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)

Second Interim Report 2010

CONTENT

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Yip Kean Mun *(Chairman)*
Mr. Graham Chin *(Vice-Chairman)*
Mr. Ng Chun Ming
Mr. Yan Feng
Mr. Luo Ji

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

Mr. Yip Kean Mun
Ms. Chan Yim Kum

COMPANY SECRETARY

Ms. Chan Yim Kum

AUDITORS

Morison Heng

LEGAL ADVISER

In Hong Kong:
Robertsons

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

Suite 6701-2, 67/F,
Central Plaza,
18 Harbour Road
Wanchai, 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

FINANCIAL REVIEW & HIGHLIGHTS:

For the twelve months ended 31 March 2010, the Group's financial performances are summarized as follows:

- Revenue amounted to HK$52.093m (March 2009: HK$5.470m). This is 852% jump in compared with the FY2009 period, showing a recovery of the Group's overall turnover after the implementation of the business diversification programme.
- Loss attributable to shareholders was HK$72.938m (March 2009: -HK$194.317m). The improvement is due to the revaluation and reconsolidation of 1) Tengfei Magnetite mine and 2) Gangzicum Donggou Magnetite mine held under Beijing Jinlunduo Resources Technology Company Limited, a wholly-owned subsidiary of Natural Dairy.
- Basic and diluted earnings/(loss) per share was (HK$15.26 cents), representing an improvement of losses of (HK$48.07 cents) per share over the prior period of 2009.

OPERATING REVIEW

During the period under review, the Company's the food and beverage trading business contributed approximately HK$52.032m, which represents 99.8% of the Group's total turnover. The cost of sale amounted to HK$49.401m representing 94.94% (FY2009: 79.07%) of the Group's revenue, up by 20.07% compared with the previous period. The increase is due to the cost incurred to set up the distribution network. With the low gross profit margin on the snack trading business, the Board decided to engage in the high margin dairy related product utilizing the existing sale and distribution network.

In the first half of FY2010, the discontinued electronic and audio trading business recorded a sale of HK$0.995m and a cost of sale of HK$0.566m. In accordance with our announcement on September 2009 to discontinue Linfair Engineering (HK) business, we have commenced liquidating the affairs of the business and this process is in its final stages. The expected impairment loss in respect of trade and other receivables is nil, with the exception of a loss on fixed assets of HK$0.104m.

In the period under review, administrative and general expenses amounted to HK$91.021m (FY2009: HK$19.468m), representing 1.74 times of the Group's revenue (FY2009: 3.55 times). The expense increase during the period under the review, are attributed by; i) the Group progress with the "Linfair" liquidation process, ii) retake of "Beijing Jinlunduo" subsidiary to regain control of the mines operation and iii) establish the NONI juice and NONI wine production lines in Jiangxi and Fujian.

As shown, the selling and distribution expenses in FY2010 amounted to HK$2.725m (FY2009: HK$2m) which is 36.25 times more than the previous period and this is due to the initial setup cost of the food trading, distribution and sale network. Further, on 10 February 2010 the establishment of Guo Yuan Natural Dairy (Jiangxi) Company Limited 國元天然乳品（江西）有限公司 with registered share capital of Rmb$50m to further affirmed the Group commitment on the snack foods, NONI fruit juice, NONI fruit wines and dairy related products in China.

SEGMENT ANALYSIS

The Group's turnover comprises the following main business segments: food & beverage trading, dairy farming & sales of milk fat solids, sale and distribution of dairy related products, trading of livestock and farm lands, production & sale of iron ore.

In 31 March 2010, the Group 99.8% of the turnover was generated from the trading of snack foods, chilli sources, dried longan, banana chips and pecan nuts. The trading margin was thin but the focus was on expanding its sales network and further distribution of high margins dairy products.

MARKET & BUSINESS PROSPECT

After the contaminated milk melamine scandal, a series of regulations and measures were introduced by the China government such as "Food Safety Law of the People's Republic of China", the "Regulation on the Supervision and Administration of the Quality and Safety of Dairy Products", to ensure quality dairy products and to enhance consumer's confidence. This has created a huge market demand for high premium dairy products. Further, the Chinese government policies to generate domestic demand, has also added to the increase demand for imported milk products.

As noted in February 2010, most of the leading infant formula brands in China: Mead Johnson, Wyeth, Abbott, Dumex, Biostime have announce price revision of 15%-20% upwards and will continue to do so in nearby future, citing the underlying surge of international wholesale milk powder (WMP) raise of over 50% from US$2200/mt (Mar2009) to US$3300/mt (Mar2010) the driving force.

Inspired to become a leading dairy player, the Group has emphasized on product safety and quality, and that's why our dairy products are sourced and produced in New Zealand, well recognized for its stringent farm monitoring and competitive costs.

During the period under review, the demand of iron ore in China has increase underpin by its robust annual GDP growth of 11.90% and annual export growth of 18% on the latest June 2010 quarter. The demand has led to an increase on iron ore prices and the Board considered this as a growth potential in the next couple of years.

During the period under review, the trading of beverage and snack foods business yielded marginal profits. The rational of the Group to engage in the snack food trading business is to develop and expand the sales and distribution network and to utilize this platform for our sale high-margin dairy related products.

Branding and Marketing

Featuring in the VSA-2 acquisition of "LuDe" trademarks and thereby its distribution network and recognition of existing a wide customer base in Fujian state present a coherent business extension to our overall sale plan.

The establishment of Guo Yuan Natural Dairy (Jiangxi) 國元天然乳品(江西)有限公司in February 2010 signature the commitment of the Group concert efforts to sale, distribute dairy related products in China. The integration efforts of existing food trading web with "LuDe" brands base and the "spread" effects by 國元天然乳品(江西)有限公司 will likely to ensure the Group dairy products become a China national wide brand within short time frames.

And the unique cost savings advantage embodied by our alliance with UBNZ partner in New Zealand will result a respectful revenue driver to the Group's turnover in the next season.

VSA-2 Global Food Production Lines & license "LUDE" brand

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 fulfilment (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.

VSA-3 Further Acquisition of farm lands, cattle and milk Powder Plant

With reference to the Company's announcement dated 23 March 2010, The Company has entered into the agreement with two parties in respect of an acquisition by the Group of certain assets (including farm lands, livestocks and milk powder production plants) in New Zealand for purpose of consolidating the dairy business operation in New Zealand. The consideration of the Acquisition is NZ$1.5 billion (equivalent to approximately HK$8,086,500,000 based on the exchange rate of NZ$1.00 = HK$5.391) and will be settled partly by cash and partly by the Company's issue of convertible bonds.

Completion of the transaction is conditional upon fulfilment (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.

Regain of the Tengfei and Gangzicum Magnetite mines

The repossession and control to regain the two mines presents significant risk mitigation to the Group's income base as prescribed by the long Company diversification policy. The commodity base mines income is an upstream industry term driven, less correlated to the consumer driven food trading business.

Both these mines have a resource estimation of 200,798,000 tonnes iron ore, with the main open pit mine life span at 100 years. The mineable resource is 36,110,337t with a recovery rate of 85% in average. We possess two magnetic separations with processing capacity at 3000t/day and 800t/day each. The annual production is about 474,500 tonnes raw iron ore.

Capital Structure, Liquidity and Financial Resources

For the twelve months ended 31 March 2010, the Group's net cash inflow from capital fund raising activities amounted to HK$697.346m (FY2009: HK$26.155m). Net cash balances (cash, bank balances net of total bank loans) reaches HK$54.356m (FY2009:HK$10.142m) as at 31 March 2010, indicating that the Group had a very strong financial position and healthy cash flow.

As at 31 March 2010, the Group had Total assets less current liabilities of approximately HK$1,792.853m (FY2009: Liabilities HK$70.534m) and current liabilities of approximately HK$130.209m (FY2009: HK$130.231m). The Group's current ratio as at 31 March 2010 was an impressive 14.77 times showing a very strong solvency position.

And part of the current liabilities HK$100m is a conservative provision for consideration of the CB payable for the Mines acquisition to a third party; such amount has a strong claim for a credit of HK$69m deductible and the rest non-payable on no performance according to the sale contract.

The Group had nil interest-bearing loans as at 31 March 2010 (FY2009:nil). The Group's total liabilities divided by total assets as at 31 March 2010 was 0.046 (Mar2009:0.88).

The total equity of the Group was HK$822,672,933 as at 31 March 2010 FY2009:(HK$71,007,258). The debt-to-equity ratio (total bank loans over total equity) of the Group was nil and have zero finance cost.

As shown, there is a stunning improvement of the Group's balance sheet stability and solvency test attributed by the successful fund raising exercise in October 2009 last year.

These exercises have broadened the shareholder and capital base of the Group and strengthen its financial position.

DISCONTINUED OPERATIONS

During the period under review, the Group's two subsidiaries, Linfair Capital Limited and Linfair Engineering, into voluntary liquidation. The loss incurred and recorded was HK$3.94m. 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 31 March 2010, the Group did not have any outstanding mortgage loan (FY2009: nil). As at 31 March 2010, bank's term deposits of approximately HK$0.9m (FY2009: HK$1.25m) of the Group were pledged to secure the general banking facilities granted.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND RELATED HEDGES

The Company had foreign currency sales and purchases which exposed the Group to foreign currency risk, mainly for the possible exchange fluctuation New Zealand dollar. 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 31 March 2010 except the fair value of the issued Convertible Bonds valued by independent valuer has been recorded as expenses in the consolidated income statement and amortized over its vesting period.

There is a pending litigation and we have considered that the fundamental uncertainty has been adequately accounted for and disclosed in the consolidated financial statements.

POST BALANCE SHEET EVENTS

Details of the post balance sheet events of the Group are set out in note 25 to the condensed consolidated financial statements. The inclusion of 25 farms is expected to be settled on 31 December 2010.

TREASURY 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 31 March 2010, the Group employed a work force of approximately 45 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 twelve months ended 31 March 2010 was approximately HK$11.158 million in which approximately HK$9.645 million incurred for the continuing operations.

INTERIM DIVIDEND

The Board of Directors does not recommend the payment of an interim dividend for the twelve months ended 31 March 2010 (Mar 2009: Nil).

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

TO THE BOARD OF DIRECTORS OF
NATURAL DAIRY (NZ) HOLDINGS LIMITED
(Incorporated in Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 11 to 38, which comprises the condensed consolidated statement of financial position of Natural Dairy (NZ) Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as of 31 March 2010 and the related condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the twelve-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

Except as explained in the following paragraph, we conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

BASIS FOR QUALIFIED CONCLUSION

As disclosed in note 5, 承德市三金礦業有限公司 was stated as a wholly owned PRC subsidiary. We noted that 10% of the share capital in the subsidiary was still being registered in the name of the Group's former executive director. The Group has provided the sales and purchases agreement dated 7 December 2007 and the shareholder circular dated 31 January 2008 to show that the purchases was for 100% in the subsidiary and the Group has also advised that there was no subsequent authorization for divestment of the 10% interest. However, the Group has been unable to provide us the documentation to verify the 100% ownership in 承德市三金礦業有限公司. We were unable to complete our review that the condensed consolidated financial information is properly stated.

QUALIFIED CONCLUSION

Except for the adjustments to the interim financial information that we might have become aware of had it not been for the situation described above, based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

EMPHASIS OF MATTER

Fundamental uncertainty relating to pending litigation

In forming our conclusion, we have considered the adequacy of the disclosures made in note 28 to the condensed consolidated financial information of the Group concerning the possible outcome of a pending litigation. We consider that the fundamental uncertainty has been adequately accounted for and disclosed in the condensed consolidated financial information and our conclusion is not qualified in this respect.

Comparative figures

The auditor's opinion on the consolidated financial statement of the Group for the year ended 31 March 2009, which form the basis for the corresponding figures presented in the current period's consolidated financial information, was qualified by the preceding auditor because of the possible effect of the limitation on the scope of the audit. Details of the qualified opinion are set out in the independent auditor's report dated 3 July 2009 issued by the preceding auditor and included in the Group's annual report for the year ended 31 March 2009. Therefore the comparative amounts show in the condensed consolidated financial information may not be comparable with the amount for the current period.

Furthermore, we draw attention to the fact that because the condensed consolidation financial information of 北京金倫多資源技術有限公司、青島永鑫匯礦業有限公司、承德市三金礦業有限公司 and 承德神龍礦業有限公司 for the twelve months period ended 31 March 2009 have not been reviewed in accordance with standards applicable to review engagements issued by HKICPA. Therefore the comparative amounts shown in the condensed consolidated financial information may not comparable with the amounts for the current period.

Morison Heng
Certified Public Accountants

Hong Kong
25 June 2010

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the twelve months ended 31 March 2010

	Notes	For the twelve months ended 31.3.2010 HK$'000 (unaudited)	31.3.2009 HK$'000 (unaudited)
Continuing operation			
Revenue		**52,093**	5,470
Cost of sales		**(50,221)**	(3,288)
Gross profit		**1,872**	2,182
Other revenue	*4*	**1,896**	1,262
Selling and distribution expenses		**(2,725)**	(2)
General and administrative expenses		**(91,021)**	(19,468)
Loss from operations		**(89,978)**	(16,026)
Equity-settled share-based payments		**(14,146)**	–
Impairment loss in respect of inventories		**–**	(13,916)
Impairment loss reversed in respect of trade and other receivables		**–**	2,769
Impairment loss in respect of property, plant and equipment		**(104)**	(59,055)
Impairment loss in respect of mining exploration rights		**–**	(68,063)
Impairment loss in respect of amount paid to investee company		**–**	(920)
Amortization of mining exploration rights	*16*	**(11,128)**	(37,241)
Net gain on deconsolidation of subsidiaries	*5*	**2,233**	–
Impairment loss reversed in respect of impairment loss of mining exploration rights	*16*	**68,063**	–
Loss on disposal of a subsidiary	*6*	**(56)**	–
Net gain on liquidation of subsidiaries	*7*	**4,877**	–
Finance costs	*8*	**(32,699)**	–
Loss before taxation	*9*	**(72,938)**	(192,452)
Income tax	*10*	**–**	(1,865)
Loss for the period from continuing operations		**(72,938)**	(194,317)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(Continued)*

	Notes	**For the twelve months ended 31.3.2010 HK$'000 (unaudited)**	31.3.2009 HK$'000 (unaudited)
Discontinued operation			
Loss for the period from discontinued operations	*11*	**(4,169)**	(8,206)
Loss for the period		**(77,107)**	(202,523)
Other comprehensive income			
Exchange differences arising on translation of foreign operations		**(252)**	2,185
Total comprehensive loss for the period attributable to owners of the Company		**(77,359)**	(200,338)
Loss per share			
From continuing and discontinued operations			
Basic (cents per share)	*13*	**(15.26)**	(48.07)
Diluted (cents per share)		**N/A**	N/A
From continuing operations			
Basic (cents per share)		**(14.44)**	(46.12)
Diluted (cents per share)		**N/A**	N/A
From discontinued operations			
Basic (cents per share)		**(0.82)**	(1.95)
Diluted (cents per share)		**N/A**	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2010

	Notes	At 31.3.2010 HK$'000 (unaudited)	At 31.3.2009 HK$'000 (unaudited)
Non-current assets			
Available for sales investment	14	**552,120**	–
Property, plant and equipment	15	**18,618**	7,661
Prepaid lease payments		**–**	758
Mining exploration rights	16	**238,093**	25,038
		808,831	33,457
Current assets			
Inventories	17	**–**	503
Prepaid lease payments		**–**	20
Trade and bills receivables	18	**27,838**	3,065
Other receivables, deposits and prepayments	19	**591,795**	10,727
Tax recoverable		**–**	533
Funds in trust accounts		**439,317**	–
Pledged bank deposits	20	**925**	1,250
Bank balances and cash		**54,356**	10,142
		1,114,231	26,240
Current liabilities			
Trade and bills payables	21	**22,784**	18,593
Other payables and accrued charges		**7,425**	11,638
Payables to acquisition of subsidiaries	22	**100,000**	100,000
		130,209	130,231
Net current assets/(liabilities)		**984,022**	(103,991)
Total assets less current liabilities		**1,792,853**	(70,534)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

	Notes	**At 31.3.2010 HK$'000 (unaudited)**	At 31.3.2009 HK$'000 (unaudited)
Capital and reserves			
Share capital	*23*	**69,805**	42,133
Reserves		**752,867**	(113,140)
		822,672	(71,007)
Non-current liabilities			
Deferred tax liabilities		**–**	473
Convertible notes	*24*	**970,181**	–
		970,181	473
		1,792,853	(70,534)

CONDENSED CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

For the twelve months ended 31 March 2010

	Share capital HK$'000	Share premium HK$'000	Merger reserve *(note a)* HK$'000	Share options reserve HK$'000	Revaluation Reserve HK$'000	Convertible notes Equity reserves HK$'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	–	–	–	–	–	–	1,650	(202,523)	(200,873)
Reserves released upon disposal of a subsidiary	–	–	–	–	–	–	534	–	534
Equity-settled share-based payments	–	–	–	4,006	–	–	–	–	4,006
At 31 March 2009 (unaudited)	42,133	195,275	(14,990)	4,006	–	–	3,043	(300,474)	(71,007)
At 1 April 2009	42,133	195,275	(14,990)	4,006	–	–	3,043	(300,474)	(71,007)
Total comprehensive loss for the period	–	–	–	–	–	–	(252)	(77,107)	(77,359)
Reserves released upon liquidation of subsidiaries	–	–	–	–	–	–	3,771	–	3,771
Reserves released upon deconsolidation of subsidiaries	–	–	–	–	–	–	(2,432)	–	(2,432)
Revaluation of mining exploration right	–	–	–	–	156,120	–	–	–	156,120
Reserves release upon disposal of a subsidiary	–	–	–	–	–	–	17	–	17
Equity settled share-based payment	–	–	–	14,146	–	–	–	–	14,146
Share issued under share option scheme *(note b)*	166	913	–	–	–	–	–	–	1,079
Convertible notes equity component	–	–	–	–	–	623,895	–	–	623,895
Share issued under share option scheme *(note c)*	2,610	7,233	–	(2,483)	–	–	–	–	7,360
Share issued under warrant agreement *(note d)*	8,426	19,380	–	–	–	–	–	–	27,806
Share issued under share option scheme *(note e)*	2,970	35,530	–	(14,146)	–	–	–	–	24,354
Issue of shares on conversion of convertible notes *(note f)*	13,500	121,500	–	–	–	(20,078)	–	–	114,922
At 31 March 2010 (unaudited)	69,805	379,831	(14,990)	1,523	156,120	603,817	4,147	(377,581)	822,672

Note:

(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 twelve months ended 31 March 2010, an aggregate of 1,660,000 new shares of the Company were issued at the exercise price of HK$0.65 pursuant to the Pre-IPO share options scheme.

(c) During the twelve months ended 31 March 2010, an aggregate of 26,100,000 new shares of the Company were issued at the exercise price of HK$0.282 pursuant to the share options scheme.

(d) During the twelve months ended 31 March 2010, an aggregate of 84,260,000 new shares of the Company were issued at the subscription price of HK$0.03 and exercise price of HK$0.30 pursuant to the warrant agreement.

(e) During the twelve months ended 31 March 2010, an aggregate of 29,700,000 new shares of the Company were issued at the exercise price of HK$0.82 pursuant to share options scheme.

(f) Amount transferred from other equity reserves upon conversion of convertible notes.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the twelve months ended 31 March 2010

	For the twelve months ended 31.3.2010 HK$'000 (unaudited)	31.3.2009 HK$'000 (unaudited)
Cash used in operations	**(140,121)**	(49,017)
Income tax paid	**–**	22
Net cash used in operating activities	**(140,121)**	(48,995)
Net cash used in investing activities	**(743,812)**	(29,305)
Net cash generated from financing activities	**928,399**	–
Net increase/(decrease) in cash and cash equivalents	**44,466**	(78,300)
Cash and cash equivalents at beginning of the period	**10,142**	86,257
Effect of foreign exchange rates changes	**(252)**	2,185
Cash and cash equivalents at end of the period	**54,356**	10,142
Analysis of the balance of cash and cash equivalents, represented by:		
Bank balances and cash	**54,356**	10,142

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the twelve months ended 31 March 2010

1 BASIS OF PREPARATION

The unaudited interim 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" issued by the Hong Kong Institute of Certified Public Accountants.

2 SIGNIFICANT ACCOUNTING POLICIES

The unaudited interim condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values, as appropriate.

The accounting policies used in the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the twelve months ended 31 March 2009.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on 1 April 2009.

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[(*)]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKAS 39 (Amendment)	Eligible Hedged Items[(*)]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 3 (Revised)	Business Combinations[(*)]
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
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 17	Distributions of Non-cash Assets to Owners
HK(IFRIC) – Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008[(*)]
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009[(*)]

(*) Amendments that are effective for annual period beginning on or after 1 July, 2009.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

The directors of the Company anticipate that the application of the new and revised standards, amendments or interpretations will have no material impact on the interim financial statements.

3 TURNOVER AND SEGMENT INFORMATION

The Group has adopted HKFRS 8 "Operating Segments" with effect from 1 April 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (i.e., the executive directors) in order to allocate resources to segments and to assess their performance. In contrast, the predecessor standard (HKAS 14, "Segment Reporting") required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14.

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, namely trading business, engineering business.

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.

The Group's operating segments under HKFRS 8 are therefore as follows:

Trading	–	trade of beverage and food related products
Engineering	–	provision of engineering systems contracting services and the sales of consumables and spare parts

3 TURNOVER AND SEGMENT INFORMATION *(Continued)*

Information regarding these segments is reported below. Amounts reported for the prior period have been restated to conform to the requirements of HKFRS 8.

For the twelve months ended 31 March 2010

	Discontinued operations	Continuing operations	
	Engineering business HK$'000	Trading business HK$'000	Consolidated HK$'000
Revenue from external customers	**996**	**52,093**	**53,089**
Segment results	**(4,169)**	**(8,533)**	**(12,702)**
Unallocated operating income and expenses			**(81,605)**
Loss from operations			**(94,307)**
Equity-settled share-based payments			**(14,146)**
Net gain on deconsolidation of subsidiaries			**2,233**
Finance costs			**(32,699)**
Amortisation of mining exploration rights			**(11,128)**
Impairment loss reversed in respect of mining exploration rights			**68,063**
Net gain on liquidation of subsidiaries			**4,877**
Loss before tax			**(77,107)**
Income tax			**–**
Loss for the period			**(77,107)**

3 TURNOVER AND SEGMENT INFORMATION *(Continued)*

For the twelve months ended 31 March 2009

	Discontinued operations	Continuing operations	
	Engineering business HK$'000	Trading business HK$'000	Consolidated HK$'000
Revenue from external customers	63,007	5,470	68,477
Segment results	(8,206)	(4,708)	(12,914)
Unallocated operating income and expenses			(12,238)
Loss from operations			(25,152)
Impairment loss on inventories			(13,916)
Amortisation of mining exploration rights			(37,241)
Impairment loss on mining exploration rights			(68,063)
Reversal of impairment loss on trade and other receivables			2,769
Impairment loss in respect of property, plant and equipment			(59,055)
Loss before tax			(200,658)
Income tax			(1,865)
Loss for the period			(202,523)

4 OTHER REVENUE

	For the twelve months ended	
	31.3.2010 HK$'000	31.3.2009 HK$'000
Interest income	**61**	357
Rental income	**14**	905
Other income	**1,821**	–
	1,896	1,262

5 DECONSOLIDATION OF SUBSIDIARIES

Beijing Jinlunduo Resources Technology Company Limited ("Beijing Jinlunduo") and Changsha Sanjin Kuangye Touzi Zixum Youxia Gongsi ("Changsha Sanjin") are the wholly-owned subsidiaries of the Group which were incorporated in the People's Republic of China ("PRC"). The Group was having a potential dispute over the Company's ownership in both of Beijing Jinlunduo and Changsha Sanjin.

The directors considered that it was inappropriate to consolidate the financial results of Beijing Jinlunduo and its subsidiaries (including 青島永鑫匯礦業有限公司, 承德市三金礦業有限公司, 承德金昌礦業有限公司及承德神龍礦業有限公司) and Changsha Sanjin into the Group and therefore, both of Beijing Jinlunduo and Changsha Sanjin have been deconsolidated during the six months ended 30 September 2009.

During the period, the Group considered that the control over the Beijing Jinlunduo and its subsidiaries has been resumed and thus should be consolidated in the interim condensed consolidated financial statements except 承德金昌礦業有限公司. Subsequent to the end of the reporting period, the Group has appointed one of the directors of the Company as legal representative of Beijing Jinlunduo.

The net gain on the deconsolidation is as follows:

	HK$'000
Aggregate assets deconsolidation	
Property, plant and equipment	57
Other receivables	80
Bank balances and cash	62
Net assets deconsolidation	199
Release of exchange reserve	(2,432)
Net gain on deconsolidation of subsidiaries	(2,233)

6 LOSS ON DISPOSAL OF A SUBSIDIARY

During the period, the Group entered into an agreement with the director of its Malaysia subsidiary for the disposal of 100% equity interest in Linfair Engineering (Malaysia) Sdn Bhd ("LEM"), a wholly-owned subsidiary of the Group, for an aggregate consideration of Malaysia ringgit $2. The financial cut-off date was set at 31 March 2010 ("Cut-Off Date"). A loss of approximately HK$56,000 resulted in the disposal.

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

	HK$'000
Assets/(liabilities) disposed of:	
Property, plant and equipment	6
Other receivables	23
Prepayment and deposit	18
Bank balances and cash	12
Other payables and accrued charges	(3)
Net assets disposal of	56
Loss on disposal	56
Total consideration	–
Net cash outflow arising on disposal:	
Bank balances and cash	(12)

7 LIQUIDATION OF SUBSIDIARIES

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

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 Linfair Capital Limited ("Linfair Capital") and Linfair Engineering (H.K.) Co., Limited ("Linfair Engineering").

Assets/(liabilities) of the liquidated subsidiaries	HK$'000
Aggregate assets	
Property, plant and equipment	4,747
Prepaid lease payment	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 balances and cash	1,625
	19,801
Aggregate liabilities	
Trade and bills payable	18,967
Other payables and accrued charges	9,009
Deferred tax liabilities	473
	28,449
Net liabilities	(8,648)
Release of exchange reserve	3,771
Net gain on liquidation of subsidiaries	(4,877)

8 FINANCE COSTS

	For the twelve months ended	
	31.3.2010	31.3.2009
	HK$'000	HK$'000
Interest on:		
Effective interest expense on convertible notes	**32,699**	–

9 LOSS BEFORE TAXATION

	For the twelve months ended	
	31.3.2010	31.3.2009
	HK$'000	HK$'000
Depreciation and amortization	**13,186**	38,471
Exchange (gains)/losses, net	**(29)**	1,368
Operating lease charges in respect of land and building	**1,452**	1,232
Staff costs	**9,613**	2,983
Equity-settled share-based payments	**14,146**	–

10 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 twelve months ended 31 March 2010 and 31 March 2009.

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

11 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 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.

	For the twelve months ended	
	31.3.2010	31.3.2009
	HK$'000	HK$'000
Revenue	**996**	63,007
Cost of contract works	**(40)**	(43,393)
Cost of sales	**(566)**	(6,425)
Gross profit	**390**	13,189
Other revenue	**1,300**	4,297
(Loss)/Gain on disposal of subsidiaries	**(56)**	4,812
Impairment loss in respect of property, plant and equipments	**–**	(2,504)
Impairment loss in respect of inventories	**–**	(2,901)
Selling and distribution expenses	**(67)**	(1,499)
General and administrative expenses	**(5,736)**	(23,248)
Loss from operations and before tax	**(4,169)**	(7,854)
Income tax	**–**	(352)
Loss for the period from discontinued operations	**(4,169)**	(8,206)

12 DIVIDENDS

The board of directors does not recommend the payment of an interim dividend for the twelve months ended 31 March 2010 (twelve months ended 31 March 2009: 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.

13 LOSS PER SHARE

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

	For the twelve months ended	
	31.3.2010	31.3.2009
	HK$'000	HK$'000
Attributable to the equity holders of the Company, as used in the calculation of basic and diluted loss per share		
Loss from continuing operations and discontinued operations	**(77,107)**	(202,523)
Loss from continuing operations	**(72,938)**	(194,317)
Loss from discontinued operations	**(4,169)**	(8,206)
Number of shares		
Weighted average number of ordinary shares in issue for the purpose of calculating basic loss per share	**505,175,178**	421,334,000

No diluted loss per share is presented for the respective twelve months ended 31 March 2010 and 2009 as the exercise of the potential ordinary shares would result in reduction in loss per share in both periods.

14 AVAILABLE FOR SALES INVESTMENT

	At 31.3.2010 HK$'000	At 31.3.2009 HK$'000
Unlisted securities:		
Equity securities	**552,120**	–

During the year, the Group acquired 20% of the ordinary share of UBNZ Assets Holdings Limited ("UBNZ AHL") by cash and convertible notes issued by the Company. UBNZ AHL has purchased four farms. It involved in holding and management of the production, sale and distribution of livestock, milk fat solids and dairy related products in New Zealand. In the opinion of the directors of the Company, the Group has no significant influence over UBNZ as the other 80% of the ordinary share capital is controlled by a third party, who manages the day-to-day operations of UBNZ AHL.

The Group has intention and actual plan to acquire the remaining 80% of the ordinary share of UBNZ AHL. The legal representative of the Group stated that the purchases of remaining farms by UBNZ AHL will require consent from Overseas Investment Office (OIO) in New Zealand and together with the retrospective application for consent for the four farms acquired. Besides OIO wants a comprehensive New Zealand business plan and also wants to sight the current terms of the agreements between UBNZ Funds Management Limited and the official receiver of the farms.

Details of the investment as at 31 March 2010 are as follows:

Name	**Place of incorporation**	**Proportion of nominal value of issued capital/ registered capital held directly**	**Principal activity**
UBNZ Assets Holdings Limited	New Zealand	20%	Holding and management of the production, sale and distribution of livestock, milk fat solids and dairy related products in New Zealand

15 PROPERTY, PLANT AND EQUIPMENT

During the reviewing period, the Group acquired property, plant and equipment amounting to approximately HK$17,550,000 (twelve months ended 31 March 2009: approximately HK$3,105,000).

16 MINING EXPLORATION RIGHTS

	HK$'000
COST	
At 1 April 2008	–
Acquisition of subsidiaries	130,342
At 31 March 2009	130,342
Revaluation increase	156,120
At 31 March 2010	286,462
ACCUMULATED AMORTISATION	
At 1 April 2008	–
Charge for the period	37,241
Impairment loss recognised	68,063
At 31 March 2009	105,304
Charge for the year	11,128
Reversal of impairment	(68,063)
At 31 March 2010	48,369
NET BOOK VALUE	
At 31 March 2010	238,093
At 31 March 2009	25,038

The mining exploration rights represent the rights granted to conduct mining activities in Tengfei Magnetite in Chengde County, Hebei Province, the PRC, for a period of five years. In the opinion of the directors of the Company ("Directors"), the Group will be able to renew the mining exploration rights with the relevant government authorities at minimal charges.

Other than the mining exploration rights in Tengfei Magnetite, the Group also holds another mine in Chengde County, Gangzicum Donggou Magnetite, covering a total area of approximately 2.74 square kilometers. The Group presently carries exploration work on the Gangzicum Donggou Magnetite. The mining license of Gangzicum Donggou Magnetite up to the date of this report, has been applied but yet to be granted. The Directors are of the opinion that such approval will be granted to the Group in due course.

16 MINING EXPLORATION RIGHTS *(Continued)*

The mining rights are amortised over the remaining period of the mining rights.

The fair value of mining rights at 31 March 2010 have been arrived at on the basis of a valuation carried out on that day by LCH (Asia-Pacific) Surveyors Limited, independent qualified professional valuers not connected with the Group, and have appropriate qualifications and recent experience in the valuation of properties in the relevant locations.

17 INVENTORIES

	At 31.3.2010 HK$'000	At 31.3.2009 HK$'000
Consumables and spare parts	**–**	503

18 TRADE AND BILLS RECEIVABLES

	At 31.3.2010 HK$'000	At 31.3.2009 HK$'000
Trade receivables	**27,838**	52,001
Less: accumulated impairment recognised	**–**	(48,936)
	27,838	3,065

Aging analysis of trade receivables is as follows:

	At 31.3.2010 HK$'000	At 31.3.2009 HK$'000
0 to 90 days	**15,235**	557
91 to 180 days	**12,087**	356
181 to 365 days	**516**	2,152
	27,838	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.

19 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Included in other receivables was a receivable from a vendor amounted HK$563,409,990. It represents the excess convertible notes A and convertible notes B issue to UBNZ Trustee Limited in relation to the acquisition of UBNZ Assets Holdings Limited in order to further acquire the remaining 80% of the UBNZ Assets Holdings Limited ("UBNZ AHL"). The Group issued convertible notes to UBNZ Trustee Limited and then settled part of the consideration by cash as a result, the original convertible notes issued were treated as receivables.

20 PLEDGED BANK DEPOSITS

	At 31.3.2010 HK$'000	At 31.3.2009 HK$'000
Bank deposits	**925**	1,250

21 TRADE AND BILLS PAYABLES

	At 31.3.2010 HK$'000	At 31.3.2009 HK$'000
Trade payables	**22,784**	18,593

Aging analysis of trade payables is as follows:

	At 31.3.2010 HK$'000	At 31.3.2009 HK$'000
0 to 90 days	**18,212**	2,668
91 to 180 days	**4,571**	38
181 to 365 days	**1**	1,192
Over 1 year but not more than 2 years	**–**	686
Over 2 years	**–**	14,009
	22,784	18,593

22 PAYABLES TO ACQUISITION OF SUBSIDIARIES

On 7 December 2007, the Group entered into a share transfer agreement with Citywin Pacific Limited ("Citywin"), an independent third party, to acquire 100% equity interest in Qingdao Yongxinhui Mining Company Limited ("Qingdao Yongxinhui") at a consideration of HK$130 million ("Acquisition"). Qingdao Yongxinhui is engaged in the operation of two mines namely Tengfei Magnetite and Gangzicum Donggou Magnetite which situated in Chengde County, Hebei Province, the PRC through its wholly-owned subsidiary namely Chengde Shenlong Mining Company Limited. The consideration is satisfied by cash consideration of HK$30 million and the issue of HK$100 million convertible bond with the maturity of 4 years from the date of issue. The Acquisition was completed on 14 June 2008 and Qingdao Yongxinhui became a wholly-owned subsidiary of the Group. The Group has applied to issue the convertible bond to settle the balance of the consideration. Up to the date of this report, the application is still in progress.

22 PAYABLES TO ACQUISITION OF SUBSIDIARIES *(Continued)*

	Carrying amount before combination HK$'000	Fair value adjustment HK$'000	Fair value HK$'000
Net assets acquired:			
Property, plant and equipment	53,061	–	53,061
Mining exploration rights	–	130,342	130,342
Inventories	3,580	–	3,580
Prepayment, deposit and other receivables	1,750	–	1,750
Bank balances and cash	413	–	413
Trade and bills payables	(43,296)	–	(43,296)
Other payables and accrued charges	(15,570)	–	(15,570)
Tax payable	(280)	–	(280)
Net identifiable assets and liabilities	(342)	130,342	130,000
Satisfied by:			
Cash consideration			30,000
Issue of convertible bond			100,000
			130,000
Net cash outflow arising on acquisition			30,000
Bank balances and cash acquired			(413)
			29,587
Consideration payable at 31 March 2010 and 31 March 2009			100,000

23 SHARE CAPITAL

(a) The share capital as at 31 March 2010 and 31 March 2009 is as follows:

	No. of shares	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.10 each		
At 31 March 2009	1,000,000,000	100,000
Increase during the year	3,000,000,000	300,000
At 31 March 2010	4,000,000,000	400,000
Issued and fully paid:		
Ordinary shares of HK$0.10 each		
At 31 March 2009	421,334,000	42,133
Exercise of share options	57,460,000	5,746
Conversion of convertible notes	135,000,000	13,500
Exercise of warrants	84,260,000	8,426
At 31 March 2010	698,054,000	69,805

(b) Terms of unexpired and unexercised share options at the end of the reporting period are as follows:

Exercise period	Exercise price	At 31.3.2010 HK$'000	At 31.3.2009 HK$'000
11.12.2005 – 30.03.2010	HK$0.65	–	3,666,000
23.02.2009 – 22.02.2012	HK$0.282	–	28,000,000
23.02.2009 – 22.02.2014	HK$0.282	–	14,100,000

24 CONVERTIBLE NOTES

On 21 December 2009, the Company issued Hong Kong dollar denominated zero coupon convertible notes A (CN A) with an aggregate principal amount of HK$276,078,000 to UBNZ Trustee Limited. The CN A has a maturity of seven years from the issue date and can be converted into 1 ordinary share of the Company at HK$0.10 each for every HK$2.50 CN A at the holder's option at any time between the issue date and the maturity date subject to the anti-dilutive adjustment. The effective interest rate of the liability component of initial recognition is 11.29% per annum. Details of which were set out in the Company's announcement dated 4 June 2009.

On 21 December 2009, the Company issued Hong Kong dollar denominated zero coupon convertible notes B (CN B) with an aggregate principal amount of HK$552,155,999 to UBNZ Trustee Limited. The CN B has a maturity of ten years from the issue date and can be converted into 1 ordinary share of the Company at HK$0.10 each for every HK$2 CN B at the holder's option at any time between the issue date and the maturity date subject to the anti-dilutive adjustment. The effective interest rate of the liability component of initial recognition is 11.02% per annum. Details of which were set out in the Company's announcement dated 4 June 2009.

During the period from 22 December 2009 to 23 February 2010, the Company issued Hong Kong dollar denominated 3% convertible notes C (CN C) with an aggregate principal amount of HK$790 million. The CN C has a maturity of two years from the issue date and can be converted into 1 ordinary share of the Company at HK$0.1 each for every HK$1 CN C at the holder's option at any time between the issue date and the maturity date subject to the anti-dilutive adjustment. The effective interest rate of the liability component of initial recognition is 10.88% to 11.04% per annum. Details of which were set out in the Company's announcement dated 4 December 2009.

On 22 December 2009, the Company issued Hong Kong dollar denominated zero coupon convertible notes D (CN D) with an aggregate principal amount of HK$64.4 million. The CN D has a maturity on 31 March 2010, but is extendable to 30 June 2010 upon requested by either issuer or subscriber. The note entitles the holder to convert to 1 ordinary share of the Company at HK$0.1 each for every HK0.7 CN D at the holders option at any time between the issue date and the maturity date subject to the anti-dilutive adjustment and the clauses stated in the agreement. The effective interest rate of the liability component of initial recognition is 9.49% per annum. Details of which were set out in the Company's announcement dated 4 December 2009.

24 CONVERTIBLE NOTES *(Continued)*

The movement of the liability component of the convertible loan notes for the year is set out below:

	CN A HK$'000	CN B HK$'000	CN C HK$'000	CN D HK$'000	Total HK$'000
Proceeds of issue	276,078	552,120	790,000	64,400	1,682,598
Equity component	145,476	357,957	117,496	2,966	623,895
Liability component at date of issue	130,602	194,163	672,504	61,434	1,058,703
Conversion into ordinary share	–	–	(114,922)	–	(114,922)
Interest charged	4,040	5,862	14,917	1,581	26,400
Liabilities component at 31 March 2010	134,642	200,025	572,499	63,015	970,181

The liability component is measured at amortised cost. The interest expense for the year of HK$26,400,000 is calculated by applying an effective interest rate from 9.49% to 11.29% to the liability component since the convertible notes were issued.

25 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 both convertible notes and cash.

(i) Details of the acquisition are set out in the Company's announcements dated 4 June 2009, 24 June 2009, 31 July 2009, 20 August 2009, 7 September 2009 and 13 November 2009, 18 February 2010 and the circulars dated 8 September 2009.

25 COMMITMENTS *(Continued)*

(a) Capital commitments *(Continued)*

(ii) 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.

(iii) With reference to the Company's announcement dated 23 March 2010, the Company has entered into the agreement with two parties in respect of an acquisition by the Group of certain assets (including farm lands, livestocks and milk powder production plants) in New Zealand for purpose of conducting dairy business in New Zealand. The consideration of the Acquisition is NZ$1.5 billion (equivalent to approximately HK$8,086,500,000 based on the exchange rate of NZ$1.00 = HK$5.391) and will be settled partly by cash and partly by the Company's issue of convertible bonds.

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.

(iv) Capital commitments contracted for but not provided in the condensed consolidated financial statements is HK$20,689,170 (2009: Nil).

25 COMMITMENTS *(Continued)*

(b) Operating lease commitments

At the end of the reporting period, the Group had committed for future minimum lease payments under non-cancellable operating lease which fall due as follows:

	At 31.3.2010 HK$'000	At 31.3.2009 HK$'000
Within one year	**10,292**	863
In the second to fifth year inclusive	**22,703**	2,066
Over five years	**9,032**	102
	42,027	3,031

26 EVENTS AFTER THE END OF THE REPORTING PERIOD

(a) With reference to the Company's announcement dated 9 June 2010, Guo Yuan Natural Dairy (Jiangxi) Limited ("Jiangxi Natural Dairy"), a wholly-owned subsidiary of the Company in the PRC, entered into a manufacturing agreement (the "Manufacturing Agreement") with UBNZ Funds Management Limited ("UBNZ Funds") pursuant to which Jiangxi Natural Dairy has agreed to engage UBNZ Funds on an non-exclusive basis in respect of the manufacture of not less than 150 million packets of pasteurized Ultra Heat Treated (UHT) Milk to be sold by Jiangxi Natural Dairy（江西天然乳品）in the PRC according to the specifications and requirements of by Jiangxi Natural Dairy. The Manufacturing Agreement has a fixed term of one year commencing from October 2010 or such later date as may be agreed by the parties.

(b) Subsequent to the end of the reporting period, the Group entered several contracts with the total sum of HK$22,945,619 (2009: Nil).

27 RELATED PARTY TRANSACTION

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

	At 31.3.2010 HK$'000	At 31.3.2009 HK$'000
Directors' fees	**4,003**	501

28 TRANSACTIONS AND PENDING LITIGATION WITH CITYWIN

During the year ended 31 March 2008, the Group entered into an acquisition agreement with Citywin Pacific Limited ("Citywin") to acquire 100% equity interest in the Qingdao Yongxinhui Mining Company Limited ("Qingdao Yongxinhui") and its subsidiaries at an aggregate consideration of HK$130,000,000 (the "Acquisition"). The consideration is to be satisfied by a cash consideration of HK$30,000,000 and issue of HK$100,000,000 convertible notes with a maturity of four years from the date of issue (the "Convertible notes").

On 7 December 2007, the Group also signed a service agreement with Citywin for provision of various services in relation to the mining business of the Group, including advice on trading and marketing of the output from the magnetite and the introduction of prospective distributors and buyers of the products after the completion of the acquisition.

Subsequent to 31 March 2009, the Group received a writ of summons issued from the Court of First Instance of Hong Kong on 10 June 2009. In the writ of summons, Citywin made a claim against the Company for, among other things, the Company do forthwith apply for and obtain the approval of the Listing Committee of the Stock Exchange for listing of and permission to deal in the Conversion Shares, upon the grant of the approval, the Company do within 7 days issue in favour of Citywin the Convertible notes on the terms as provided in the sale and purchase agreement save that the same is to mature on 20 December 2012, damages, interests and costs.

The directors had requested the lawyers of the Group to prepare defence actions in relation to the writ of summons dated 10 June 2009. The directors originally believed that Citywin would act in good faith to assist the Group to obtain financial and operating controls of the Target Group and to provide the documents as stated in the acquisition agreement, including but not limited to, business license and books and records of the Target Group, and to ensure completion of all necessary procedures in assisting the Group to obtain the financial and operating controls of the Target Group. In the opinion of directors, the Group has valid defence in the litigation with Citywin and the Group will not suffer material financial losses in the pending litigation.

29 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 twelve months 31 March 2010.

DIRECTORS' INTEREST IN SHARES, UNDERLYING SHARES OR DEBENTURES

As at 31 March 2010, 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

	Number of shares					
Name of Director	Personal Interests	Family Interests	Corporate Interests	Number of underlying shares held under equity derivatives	Total	Percentage of aggregate interest to total number of shares in issue %(*)
Graham Chin	1,500,000	–	–	–	1,500,000	0.21%
Chan Man Kuen	400,000	–	–	–	400,000	0.06%
Stephen Kerr	400,000	–	–	–	400,000	0.06%
Sze Cheung Hong	400,000	–	–	–	400,000	0.06%
Chan Wai Kay Katherine *(note)*	4,000,000	–	80,000,000(1)	–	84,000,000	12.03%

Notes:

1. 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. Ms. Chan Wai Kay Katherine resigned as executive director and chairman of the Company in January 2010.

Save as disclosed above, as at 31 March 2010, 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 31 March 2010, 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 31 March 2010, 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 %(*)
UBNZ Trustee Limited (note 1)	Corporation	–	110,431,200 (CN A)	16%
	Corporation	–	276,077,999 (CN B)	40%
CCB International Asset Management ("CCBIAM") (note 2)	Corporation	–	92,000,000	13%
Chan Wai Kay Katherine (note 3)	Beneficial	4,000,000	–	0.57%
	Interest on controlled corporation	80,000,000	–	11.46%
Anton Capital Limited (note 3)	Beneficial	80,000,000	–	11.46%
ICBC (Asia) Nominee Limited (note 4)	Corporation	–	300,000,000	42.98%

Notes:

1. On 22 May 2009, the Company and UBNZ Trustee Limited (the Vender) and UBNZ Funds Management Limited (the Warrantor) entered into an agreement, pursuant to which, new shares which will fall to be issued as consideration upon full conversion of (i) the initial principal amount of the Convertible Note A of not more than the HK$ equivalent of NZ$215 million (equivalent to approximately HK$1,031.46 million) at the initial conversion price of HK$2.50 per Conversion Share (subject to adjustment), and (ii) the initial principal amount of Convertible Note B of not more than the HK$ equivalent of NZ$285 million (equivalent to approximately HK$1,367.29 million) at the initial conversion price of HK$2.00 per Conversion Share (subject to adjustment). Ms. May Wang is the sole director and shareholder of UBNZ Trustee Ltd, she is therefore deemed to be interested in 386,509,199 convertible bonds of the Company. Details of the bonds were disclosed in the announcement of the Company dated 8 September 2009.

2. On 4 December 2009, the Company entered into the Subscription Agreement with 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 aggregate principal amount of HK$64.4 million at the conversion price of HK$0.70 per Conversion Share (subject to adjustment). Details of which are disclosed in the announcement of the Company dated 4 December 2009.

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

4. ICBC (Asia) Nominee Limited is the holder of the Convertible Bond C in the aggregate principal amount of HK$300 million at the conversion price of HK$1.00 per conversion share (subject to adjustment). Details of the Convertible Bond C are disclosed in the announcement of the Company dated 4 December 2009.

* The percentage has been adjusted based on the total number of shares of the Company in issue as at 31 March 2010 (i.e. 698,054,000).

Save as disclosed above, as at 31 March 2010, 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 was 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 31 March 2010, none of any options granted was outstanding.

(a) 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.

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.

(b) Movements of the Pre-IPO Share Options

Movements of the share options, which were granted under the Pre-IPO Share Options, during the twelve months ended 31 March 2010 are listed below in accordance with rule 17.07 of the Listing Rules:

Category	As at 31.3.2009	During the period: Granted	During the period: Exercised	During the period: Lapsed/ cancelled	As at 31.3.2010	Exercise price HK$	Exercise period[1]
Ex-employees	3,666,000	–	1,660,000	2,006,000	–	0.65	11.12.2005-30.03.2010

(c) Movements of the Share Option Scheme

Movements of the share options granted under the Share Option Scheme during the twelve months ended 31 March 2010 are listed below in accordance with rule 17.07 of the Listing Rules:

At Exercise Price HK$0.282

Category	As at 31.3.2009	During the period: Granted	During the period: Exercised	During the period: Lapsed/ cancelled	As at 31.3.2010	Exercise price HK$	Exercise period[1]
Directors							
Chan Wai Kay Katherine *(note 1)*	4,000,000	–	4,000,000	–	–	0.282	23.2.2009-22.2.2014
Zuo Lihua *(note 1)*	1,000,000	–	1,000,000	–	–	0.282	23.2.2009-22.2.2014
He Changming *(note 1)*	2,000,000	–	2,000,000	–	–	0.282	23.2.2009-22.2.2014
Employees	4,100,000	–	4,100,000	–	–	0.282	23.2.2009-22.2.2014
Consultants	28,000,000	–	12,000,000	16,000,000	–	0.282	23.2.2009-22.2.2012
	3,000,000	–	3,000,000	–	–	0.282	23.2.2009-22.2.2014
Total	42,100,000	–	26,100,000	16,000,000	–	0.282	23.2.2009-22.2.2014

Notes:

(1) Ms. Chan Wai Kay Katherine, Ms. Zuo Lihua and Mr. He Changming resigned as directors of the Company during the period under review.

At Exercise Price: HK$0.82

Category	As at 31.03.2009	During the period: Granted on 20.10.2009	During the period: Exercised	During the period: Lapsed/ cancelled	As at 31.3.2010	Exercise price HK$	Exercise period[1]
Directors							
Graham Chin	–	1,500,000	1,500,000	–	–	0.82	20.10.2009-19.10.2012
Chan Mei Mei *(note 1)*	–	1,500,000	1,500,000	–	–	0.82	20.10.2009-19.10.2012
Stephen Kerr	–	400,000	400,000	–	–	0.82	20.10.2009-19.10.2012
Sze Cheung Hung	–	400,000	400,000	–	–	0.82	20.10.2009-19.10.2012
Chan Man Kuen	–	400,000	400,000	–	–	0.82	20.10.2009-19.10.2012
Employees & others	–	25,500,000	5,500,000	–	–	0.82	20.10.2009-19.10.2012
Total	–	29,700,000	29,700,000	–	–	0.82	

Note 1: Ms. Chan Mei Mei resigned as director of the Company in January 2010.

WARRANT

On 15 April 2009, the Company entered into a placing agreement with Pacific Foundation Securities Limited, pursuant to which Pacific Foundation Securities Limited 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 were set out in the Company's announcement dated 16 April 2009.

As at 31 March 2010, none of any warrants issued is outstanding.

The principal terms of the Warrants are summarized below:

(i) The placees

The Warrants were offered to not less than six placees. The choice of placees 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), would 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 was 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 warrantholders 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 Warrantholders.

(ix) Voting

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

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

During the twelve months ended 31 March 2010, 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 31 March 2010.

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 twelve months ended 31 March 2010.

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 twelve months ended 31 March 2010 were approved and authorised for issued by the Board on 25 June 2010.