>-</u>	<u>18,578</u>

18. SHARE CAPITAL

(a) The share capital as at 30 September and 31 March 2009 is as follows:

	No. of shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.10 each	<u>1,000,000,000</u>	<u>100,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.10 each		
At 31 March 2009	421,334,000	42,133
Issue of shares	<u>47,760,000</u>	<u>4,776</u>
As at 30 September 2009	<u>469,094,000</u>	<u>46,909</u>

18. SHARE CAPITAL *(Continued)*

- (b) Terms of unexpired and unexercised share options at the balance sheet date are as follows:

Exercise period	Exercise price	At 30 September 2009	At 31 March 2009
11.12.2005 – 30.03.2010	HK\$0.65	3,660,000	3,660,000
23.02.2009 – 22.02.2012	HK\$0.282	16,000,000	28,000,000
23.02.2009 – 22.02.2014	HK\$0.282	3,100,000	14,100,000

- (c) Terms of unexpired and unexercised warrants at the balance sheet date are as follows:

Exercise period	Exercise price	At 30 September 2009	At 31 March 2009
15.04.2009 – 14.04.2010	HK\$0.3	57,500,000	–

19. PLEDGE OF ASSETS

At the balance sheet date, the banking facilities of the Group were secured by the following assets:

	At 30 September 2009 HK\$'000	At 31 March 2009 HK\$'000
Property, plant and equipment	–	1,847
Bank deposits	–	1,250
	–	3,097



20. COMMITMENTS

(a) Capital commitments

On 22 May 2009, the Group entered into an agreement with UBNZ Trustee Limited ("Potential Vendor"), an independent third party, pursuant to which, among other things, the Group had agreed to acquire 20% of the entire issued share capital of UBNZ Assets Holdings Limited and its subsidiaries (the "VSA Target Group") and 20% of all obligations, liabilities and debts due by the VSA Target Group to the Potential Vendor. In addition, the Potential Vendor has agreed to grant to the Group a right at the consideration of HK\$1 ("Share Option"), to require the Potential Vendor to sell to the Group certain option shares (representing 80% of the entire issued share capital of UBNZ Assets Holdings Limited and the outstanding debt at a consideration of NZ\$400,000,000. The consideration of the Share Option is included in the total consideration of NZ\$100,000,000 which will be satisfied by convertible note.

Details of the acquisition are set out in the Company's announcement dated 4 June 2009, 24 June 2009, 31 July 2009, 20 August 2009, 7 September and 13 November 2009 and the circulars dated 8 September 2009.

(b) Operating lease commitments

At the balance sheet date, the Group had committed for future minimum lease payments under non-cancellable operating lease which fall due as follows:

	At 30 September 2009 HK\$'000	At 31 March 2009 HK\$'000
Within one year	2,919	863
In the second to fifth year inclusive	2,788	2,066
Over five years	-	102
	5,707	3,031

21. POST BALANCE SHEET EVENTS

Subsequent to 30 September 2009, the Group has the following post balance sheet events:

- (1) On 4 December 2009, the Company and Sun Hung Kai Investment Services Limited ("SHKI") entered into the Placing Agreement pursuant to which SHKI agreed to place on a best-effort basis, the Convertible Bond C in an aggregate principal amount of HK\$951 million. The Placees and whose ultimate beneficial owners shall be independent of, and not connected with, the Company and its connected persons (as defined in the Listing Rules).

The Convertible Bond C carries the right to convert into Conversion Shares at the conversion price of HK\$1.00 per Conversion Share (subject to adjustment). Assuming the conversion rights attaching to the Convertible Bond C are exercised in full at the conversion price of HK\$1.00 per Conversion Share, 951 million Conversion Shares will fall to be issued to the Bondholders.

On 4 December 2009, the Company entered into the Subscription Agreement with CCB International Asset Management Limited ("CCBIAM"), pursuant to which the Company has conditionally agreed to issue and CCBIAM has conditionally agreed to subscribe for the Convertible Bond D in the principal amount of HK\$64.4 million.

The Convertible Bond D carries the right to convert into Conversion Shares at the conversion price of HK\$0.70 per Conversion Share (subject to adjustment). Assuming the conversion rights attaching to the Convertible Bond D are exercised in full at the conversion price of HK\$0.70 per Conversion Share, 92 million Conversion Shares will fall to be issued to the Bondholders.

Details and terms used herein shall have the same meaning of in the Company's announcement date 4 December 2009.

21. POST BALANCE SHEET EVENTS *(Continued)*

- (2) With reference to the Company's announcement dated 10 December 2009, the Company has entered into the agreement with Global Food Holdings Limited ("Global Food"), a company incorporated in Hong Kong on 16 November 2009 (the "Agreement"). Pursuant to the Agreement, (i) Global Food conditionally agreed to sell as the vendor and the Company conditionally agreed to acquire as the purchaser the production lines at a Consideration of HK\$26 million, which shall be settled by the allotment and issue of up to 32,500,000 shares by the Company to Global Food at an issue price of HK\$0.8 per share; and (ii) Global Food conditionally agreed to grant as the licensor an exclusive license to the Company as the licensee the rights of using certain trademarks at a license fee for each 12 months of the lesser of (i) 4% of the sales turnover of dairy products and non-dairy products in the PRC conducted by the Group; and (ii) HK\$20,000,000 ("Licence Fee"). The Licence Fee for the first 36 months will be settled as to HK\$30,000,000 by the issue and allotment of 37,500,000 shares at an issue price of HK\$0.8 per share.

Completion of the transaction is conditional upon fulfillment (or waiver) of a number of conditions including the obtaining of necessary consents and approvals from shareholders and The Stock Exchange of Hong Kong Limited.

22. CONTINGENT LIABILITIES

At the balance sheet date, the Group had the following contingent liability:

	At 30 September 2009 HK\$'000	At 31 March 2009 HK\$'000
Performance bonds	—	1,227



23. MATERIAL RELATED PARTY TRANSACTION

The Group had the following significant transactions with related parties during the period:

Transactions with the Group's directors and their close family members

	Six months ended 30 September	
	2009	2008
	HK\$'000	HK\$'000
Directors' fees	<u>1,846</u>	<u>1,778</u>

24. TRANSACTIONS AND PENDING LITIGATION WITH CITYWIN

No further progress till the date of this interim report. For further detail in relation to the litigation, please refer to our 2009 annual report under the section head "Transactions and Pending Litigation with Citywin".

25. CHANGE OF COMPANY NAME

In order to reflect its further development of business scope and base of operations of the Company, the general meeting of the Company approved the change of the Company's name from "China Jin Hui Mining Corporation Limited 中國金匯礦業有限公司" to "Natural Dairy (NZ) Holdings Limited 天然乳品(新西蘭)控股有限公司" with effective from 14 October 2009.

26. COMPARATIVE FIGURES

Certain comparative amounts have been reclassified and restated to conform with the current period's presentation and accounting treatment.

OTHER INFORMATION

REVIEW OF UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

The audit committee has reviewed the Company's interim report. The Company's external auditor has reviewed the unaudited condensed consolidated interim financial information for the six months ended 30 September 2009.

DIRECTORS' INTEREST IN SHARES, UNDERLYING SHARES OF DEBENTURES

As at 30 September 2009, the interests of the directors in the shares, underlying shares and debentures of the Company or any of its associated corporations (with the meaning of Part XV of the Securities and Future Ordinance (the "SFO")) (the "Associated Corporations") as recorded in the register required to be kept by the Company under section 352 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 Issuers (the "Model Code") were as follows:

Long position in the shares of the Company

Name of Director	Number of shares			Number of underlying shares held under equity derivatives	Total	Percentage of aggregate interest to total number of shares in issue % ⁽¹⁾
	Personal Interests	Family Interests	Corporate Interests			
Chan Wai Kay Katherine	4,000,000	–	80,000,000 ⁽¹⁾	–	84,000,000	17.91%

Notes:

- This represents interests held by Ms. Chan Wai Kay Katherine through Anton Capital Limited. Ms. Chan Wai Kay Katherine has 100% interest in Anton Capital Limited, she is therefore deemed to be interested in 80,000,000 shares of the Company.

* The percentage has been adjusted based on the total number of shares of the Company in issue as at 30 September 2009 (i.e. 469,094,000 shares).

Save as disclosed above, as at 30 September 2009, none of the directors had any other interests or short positions in the shares, underlying shares or debentures of the Company or any of its Associated Corporations which had been entered in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

As at 30 September 2009, the number of outstanding share options granted by the Company under the Pre-IPO Share Options and Share Option Scheme to the directors to subscribe for shares of the Company, as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the company and the Stock Exchange pursuant to the Model Code is set out in the section headed "Share Option" of this report below.

Apart from the aforesaid, at no time during the year was the Company, its subsidiaries, its fellow subsidiaries or its holding companies a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of share in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 30 September 2009, the interests of those persons (other than the directors) in the shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name	Capacity in which shares were held	Number of shares	Number of underlying shares held under equity derivatives	Approximate percentage of total issue shares % ^(*)
Chan Wai Kay Katherine ⁽¹⁾	Beneficial	4,000,000 (L)	–	0.85
	Interest on controlled corporation	80,000,000 (L)	–	17.06
Anton Capital Limited ⁽¹⁾	Beneficial	80,000,000 (L)	–	17.06
	Interest on controlled corporation	63,000,000 (L)	–	13.43
Wong Woon Hing ⁽²⁾		63,000,000 (L)	–	13.43
Oriental Gem Group Limited ⁽²⁾	Beneficial	63,000,000 (L)	–	13.43

(L): long position, (S): short position

Notes:

- This represents (i) 80,000,000 shares held by Anton Capital Limited which is 100% owned by Ms. Chan Wai Kay Katherine, which is executive director and (ii) 4,000,000 shares held by Ms. Chan Wai Kay Katherine.

2. Oriental Gem Group Limited which holds in total of 63,000,000 shares in the Company as beneficial owner, is 100% owned by Mr. Wong Woon Hing.

* The percentage has been adjusted based on the total number of shares of the Company in issue as at 30 September 2009 (i.e. 469,094,000 shares).

Save as disclosed above, as at 30 September 2009, the Company had not been notified of any interests and underlying shares of the Company which had been recorded in the register required to be kept under section 336 of the SFO.

SHARE OPTION

On 30 March 2005, in recognition of the contributions made by employees of the Group towards its growth and success, an aggregate of 15,000,000 share options (the "Pre-IPO Share Options") of the Company have been granted by the Company to, and accepted by the relevant employees prior to listing of the Company's share on the Stock Exchange. On 20 May 2005, a share option scheme (the "Share Option Scheme") was adopted by the shareholder's written resolution of the Company.

The Listing Committee of Stock Exchange has granted the listing of, and permission to deal in the shares of the Company which may fall to be issued pursuant to the exercise of the options which granted and/or may be granted under the Pre-IPO Share Options and/or Share Option Scheme, subsequently.

As at 30 September 2009, a total of 24,766,000 share options were outstanding which comprised 3,666,000 pre-IPO share options and 21,100,000 share options granted under the Pre-IPO Share Options and the Share Option Scheme respectively.

The following is a summary of the principal terms of the Pre-IPO Share Options and the Share Option Scheme:

(a) Pre-IPO Share Options

Purpose

Recognition of the contributions made by employees of the Group towards its growth and success.

Exercise period

The Pre-IPO Share Options is not subject to any vesting condition precedent and the exercise period shall commence from the day following 6 months after 10 June 2005 (the "Listing Date") and end on 30 March 2010 (both dates inclusive).

Exercise price

The exercise price is HK\$0.65 per share.

Other conditions

- (i) The maximum number of shares which may be issued under the Pre-IPO Share Options shall be 15,000,000 shares.
- (ii) There is no restriction on the number of pre-IPO share options granted under the Pre-IPO Share Options to any grantee.
- (iii) Upon acceptance of the pre-IPO share options, each participant shall pay HK\$1 to the Company by way of consideration for the grant.
- (iv) a pre-IPO Options shall lapse automatically (to the extent not already exercised) when the grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally.

(b) Share Option Scheme

Purpose

To recognise and acknowledge the contributions that the grantees had made or may make to the Group.

Participants

Eligible participants include:

- (1) any employee, director, supplier, customer, consultant, adviser, manager, officer or entity that provides research, development or other technological support of the Group or any entity in which the Group holds any equity interest (“Invested Entity”), including any executive director of the Group or any Invested Entity;
- (2) a company wholly-owned by any employee, director, supplier, customer, consultant, adviser, manager, officer or entity that provides research, development or other technological support to the Group or any Invested Entity; or
- (3) the trustee of any trust the beneficiary of which or an discretionary trust the discretionary objects of which include by any employee, director, supplier, customer, consultant, adviser, manager, officer or entity that provides research, development or other technological support to the Group or any Invested Entity.

Exercise price

Determined by the Board and shall not be less than the higher of:

- (1) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date on which the Board approves the making of the offer for the grant of option ("Date of grant"), which must be a trading day;
- (2) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant; and
- (3) the nominal value of the share;

Total number of shares available for issue and the percentage of the issued share capital that it represents as at the balance sheet date

33,400 shares, being approximately 0.01% of the issued share of the Company.

Maximum entitlement of each participant

Not exceeding 1% of the shares of the Company in issue in any 12-month period.

Period within which the securities must be taken up under the option

Subject to the discretion by the Board and, in the absence of which, from the date of acceptance to the earlier of the date on which such option lapses and 10 years from the date of offer.

Amount payable on acceptance

HK\$1 payable upon acceptance of the offer.

Remaining life of the scheme

The scheme will be valid and effective for a period of 10 years commencing from 20 May 2005 (the "Adoption Date"), after which no further options will be granted but the provisions of the scheme shall remain in full force and effect in all other aspects. Options complying with the provisions of the Listing Rules which are granted during the duration of the scheme and remain unexercised immediately prior to the end of the ten-year period shall continue to be exercisable in accordance with their terms of grant, notwithstanding the expiry of the scheme.

(c) Movements of the Pre-IPO Share Options

Movements of the share options, which were granted under the Pre-IPO Share Options, during the six months ended 30 September 2009 are listed below in accordance with rule 17.07 of the Listing Rules:

Category	As at 01.04.2009	During the period			As at 30.09.2009	Exercise price HK\$	Exercise period ⁽¹⁾
		Granted	Exercised	Lapsed/ cancelled			
Ex-employees	3,666,000	-	-	-	3,666,000	0.65	11.12.2005 – 30.03.2010

Notes:

- The vesting period for all the option granted is six months from the Listing Date.

(d) Movements of the Share Option Scheme

Movements of the share options granted under the Share Option Scheme during the six months ended 30 September 2009 are listed below in accordance with rule 17.07 of the Listing Rules:

Category	As at 01.04.2009	During the period			As at 30.09.2009	Exercise price HK\$	Exercise period ⁽¹⁾
		Granted	Exercised	Lapsed/ cancelled			
Directors							
Chan Wai Kay Katherine	4,000,000	-	4,000,000	-	-	0.282	23.2.2009 – 22.2.2014
Employees	4,100,000	-	4,000,000	-	100,000	0.282	23.2.2009 – 22.2.2014
Consultants	28,000,000	-	10,000,000	-	18,000,000	0.282	23.2.2009 – 22.2.2012
	3,000,000	-	-	-	3,000,000	0.282	23.2.2009 – 22.2.2014
Others							
Zuo Lihua ⁽¹⁾	1,000,000	-	1,000,000	-	-	0.282	23.2.2009 – 22.2.2014
He Changming ⁽²⁾	2,000,000	-	2,000,000	-	-	0.282	23.2.2009 – 22.2.2014
Total	42,100,000	-	21,000,000	-	21,100,000		



Notes:

1. The director's service agreement of Ms. Zuo Lihua has been terminated on 22 September 2009. Her 1,000,000 option shares have been re-classified from the Director's category to the Other's category.
2. Mr. He Changming resigned as a non-executive director of the Company on 2 April 2009. His 2,000,000 option shares have been re-classified from the Director's category to the Other's category.

(e) Fair value of share options and assumptions

The estimate of the fair value of the share options granted is measured based on the Black-Scholes Options Pricing Model. The contractual life and expectations of early exercise of the share options were used as inputs into relevant models.

Grant date	22/2/2009
Fair value at measurement date	HK\$4,006,000
Share price	HK\$0.275
Exercise price	HK\$0.282
Expected volatility (expressed as weighted average volatility used in the model)	74.7%
Option life (expressed as weighted average life used in the model)	3.67 years
Expected dividends	–
Risk-free interest rate (based on Exchange Fund Notes)	0.447%

Expected volatility was determined by using the historical volatility of the Company's share price over the 250 days immediate before the grant date. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations. The risk-free rate is based on the annual yield of Hong Kong Exchange-Fund Bills and Notes for corresponding expected life at the grant date.

Share options were granted under a service condition. The condition has not been taken into account the fair value measurement of the services received on the grant date. There was no market conditions associated with the share options granted.



WARRANT

On 15 April 2009, the Company had entered into a placing agreement with Pacific Foundation Securities Limited, pursuant to which Pacific Foundation Securities Limited has agreed to act as placing agent for the purposes of arranging subscribers for the subscription of 84,260,000 warrants which enable the subscribers to subscribe for up to 84,260,000 new ordinary shares at the HK\$0.3 each (the "Warrants"). The subscription price of the warrants is HK\$0.03 each. Details are set out in the Company's announcement dated 16 April 2009.

The principal terms of the Warrants are summarized below:

(i) The places

The Warrants has been offered to not less than six places. The choice of places for the Warrants determined solely by the placing agent, subject to the requirement that such placee is an independent institutional or private investor and the requirements of the Listing Rules.

(ii) Date of issue

15 April 2009

(iii) Number of new shares covered by the Warrants

Upon the exercise of the subscription rights attaching to the Warrants in full, a maximum of 84,260,000 new shares (with an aggregate nominal value of HK\$8,426,000 of the new shares), will be issued and allotted.

(iv) Subscription period

From the date of issue of the Warrants to the expiry of the first anniversary of the issue of the Warrants.

(v) Subscription price

The subscription price per new share will be HK\$0.30.

(vi) Transferability

No assignment or transfer of the Warrants may be made until 6 months after the date of issue and any such assignment or transfer thereafter may only be made if it is made to person(s) who is(are) not a connected person(s) of the Company. Subject as aforesaid, the Warrants are transferable in amounts equivalent to the aggregate subscription price in respect of 4,000 shares for the time being in force (or an integral multiple thereof).

(vii) Ranking of the new shares

The new shares, when issued and allotted, will rank pari passu with the fully paid shares in issue on the date of allotment and issue of such new shares.

(viii) Call

If at any time the aggregate of the amount of exercise moneys attached to the Warrants which have not been exercised is equal to or less than 10 per cent of the aggregate amount of exercise moneys attached to all the Warrants issued, the Company may, on giving not less than three months' notice, require warrant holders either to exercise their subscription rights or to allow them to lapse. On expiry of such notice, all unexercised Warrant(s) will be automatically cancelled without compensation to the Warrant holders.

(ix) Voting

The warrant holders do not entitle to attend or vote at any general meetings of the Company.

During the six months ended 30 September 2009, 26,760,000 shares were issued under the exercise of the Warrants and as at 30 September 2009, a total of 57,500,000 warrants were outstanding.

Fair value of warrants and assumptions

The estimate of the fair value of the Warrants issued is measured based on the Black-Scholes Options Pricing Model. The contractual life and expectations of early exercise of the share options were used as inputs into relevant models.

Issue date	15/04/2009
Fair value at measurement date	HK\$9,986,407
Share price	HK\$0.340
Exercise price	HK\$0.300
Expected volatility (expressed as weighted average volatility used in the model)	80.96%
Warrant life (expressed as weighted average life used in the model)	1 year
Expected dividends	–
Risk-free interest rate (based on Exchange Fund Notes)	0.390%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

During the six months ended 30 September 2009, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed shares of the Company.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout for the period ended 30 September 2009.

CORPORATE GOVERNANCE

The Company has adopted the code provisions set out in the Code of Corporate Governance Practices, as amended from time to time (the "Code"), as stated in Appendix 14 to the Rules of Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). As far as the Code is concerned, the Company complies with all aspects of the Code.

AUDIT COMMITTEE

The Company has established an Audit Committee with written terms of reference to set out its authority and duties. The Audit Committee comprises three members, all being independent non-executive directors of the Company.

REMUNERATION COMMITTEE

The Company has established a Remuneration Committee with written terms of reference to set out its authority and duties. The Remuneration Committee comprises three independent non-executive directors.

NOMINATION COMMITTEE

The Company has not established a Nomination Committee. The duties and functions of the Nomination Committee recommended in the Code are performed by the Board collectively with no director being involved in fixing his/her own terms of appointment and no independent non-executive director being involved in assessing his/her own independence.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers, as amended from time to time (the "Model Code"), set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by directors. On specific enquiries made, all directors have confirmed that they have complied with the required standard as set out in the Model Code, during the six months ended 30 September 2009.

Employees who are likely to be in possession of unpublished price sensitive information of the Company are also subject to compliance with guidelines on no less exacting terms than the Model Code.

APPROVAL OF INTERIM REPORT

The interim report and the unaudited condensed consolidated financial statements for the six months ended 30 September 2009 were approved and authorised for issued by the Board on 18 December 2009.