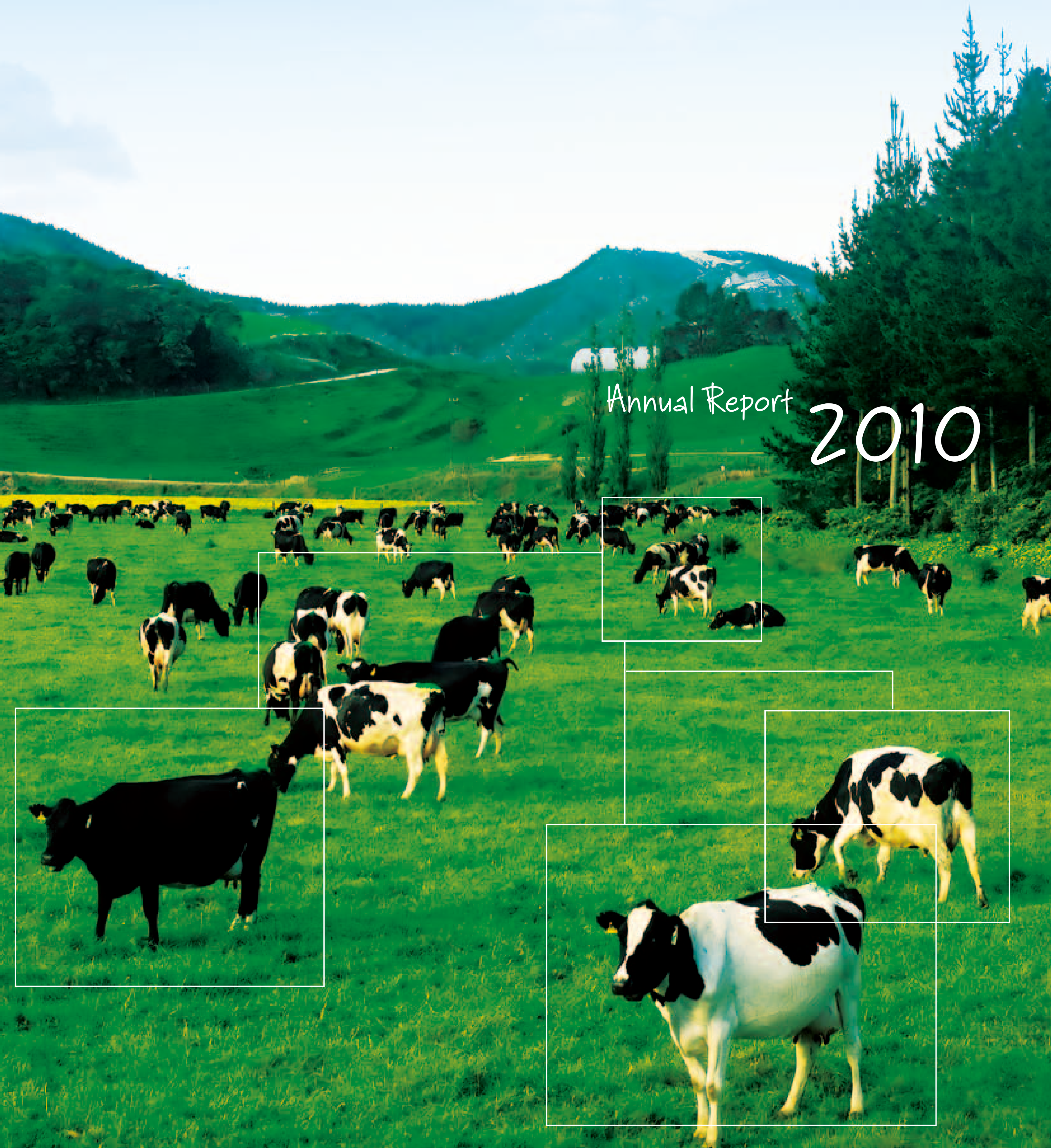
Natural Dairy (NZ) Holdings Limited
天然乳品(新西蘭)控股有限公司

(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)



Annual Report 2010

CONTENT

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Wu Neng Kun *(Chairman)*

Mr. Graham Chin *(Vice-Chairman)*

Mr. Yan Feng

Mr. Luo Ji

Ms. Ng Yat Fung Miranda

Mr. Yao Hai Sheng

Mr. Zhang Han Wen Jason

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. Wu Neng Kun

Ms. Ng Yat Fung Miranda

COMPANY SECRETARY

Ms. Ng Yat Fung Miranda

AUDITOR

Morison Heng

LEGAL ADVISER

In Hong Kong:

Troutman Sanders

Stevenson, Wong & Co

In Cayman Islands:

Conyers Dill & Pearman, Cayman

In New Zealand:

Knight Coldicutt

CORPORATE INFORMATION

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,
Wanchai, Hong Kong

PRINCIPAL BANKERS

The Hongkong & Shanghai Banking Corporation Limited

STOCK CODE

462

COMPANY WEBSITE

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

GROUP FINANCIAL SUMMARY

The following is a summary of the published results and of the assets, liabilities and minority interests of the Group for the four financial year ended 31 March 2009 and fourteen-months ended 31 May 2010.

RESULTS

	1.4.2009 to		Year ended 31 March		
	31.5.2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**59,576**	5,470	89,064	297,802	209,922
Gross profit	**1,152**	2,182	18,495	31,972	33,909
Loss before income tax	**(199,075)**	(207,950)	(44,643)	(82,829)	(19,536)
Income tax (expenses) credit	**–**	(1,865)	78	(381)	67
Loss for the year	**(199,075)**	(209,815)	(44,565)	(83,210)	(19,469)

ASSETS AND LIABILITIES

			At 31 March		
	31.5.2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	**592,689**	33,403	49,046	19,558	26,316
Current assets	**1,041,297**	25,672	169,841	141,287	237,461
Current Liabilities	**(232,823)**	(149,870)	(93,440)	(117,180)	(178,050)
Non-Current Liabilities	**(892,915)**	(473)	(121)	(230)	(650)
Equity attributable to equity shareholders of the Company	**508,248**	(91,268)	125,326	43,435	(85,074)

GROUP FINANCIAL SUMMARY

1. The Company was incorporated on 8 October 2002 in the Cayman Islands and became the holding company of the Group with effect from 18 May 2005 upon completion of the Reorganisation as set out in the Company's prospectus dated 27 May 2005.

2. The results of the Group for the fourteen months ended 31 May 2010 and past four year ended 31 March 2009 and the balance sheets of the Group as at 31 March 2006 to 31 May 2010 have been prepared using the principles of merger accounting.

3. The above financial summary prior to 2005 has not been adjusted to take into account the effect on adoption of Hong Kong Financial Reporting Standards as the directors consider that it is not practicable to do so.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "Board") of Natural Dairy (NZ) Holdings Limited (formerly known as China Jin Hui Corporation Limited) (the "Company"), I would like to express my sincere gratitude to all the shareholders and investors for their support to the Company and its subsidiaries (the "Group"). On 25 March 2010, the Group announced the change of the financial year-end date of the Company from 31 March to 31 May, effective from the financial period 2009/10. As the chairman of the Group, I hereby present the Company's first annual report since the change of its company name and year-end date, which sets out the performance of the Company's operations and highlights the progress and strategies of the Company in respect of the repositioning of its business focus for the period ended 31 May 2010, as well as its development prospects.

STRATEGIC RESTRUCTURING FOR A BETTER FOUNDATION OF DEVELOPMENT

Despite the unfavourable external market conditions and the fact that the global economy is not in full recovery, the management has not relaxed its efforts but managed to make encouraging progress in business restructuring during the period. The Group discontinued its electronic and audio trading business during the period and shifted the focus to the production and sales of dairy products and organic and natural drinks, marking a crucial milestone in the Company's strategic restructuring. During the period under review, nearly all the Group's turnover was derived from the food and beverage trading business, while the Group's net assets grew significantly from over –HK$91 million to HK$508 million as at the period-end date.

NEW POSITION TO ESTABLISH OUR UNIQUE EDGE

Following the completion of various very substantial acquisitions during the period, the Group became the only Hong Kong-listed company and the only dairy brand with China as the major market which owns farms and dairy production facilities overseas and has its own brand and specialty store distribution network in China at the same time. As at the period-end date, the Group acquired 20% of UBNZ Assets Holdings Limited with four dairy properties. This unique asset structure and operation mode allows the Group to secure an incomparable position in the market.

The Company is currently a Hong Kong-listed dairy brand with China as the major market. The directly-owned farms in New Zealand allow the Group to enjoy a unique edge over its industry peers in terms of the quality of dairy products. Besides the guaranteed quality of our product origin, the Group has also established a comprehensive value chain for its dairy business comprising breeding dairy cattle, producing and processing dairy products and selling with its proprietary brand and through its own distribution network.

As the economy of China is bourgeoning in recent years, the demand for quality dairy products in the Chinese market is enormous and still growing rapidly. The news about widespread sub-standard local dairy products uncovered in recent years serve as a push for consumers to seek quality imported dairy products. In view of this, the management is of the opinion that there will be huge development potential of this new business line and is confident about its prospects.

CHAIRMAN'S STATEMENT

CONSOLIDATING THE BUSINESS STRUCTURE AND SETTING BUSINESS GOALS

Building on the Company's vertically-consolidated business structure, the management has formulated the development strategies and business goals for the coming year, with an aim to establish a leading position in the Chinese dairy market. Utilizing the current production capacity, it is set to produce 150 million packs (250 ml) of UHT fresh farm milk from our farms in New Zealand in the coming year. On the other hand, in order to make better use of its specialty store network and cater for the market demand for different kinds of dairy products, the Group intends to expand its product mix by adding new flavours of UHT milk such as blueberry, strawberry and chocolate, as well as new products such as colostrums, good night milk and milk powder for babies.

DEVELOPING THE NONI PRODUCTS WITH OUR ADVANTAGES

In addition to dairy products, the Group is also planning to use its own business resources in New Zealand and the beverage production and processing techniques to develop Noni juice and wine. In February 2010, the Group set up a wholly-owned subsidiary, Guoyuan Native Dairy Products (Jiangxi) Company Limited, which owns 120,000 m^2 of fully-automated production and processing facilities for beverage with an annual production capacity of 30,000 tonnes of Noni juice and 10,000 tonnes of Noni wine. Noni grows only in unpolluted natural environment, such as Pacific Islands including New Zealand, and has natural healing and health-care qualities. The management considers that the introduction of Noni juice and wine, together with its dairy business in China, can create a beneficial synergy effect and is a promising income stream.

SEIZING THE OPPORTUNITY TO EXPAND OUR DISTRIBUTION NETWORK

The reports on milk powder tainted with melamine in 2008 and the recent rumours of milk powder containing hormones that cause sexual precocity have seriously affected consumer confidence on the quality of local dairy products, hence boosting the demand for and price of imported dairy products with high standard and safety. Unlike domestic produce in the People's Republic of China (the "PRC"), dairy products of New Zealand are widely known for their naturalness and purity and are even exempted from inspection in EU countries. In view of its quality source of milk in New Zealand and the developing brand and distribution network in China, the management believes that the Group's products are relatively competitive in the market in terms of quality and pricing, and is planning to open stores in 24 provinces in China in the forms of partnership or direct investment in the coming years.

CHAIRMAN'S STATEMENT

AIMING AT BECOMING A LEADING BRAND

According to www.redbaby.com.cn, the largest online shop of baby products in China, there is a direct relationship between the pricing of baby dairy products and various factors including origin of milk, production scale and brand awareness, and thus large foreign brands are the most competitive in product pricing. By selling dairy products from New Zealand, which is the origin of the world's top fresh milk, in the rapidly-growing Chinese dairy market, the Group has paved the way for its future business development with tremendous potential for growth. The management is committed to creating greater value for the shareholders' investments by capturing greater market shares in the lucrative Chinese market through the above strategic restructuring and development plans, as well as becoming the leading imported dairy brand in China and the pioneer in the Chinese organic fruit beverage market.

Finally, I would like to express my heartfelt thanks again to our shareholders, customers and business partners for their support to the Group's reform and restructuring. I am also grateful to all the staff for their dedication and hard work, which are strong driving forces for the Group's development.

Wu Neng Kun
Chairman

Hong Kong, 29 October 2010

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

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

- Revenue amounted to HK$59 million (2009: HK$5 million), representing a surge of 989% as compared with the year ended 31 March 2009. The sharp increase was mainly attributable to the introduction of our new food and beverage trading business.

- Loss attributable to shareholders was HK$203 million (2009: loss HK$223 million), a slightly decrease as compared to that of 2009.

- Basic and diluted loss per share amounted to HK$37.95 cents, which showed an improvement as compared to that of 2009.

OPERATIONAL REVIEW

The Group commenced its food and beverage trading business in August 2009 and the products mainly comprised of snacks, chili sauces, dried longan, banana chips and pecan nuts. During the period under review, the food and beverage trading business contributed HK$59.6 million, or 100%, to the Group's total turnover. Gross profit margin decreased from 39.8% to 1.93% for last year, primarily due to keen competition in food and beverage trading business. With the low gross profit margin on the snack trading business, the Board decided to engage in the more lucrative dairy related business with its existing sales and distribution network.

The discontinued electronic and audio trading business recorded a turnover of HK$996,000 and a gross profit of HK$390,000. As announced in September 2009 for the discontinuation of the business of Linfair Engineering (HK), the Group has commenced the liquidation procedure of Linfair and the process is in its final stage.

During the period under review, the Group reconsolidated the Tengfei and Gangzicun Donggou Magnetite mines. Despite the fact that the mining business has no direct connection with the Group's core food trading business, it allows the Group to strengthen the income base and to diversify its businesses in the long term. The two mines are located in Chengde County, Hebei Province, China with estimated iron resources of 200,798,000 tonnes and a life span of 100 years for the main open pit mine. The recoverable resources are 36,110,337 tonnes with an average recovery rate of 85%. We have two magnetic separations with a processing capacity of 3000t/day and 800t/day respectively. The annual production capacity of raw iron ore is approximately 474,500 tonnes.

MANAGEMENT DISCUSSION AND ANALYSIS

During the period, administrative and general expenses amounted to HK$128 million (2009: HK$36 million), representing 2.1 times of the Group's revenue (2009: 6.6 times). The increase in expenses during the period under review were mainly due to: i) the expenses incurred for the liquidation procedure of Linfair, ii) the regain of Beijing Jinluoduo for repossessing the control of the mines' operation rights, and iii) the establishment of the Noni juice and Noni wine production lines in Jiangxi and Fujian; iv) the legal and professional fee to apply for Overseas Investment Office in New Zealand; v) the legal fee for the resume of shares trading.

Selling and distribution expenses amounted to HK$2.8 million, as compared to HK$255,000 last year. The increase was mainly attributable to the initial setup cost of the distribution and sales network of the food and beverage trading business. Further, on 10 February 2010, the Group established Guoyuan Native Dairy Products (Jiangxi) Company Limited with a registered share capital of HK$50 million to further affirm the Group's commitment on the business of snacks, Noni juice, Noni wine and dairy related products in China.

MARKET PROSPECTS

As compared to the enormous global demand for dairy products, the consumption of dairy products per capita in China is less than 30 kg, representing only one-fourth of the average consumption in developed countries. With the urbanization in the PRC and the growth towards a medium-sized developed economy, the demand for nutritious dairy products will have a spacious room for improvement. In 2009, the sales of dairy products in China exceeded RMB200 billion and recorded a compound annual growth rate of over 30% in the past four years. According to the UHT Tetra Pak Dairy Index, the compound annual growth of liquid dairy products was 13.4% from 2005 to 2008, and the total consumption was approximately 2.7 billion litres in 2008.

After unveiling the scandal of milk powder tainted with melamine in China in 2008, consumers with higher disposable income have become more willing to pay a higher price to purchase imported dairy products. As such, a few leading foreign infant formula brands have announced upward price revision of 10%-20% in China early this year.

In light of the above market situation, the management believes that dairy products from New Zealand, which are renowned for its product safety and quality, along with our introduction of vertical value chain in production and sales, will provide the Group with an incomparable competitive edge in the market.

LATEST STATUS OF ACQUISITIONS

VSA-1: Acquisition of UBNZ AHL issued share capital and its dairy properties and business

As announced on 22 May 2009, the Group intended to acquire UBNZ Assets Holdings Limited ("UBNZ"), including its dairy properties and dairy cattle in New Zealand. The 22 dairy properties have an aggregate area of approximately 8,674 hectares (approximately 130,110 mu) and are mainly located in the middle highland area in southern Auckland in the North Island of New Zealand. The region is well-known for its clean grassland suitable for dairy farm business.

The Group submitted an application to the New Zealand Overseas Investment Office for the approval of 80% option shares acquisition of UBNZ AHL on 5 July 2010 and the application is still in process.

MANAGEMENT DISCUSSION AND ANALYSIS

VSA-2: Acquisition of the production lines and the license of "綠得" trademarks

Further, as announced on 10 December 2009, the Group intended to acquire the production lines and the license of "綠得" trademarks of Global Food Holdings Limited ("Global Food"). Global Food, a beverage and sweet rice congee manufacturer, owns "綠得" trademarks with around 20 years of history and its sweet rice congee enjoys nationwide popularity. The acquisition will enable the Group to introduce a sales platform for its dairy and non-dairy beverage products and strengthen the vertical business consolidation.

As announced on 31 May 2010, the Group has applied to the Stock Exchange for a waiver from strict compliance with the requirements under Rules 14.48, 14.38A and 14A.69 of the Listing Rules in order to further extend the despatch date of the relevant circular to no later than 30 September 2010. In view of the fact that the Group needs more time to finalise the relevant circular, the Group announced on 29 September 2010 that the despatch of the circular is further delayed to on or before 31 March 2011.

VSA-3: Acquisition of additional farm lands, cattle and milk powder production plants

As announced on 23 March 2010, the Group intended to acquire additional farm lands, livestock and milk powder production plants in New Zealand for the purpose of conducting dairy business in New Zealand.

The Group considers the above acquisition as a very substantial acquisition and, therefore, made a request for the suspension of trading in its shares to the Stock Exchange in respect of such acquisition on 12 February 2010. However, pursuant to the letter dated 7 May 2010 from the Listing Division of the Stock Exchange to the Company, the Listing Committee ruled that the VSA-3 would constitute a reverse takeover under Rule 16.06(6) of the Listing Rules and the VSA-3 would be treated as if it were a new listing application under Rule 14.54 of the Listing Rules. The Company disagreed and therefore requested for a review of the Listing Committee's decision by the Listing (Review) Committee pursuant to Rule 2B.06(2) of the Listing Rules (the "Review"). Subsequently, a hearing by the Listing (Review) Committee was scheduled to be held on 31 August 2010 after various extensions of the hearing dates. However, after considering the pros and cons of continuing the hearing vs. early resumption of trading of the Company's shares while renegotiating the terms of VSA-3 to facilitate the approval by the Stock Exchange, the Company believed that it would be in the best interests of the Company and its shareholders to terminate the VSA-3 Agreement at this stage so as to permit early resumption of trading in the shares while retaining the right to renegotiate and restructure the proposed VSA-3 transaction with the vendor to facilitate the approval by the Stock Exchange. Accordingly, the Company has decided to terminate the application for VSA-3 and withdrawn its request for the Review.

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK

The management viewed the three inter-related VSAs made by the Group during the period as a strategic development. By carrying out VSA-1 and VSA-2, the Group can establish a production base and a sales platform for the Group's dairy business while VSA-3 will enable the Group to achieve better economies of scale and enhance its operation synergies as a whole.

Despite the termination of the VSA-3 Agreement, the Company will continue to pursue business opportunities in the dairy sector, including but not limited to investing in dairy farms and processing plants for dairy products in New Zealand and/or entering into supply agreements with dairy product processing plants directly or indirectly through local agents so as to secure supply of dairy products. The Company may also continue the renegotiation and restructuring of any acquisitions or cooperation plans with the existing vendor of VSA-3 to the extent in compliance with the Listing Rules.

The management will keep utilizing its experience and current foundation to actively identify the development module in the best interests of the shareholders. In the long term, the management is confident that the introduction of quality New Zealand dairy products into China will bring a promising investment value for our shareholders.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

For the period ended 31 May 2010, the Group's net cash inflow from capital fund raising activities amounted to HK$867,813,000 (31 March 2009: HK$nil). Net cash balances (cash and bank balances net of total bank loans) was HK$43,663,000 (31 March 2009: HK$10,137,000) as at 31 May 2010, and Funds in escrow and trust account was HK$351,175,000 (31 March 2009: HK$nil) as at 31 May 2010; indicating that the Group had a very strong cash reserve, robust financial position and health cash flow.

As at 31 May 2010, the Group had current assets/(liabilities) of approximately HK$808,474,000 (31 March 2009: -HK$124,198,000) and total assets (net of current liabilities) of approximately HK$1,401,163,000 (31 March 2009: -HK$90,795,000). The Group's current ratio as at 31 May 2010 was 4.5 times, showing a healthy position and a very strong solvency.

Furthermore, HK$100 million of current liabilities was a conservative provision for the consideration of the convertible bonds payable for the mines acquisition to a third party. Such amount is considered to be highly recoverable, of which HK$69 million is used for setting off the respective balances due, and the remaining is non-payable on non-performance according to the sale contract.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group had no interest-bearing loan as at 31 May 2010 (31 March 2009: nil). The Group's total liabilities divided by total assets as at 31 May 2010 was 0.69 times (31 March 2009: 2.54 times).

The total equity of the Group was HK$508 million as at 31 May 2010 (31 March 2009: -HK$91.3 million). The debt-to-equity ratio (total loans over total equity) of the Group was 2.21 times (31 March 2009: 1.65 times) and it has finance cost of HK$43,966,000 (31 March 2009: HK$nil).

As shown in this report, there was a significant improvement of the Group's balance sheet stability and solvency test results, which was attributable to the successful fund raising activity in October 2009.

These activities have broadened the shareholder and capital base of the Group and strengthened its financial position.

FINANCIAL AND OPERATING HIGHLIGHTS

- Revenue of the Group for the period ended 31 May 2010 was HK$59,576,000, representing a increase of HK$54,106,000 (or 989%) over the year ended 31 March 2009.

- Loss attribute to equity shareholders of the Company for the period ended 31 May 2010 was HK$203,244,000, representing a decrease HK$19,519,000 (or 8.8%) over the year ended 31 March 2009.

- Basic loss per share for the period ended 31 March 2010 was HK37.95 cents, representing a decrease of HK14.92 cents (or 28.2%) over that of the year ended 31 March 2009.

- Total assets increased from HK$59,075,000 to HK$1,633,986,000.

MANAGEMENT DISCUSSION AND ANALYSIS

Segment Analysis

The Group is principally engaged in the trading of beverage and food related products and trading of iron ore.

LIQUIDITY AND FINANCIAL RESOURCES

The Group finances its operations through a combination of shareholders equity and internally generated cash flows. As at 31 May 2010, the Group had cash and cash equivalents and pledged deposits of approximately HK$44 million (31 March 2009: HK$11 million).

The Group had nil interest-bearing bank borrowings as at 31 May 2010 and 2009.

As at 31 May 2010, the Group had current assets of approximately HK$1,041 million (31 March 2009: HK$26 million) and current liabilities of approximately HK$233 million (31 March 2009: HK$150 million).

CHARGED ON ASSETS

As at 31 May 2010, the banking facilities were secured by a bank deposit of the Group of approximately HK$1 million (31 March 2009: HK$1 million) and HK$Nil million (31 March 2009: HK$1 million) respectively.

FOREIGN EXCHANGE EXPOSURE

The Group's principal production facilities are located in the PRC whilst most of its sales are denominated in Renminbi, New Zealand Dollars, United States Dollars and Hong Kong Dollars. Most of the purchases of raw materials are denominated in Renminbi and Hong Kong Dollars. Furthermore, most of the Group's monetary assets and liabilities are denominated in Renminbi, New Zealand Dollars, United States Dollars and Hong Kong Dollars.

As such, management is aware of the potential foreign currency risk that may arise for the fluctuation of exchange rates between Renminbi, New Zealand Dollars, United States Dollars and Hong Kong Dollars.

Although the foreign exchange risk is not considered to be significant, management will continue to evaluate the Group's foreign currency exposure and take actions as appropriate to minimize the Group's exposure whenever necessary.

CONTINGENT LIABILITIES

Details of the contingent liabilities of the Group are set out in note 40 to the consolidated financial statements.

CAPITAL COMMITMENTS

Details of the capital commitments of the Group are set out in note 41 to the consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

POST BALANCE SHEET EVENTS

Details of the post balance sheet events of the Group are set out in note 47 to the consolidated financial statements.

CAPITAL STRUCTURE

As at 31 May 2010, the Group had a net asset value of approximately HK$508 million (31 March 2009: -HK$91 million), comprising non-current assets of about HK$593 million (31 March 2009: HK$33 million), net current assets of about HK$808 million (31 March 2009: net current liabilities of HK$124 million) and non-current liabilities of about HK$893 million (31 March 2009: HK$0.5 million).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 May 2010, the Group had a staff force of approximately 111 employees. The remuneration of employee 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. The total staff costs incurred for the period 2010 was approximately HK$21,803,000 (31 March 2009: HK$17,910,000).

The Company adopted a pre-IPO share option scheme (the "Pre-IPO Share Options") on 30 March 2005 and a share option scheme (the "Share Option Scheme") on 20 May 2005, for the purposes of providing incentives and rewards to eligible participants who have contributed to the success of our operations. During the period, 55,800,000 share options issued under the Share Option Scheme. Particulars of it were set out in note 35 to the consolidated financial statements.

FINAL DIVIDENDS

The Board does not recommend the payment of a dividend for the period 31 May 2010 (31 March 2009: nil).

DIRECTORS' BIOGRAPHY INFORMATION

EXECUTIVE DIRECTORS

Mr. Wu Neng Kun ("Mr. Wu"), aged 27, the chairman and executive director of the Company, graduated from Fujian Normal University with Bachelor's Degree in Laws. In 2004, Mr. Wu worked as vice-president at an investment company in Shanghai and was responsible for dealing with and advising on all legal and corporate affairs. In 2008, Mr. Wu acted as legal representative and deputy general manager in a real estate development company in Fujian. Mr. Wu possesses professional knowledge and experience in dealing with and advising on all legal and corporate affairs relating to the Mainland China. He is currently the director of a wholly-owned subsidiary of the Company (Guoyuan Native Dairy Products (Jiangxi) Company Limited).

Mr. Graham Chin ("Mr. Chin"), the Vice Chairman and executive director of the Company, aged 56, has over 20 years of experience in banking and finance industry in New Zealand. Prior to joining the Company, Mr. Chin has acted as director (Wealth Management) of UBS AG, Singapore and Head of Asian Bank of National Bank of New Zealand. Mr. Chin holds a post graduate diploma in banking and is a Fellow of Financial Services Institute of Australasia.

Mr. Yan Feng ("Mr. Yan"), aged 54, has nearly 30 years of experience in corporate management and has been acting as general manager in various large scale enterprises in infrastructure industry in the People's Republic of China. Mr. Yan studied engineering and graduated from South West Normal University in the People's Republic of China.

Mr. Luo Ji ("Mr. Luo"), aged 46, has over 20 years of experience in dealing with immigration matters in the People's Republic of China and has assumed various senior management positions. Mr. Luo studied management and graduated from Nan Jing Politian University in the People's Republic of China.

Ms. Ng Yat Fung Miranda ("Ms. Ng"), the executive director and Chief Financial Officer of the Company, aged 43, graduated from the University of Manchester with Master's Degree in Business Administration and is a fellow member of the Hong Kong Institute of Certified Public Accountants. She is CPA Practising in Hong Kong. Ms. Ng has over 20 years of auditing and financial management experience. Ms. Ng left one of the big four audit firms in Hong Kong as an audit manager in 1998 because she was invited as a Financial Controller with a listed company. She has worked in Shanghai, USA and Canada as a Chief Financial Officer for more than 5 years. Prior to joining the Company, she acted as a Chief Financial Officer in a USA listed company for 3 years. She is currently the directors of NZ Natural Dairy Limited and NZND Media Limited in New Zealand, wholly owned subsidiaries of the company.

Mr. Yao Hai Sheng ("Ms. Yao"), aged 41, has extensive experience in sales and marketing. Prior to joining the Company, Mr. Yao had worked as Marketing consultant and sales manager in various multinational companies, including Caltex in the People's Republic of China. He received his Certificate from the Shanghai Jiao Hua Technical College（上海焦化廠技術專科學校）.

Mr. Zhang Han Wen Jason ("Mr. Zhang"), aged 26, has management experience in operating fast food chain store in United Kingdom. He received his master degree in management from Lancaster University in the United Kingdom and his bachelor degree in management from University of Southampton in the United Kingdom.

DIRECTORS' BIOGRAPHY INFORMATION

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Stephen Bryden Kerr ("Mr. Kerr"), aged 57, an independent non-executive director and a member of audit and remuneration committees of the Company, graduated from the Strathclyde University with a bachelor degree in accounting and economics in 1974. Mr. Kerr has been a C.A. member of the Institute of Chartered Accountants of Scotland since 1977. Mr. Kerr has extensive experience in the field of accounting and finance. Mr. Kerr worked as an assistant manager in Price Waterhouse Coopers from 1977 to 1980, as a manager in Enserch Corporation, which is a U.S. Oil & Gas Co., from 1981 to 1987 and as research manager in Morgan Grenfell (Asia) Limited from 1987 to 1990. Mr. Kerr was the group finance and commercial director of the Aquarius Group from 1990 to 2003. Mr. Kerr has been a director of AFL Limited, which is engaged in the freight and transportation business since 2004.

Mr. Sze Cheung Hung ("Mr. Sze"), aged 45, an independent non-executive director and a member of the audit and remuneration committee of the Company, has over 12 years of experience in banking industry. Mr. Sze is currently a consultant of Huafeng Group Holdings Limited (stock code: 364). Mr. Sze holds a bachelor degree in business administration. There are no service contract entered into between the Company and Mr. Sze. Mr. Sze have not been appointed for any specified term but is subject to retirement and re-election at the next annual meeting of the Company (thereafter retirement by rotation) pursuant to the bylaws of the Company.

Ms. Chan Man Kuen Laura ("Ms. Chan"), aged 36, an independent non-executive director and a member of the audit and remuneration committee of the Company, holds a bachelor degree in law. Ms. Chan has over 9 years of experience in corporate administration. Ms. Chan is currently an independent non-executive director of China Ground Source Energy Limited (stock code: 8128). There are no service contract entered into between the Company and Ms. Chan. Ms. Chan have not been appointed for any specified term but is subject to retirement and re-election at the next annual meeting of the Company (thereafter retirement by rotation) pursuant to the bylaws of the Company.

DIRECTORS' REPORT

The Board of the Company is pleased to present their annual report together with the audited financial statements of the Company and the Group for the period ended 31 May 2010.

PRINCIPAL ACTIVITIES

As at 31 May 2010, the Company acts as an investment holding company. The principal activities of its subsidiaries as at 31 May 2010 are set out in note 46 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the period are set out in the consolidated statement of comprehensive income on page 42 to 43.

The directors do not recommend the payment of a final dividend for the period ended 31 May 2010 (31 March 2009: nil).

SHARE CAPITAL

Details of the movements in the issued share capital of the Company during the period are set out in note 34 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group during the period are set out in the consolidated statement of changes in equity on page 46 to 47.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the period are set out in note 20 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the period, the aggregate turnover attributable to the Group's largest customer and the five largest customers taken together accounted for approximately 59.2% and 100% of the aggregate of Group's total turnover for the period.

During the period, the aggregate purchases attributable to the Group's one supplier is 100% aggregate of Group's total purchases for the period.

None of the directors, their respective associates, so far as the directors are aware, any shareholder who owns more than 5% of the issued share capital of the Company has any interest in any of the said top five largest customers and suppliers of the Group for the period.

DIRECTORS' REPORT

DIRECTORS

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

Executive Directors:

Mr. Wu Neng Kun (appointed on 11 August 2010 and re-designated to chairman on 27 September 2010)

Mr. Graham Chin (appointed on 14 September 2009)

Mr. Yan Feng (appointed on 4 January 2010)

Mr. Luo Ji (appointed on 4 January 2010)

Ms. Ng Yat Fung Miranda (appointed on 11 August 2010)

Mr. Yao Hai Sheng (appointed on 24 September 2010)

Mr. Zhang Han Wen Jason (appointed on 24 September 2010)

Mr. Yip Kean Mun (appointed as joint chairman and re-designated as chairman on 25 January 2010 and resigned on 24 September 2010)

Mr. Ng Chun Ming (appointed on 4 January 2010 and resigned on 24 September 2010)

Ms. Chan Wai Kay Katherine (re-designated from executive director and chairman to non-executive director and chairman on 4 January 2010, and resigned as non-executive director and chairman on 25 January 2010)

Mr. Jack Keen Chen (appointed on 7 May 2009 and resigned on 15 September 2009)

Ms. Zuo Lihua (resigned on 22 September 2009)

Ms. Chan Mei Mei (appointed on 14 September 2009) and resigned on 4 January 2010)

Non-executive Director:

Mr. He Changming (resigned on 2 April 2009)

Independent Non-executive Directors:

Mr. Stephen Bryden Kerr

Mr. Sze Cheung Hung

Ms. Chan Man Kuen Laura

Mr. Lee Kin Keung (resigned on 14 September 2009)

BIOGRAPHICAL DETAILS OF THE DIRECTORS

The biographical details of the current directors are set out on page 16 to 17 of this annual report.

DIRECTORS' REPORT

DIRECTORS' SERVICE CONTRACTS AND ROTATION

Mr. Stephen Byden Kerr, Mr. Sze Cheung Hung and Ms. Chan Man Kuen Laura have entered into directors' service contract with the Company for a term of one year commencing from 1 January 2010, being terminable by not less than 1-month notice in writing served by either party, and shall be continued thereafter.

In accordance with the provisions of the Company's articles of association, Mr. Wu Neng Kun, Mr. Graham Chin, Mr. Yan Feng, Mr. Luo Ji, Ms. Ng Yat Fung Miranda, Mr. Yao Hai Sheng, Mr. Zhang Han Wen will retire from the Board by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

Other than disclosed above, none of the directors has entered or has proposed to enter into any service contract with the company or any of its subsidiaries which is not expiring or determinable by the employing company within one year without payment of compensation other than statutory compensation.

DIRECTORS' EMOLUMENTS

Details of directors' emoluments on a named basis are set out in note 18 to the consolidated financial statements.

ANNUAL CONFIRMATION FROM INDEPENDENT NON-EXECUTIVE DIRECTORS

The company had received confirmation from each of the independent non-executive directors of their independence pursuant to rule 3.13 of the rules governing the listing of securities on the Stock Exchange (the "Listing Rules") and the Board considered all independent non-executive directors are independent.

DIRECTORS' REPORT

DIRECTORS' INTEREST IN SHARES, UNDERLYING SHARES OR DEBENTURES

As at 31 May 2010, the interests of the directors in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) (the "Associated Corporations") as recorded in the register under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

Name of director	Number of shares Personal interests	Family interest	Corporate interests	Number of underlying shares held under equity derivatives	Total	Percentage of aggregate interests to total number of shares in issue*
Graham Chin	1,500,000	–	–	–	1,500,000	0.21%
Sze Cheung Hung	400,000	–	–	–	400,000	0.057%
Chan Man Kuen	400,000	–	–	–	400,000	0.057%
Stephen Kerr	400,000	–	–	–	400,000	0.057%

Notes:

1. This represents interest in options held by the relevant director as a beneficial owner to subscribe for the relevant underlying shares granted by the Company under the Share Option Scheme, details of which are set out in the section headed Share Option.

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

Save as disclosed above, as at 31 May 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' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or any of its subsidiaries or its holding companies was a party and in which the Directors had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the period.

DIRECTORS' REPORT

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the period, none of the Director of the Company had interest in any business apart from the Group's businesses which competed or was likely to compete, either directly or indirectly, with the businesses of the Group.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

As at 31 May 2010, the number of outstanding option shares 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 period 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 INTEREST IN THE SHARE CAPITAL OF THE COMPANY

As at 31 May 2010, the interest of those persons (other than the directors of the Company) 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%
May Wang (note 1)	Beneficial	–	386,509,199	55.37%
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%

DIRECTORS' REPORT

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 circular 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 May 2010 (i.e. 698,054,000 shares)

Save as disclosed above, as at 31 May 2010, the Company had not been notified of any interests and short positions in the shares and underlying shares of the Company which had been recorded in the register required to be kept under section 336 of the SFO.

PUBLIC FLOAT

Based on the information that is publicly available to the Company from the Listing Date and up to the date of this report and within the knowledge of the directors, there was sufficiency of public float of the Company's securities as required under the Listing Rules.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive right under the Company's Bye-Laws or the laws of Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

DIRECTORS' REPORT

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 May 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.

DIRECTORS' REPORT

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.

DIRECTORS' REPORT

(b) Movements of the Pre-IPO Share Options

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

Category	As at 31.3.2009	During the period: Granted	Exercised	Lapsed/ cancelled	As at 31.5.2010	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 fourteen months ended 31 May 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	Exercised	Lapsed/ cancelled	As at 31.5.2010	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.

DIRECTORS' REPORT

At Exercise Price: HK$0.82

		During the period					
Category	As at 31.03.2009	Granted on 20.10.2009	Exercised	Lapsed/ cancelled	As at 31.5.2010	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	(25,500,000)	–	–	0.82	20.10.2009-19.10.2012
Total	–	29,700,000	(29,700,000)	–	–		

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 May 2010, none of any warrants issued is outstanding.

DIRECTORS' REPORT

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.

DIRECTORS' REPORT

CONNECTED TRANSACTION

During the period, the Company did not have any connected transactions which were subject to the requirements of the Listing Rules.

MANAGEMENT CONTRACTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Board adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules, during the period under review. Having made specific enquiry of all directors, the directors have complied with the required standard set out in the Model Code.

CORPORATE GOVERNANCE

Information on the corporate governance practices adopted by the Company is set out in the "Corporate Governance Report" on page 30 to 36 of this Annual Report.

POST BALANCE SHEET DATE EVENTS

Details of the significant post balance sheet events are set out in note 47 to the consolidated financial statements.

AUDITOR

Messrs. SHINEWING (HK) CPA LIMITED, who acted as auditor for past years resigned as auditor of the Company on 24 February 2010. MORISON HENG were appointed to fill the casual vacancy.

The consolidated financial statements for the period were audited by MORISON HENG who retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

On behalf of the Board

Wu Neng Kun
Chairman

29 October 2010

CORPORATE GOVERNANCE REPORT

The Board is committed to maintaining high standards of corporate governance. It believes that high standards of corporate governance provide a framework and solid foundation for the Group to manage business risks, enhance transparency, maintain high standards of accountability and protect interests of shareholders and other stakeholders.

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

(A) CODE OF BEST PRACTICE AND CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Code of Corporate Governance Practices (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"), which has been revised and the amendments became effective on 1 January 2009. As far as the Code is concerned, the Company complies with all aspects of the Code.

(B) MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 of the Listing Rules of the Stock Exchange. The Company had made specific enquiry of all directors regarding any non-compliance with the Model Code during the year, and they all confirmed that they had fully complied with the required standard set out in the Model Code.

In addition, the Company has adopted provisions of the Model Code as written guidelines for relevant employees (as defined in provision A.5.4 of Appendix 14 to the Listing Rules) in respect of their dealings in the securities of the Company. Such relevant employees shall abide by the provisions of the Model Code.

In consideration of the new amendments to the Model Code (the "Amendments"), which became effective on the 1st quarter of 2009, the Board has revised its Model Code corresponding to the Amendments.

(C) BOARD OF DIRECTORS

Mr. Wu Neng Kun is the new chairman of the Board and the Executive Director and Mr. Graham Chin is the existing Executive Director and vice chairman of the Company. The Chairman is responsible for providing leadership for the Board of Directors and ensuring that the Board of Directors works effectively. The chairman and vice chairman are responsible for the Group's business development and management.

CORPORATE GOVERNANCE REPORT

Compositions

The composition of the Board ensures a balance of skills and experience appropriate to the requirements of the business of the Company and to the exercising of independent opinion.

The directors who held office during the period and up to the date of this report were:

Executive Directors:

Mr. Wu Neng Kun (appointed on 11 August 2010 and re-designated to chairman on 27 September 2010)
Mr. Graham Chin (appointed on 14 September 2009)
Mr. Yan Feng (appointed on 4 January 2010)
Mr. Luo Ji (appointed on 4 January 2010)
Ms. Ng Yat Fung Miranda (appointed on 11 August 2010)
Mr. Yao Hai Sheng (appointed on 24 September 2010)
Mr. Zhang Han Wen (appointed on 24 September 2010)
Mr. Yip Kean Mun (appointed as joint chairman and re-designated as chairman on 25 January 2010 and resigned on 24 September 2010)
Mr. Ng Chun Ming (appointed on 4 January 2010 and resigned on 24 September 2010)
Ms. Chan Wai Kay Katherine (re-designated from executive director and chairman to non-executive director and chairman on 4 January 2010, and resigned on 25 January 2010)
Mr. Jack Keen Chen (appointed on 7 May 2009 and resigned on 15 September 2009)
Ms. Zuo Lihua (resigned on 22 September 2009)
Ms. Chan Mei Mei (appointed on 14 September 2009) and resigned on 4 January 2010)

Non-executive Director:

Mr. He Changming (resigned on 2 April 2009)

Independent Non-executive Directors:

Mr. Lee Kin Keung (resigned on 14 September 2009)
Mr. Stephen Bryden Kerr
Mr. Sze Cheung Hung (appointed on 16 January 2009)
Ms. Chan Man Kuen Laura (appointed on 16 January 2009)

The biographical details of the current directors are set out on page 16 to 17 of this annual report.

CORPORATE GOVERNANCE REPORT

Number of meetings held and attendance

The Board normally has four scheduled meetings a year and meet at other times as and when required to review financial and internal control, risk management, company strategy and operating performance of the group. During the period ended 31 May 2010, a total number of 34 regular and adhoc Board meetings, 2 audit committee meetings and 1 remuneration committee meeting were held.

The individual attendance records of each director, on a named basis, at the meetings of the Board, audit committee and remuneration committee during the period ended 31 May 2010 were set out below:

	Attendance/Number of Meetings entitled to attend		
Name of Directors	Board	Audit Committee	Remuneration Committee
Ms. Chan Wai Kay Katherine	27/29	–	–
Mr. Jack Keen Chen	4/16	–	–
Ms. Zuo Lihua	3/17	–	–
Ms. Chan Mei Mei	9/10	–	–
Mr. Yip Kean Mun	10/14	–	–
Mr. Graham Chin	8/21	–	–
Mr. Ng Chun Ming	9/10	–	–
Mr. Yan Feng	2/10	–	–
Mr. Luo Ji	6/10	–	–
Mr. He Changming	0/1	–	–
Mr. Lee Kin Keung	3/3	1/1	0/0
Mr. Stephen Bryden Kerr	14/34	2/2	1/1
Mr. Sze Cheung Hung	26/34	2/2	1/1
Ms. Chan Man Kuen Laura	26/34	2/2	1/1

CORPORATE GOVERNANCE REPORT

Responsibility of the Board

The Board is responsible to ensure that there is a competent executive management which is able to run the Company in a sound and efficient manner. The Board is also responsible for establishing the Company's business strategies and plans from time to time to ensure that the operations of the Company are conducted effectively.

The Board is responsible for preparation of the financial statements. In preparing the financial statements, the generally accepted accounting principles in Hong Kong have been adopted, appropriate accounting policies have been used and applied consistently, and reasonable and prudent judgments and estimates have been made.

The Board also conducts appropriate internal control procedures and reviews risk management strategies and polices of the Company to ensure that the Company runs its business in compliance with all legal and regulatory requirements with prudence and integrity.

Responsibility of the directors

Each executive director is delegated individual authority and responsibility to oversee and monitor the operations of a specific business unit, and to implement the strategies and polices set out by the Board. The independent non-executive directors provide independent opinion and share their knowledge and experiences with the other members of the Board, audit committee and remuneration committee.

Annual confirmation from independent non-executive directors

The Company has received, from each independent non-executive director, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Board considers all of the independent non-executive directors are independent.

Terms of independent non-executive directors

Under the Code Provisions A.4.1, independent non-executive director should be appointed for a specific term and every Director should be subject to retirement by rotation at least once every three years and being eligible, offer themselves re-election at the forthcoming annual general meeting.

The existing one of the three independent directors of the Company was appointed for a term of three years commencing from 10 June 2006 and 14 March 2009 respectively, pursuant to the letter of appointment, provided that party may terminate such appointment at any time by giving at least one month's notice in writing to the other. There is no specific terms for the appointment of the other two appointed directors.

CORPORATE GOVERNANCE REPORT

(D) REMUNERATION COMMITTEE

The remuneration committee has been established. It currently consists three independent non-executive directors of the Company namely, Mr. Stephen Bryden Kerr, Mr. Sze Cheung Hung and Ms. Chan Man Kuen Laura.

The responsibilities of our remuneration committee are:

1. To make recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management;

2. To have the delegated responsibility to determine the specific remuneration packages of all executive directors and senior management;

3. To review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;

4. To review and approve the compensation payable to executive directors and senior management in connection with any loss or termination of their office;

5. To review and approve compensation arrangements relating to dismissal or removal of directors; and

6. To ensure that no director or any his associate is involved in deciding his own remuneration.

The Company had adopted written terms of reference for the remuneration committee, which clearly defined the role, authority and function of the remuneration committee.

The remuneration committee meets at least once a year to determine the remuneration policy for the directors and senior management. During the period ended 31 May 2010, a total number of 1 meeting was held to determine the remuneration policy for the directors and/or senior management. The attendance records of the remuneration committee, on a named basis, are set out under section of "Number of Meetings Held and Attendance" on page 32 of this annual report.

The remuneration packages of the Board for the period ended 31 May 2010 had been reviewed by the remuneration committee and approved by the Board by taking into consideration factors such as salaries paid by comparable companies, time commitment, responsibility, market conditions elsewhere in the Group and desirability of performance-based remuneration.

CORPORATE GOVERNANCE REPORT

(E) 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.

(F) AUDIT COMMITTEE

The audit committee has been established. It currently consists of three independent non-executive directors namely Mr. Stephen Bryden Kerr, Mr. Sze Cheung Hung and Ms. Chan Man Kuen Laura.

The audit committee meets at least twice a year to review and approve the group's financial reporting process and internal control system. During the period ended 31 May 2010, a total number of 2 meetings were held. The attendance records of the audit committee, on a named basis, are set out under section of "Number of Meetings Held and Attendance" on page 32 of this annual report.

The Company has adopted written terms of reference for the audit committee, which clearly defined the role, authority and function of the audit committee.

The audit committee acknowledged the new amendments to the terms of reference of the audit committee under the Listing Rules in relation to, inter alias, abolishment of the requirement of appointment of qualified accountants and the amendments to the terms of reference of the audit committee and thereafter appropriate actions have been taken by the Board and the audit committee accordingly.

The main responsibilities for the audit committee are:

1. To review the accounting principles and practices adopted by the Group;

2. To review the financial reporting process and internal control system of the Group; and

3. To review the independence and objectivity of the external auditors, the scope of audit services and related audit fees payable to the external auditors.

The audit committee has reviewed the independence and objectivity of the external auditors, the scope of audit services and related audit fees payable to the external auditors for the Board's approval. The audit committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and discussed the auditing, internal controls and financial reporting matters including the review of the Group's audited result for the period ended 31 May 2010.

The chairman of the audit committee, Mr. Stephen Kerr, possesses relevant financial management expertise and meets the requirements of rule 3.21 of the Listing Rules.

CORPORATE GOVERNANCE REPORT

Auditor's remuneration

During the period, the remuneration paid to the Company's auditors, MORISON HENG, was set out below:

Nature of services	2010 HK$'000	2009* HK$'000
Audit	1,200	700
Others	300	–
	1,500	700

* services were provided by SHINEWING CPA LIMITED.

(G) INTERNAL CONTROL

The Board has, through the audit committee, conducted interim and annual review of the effectiveness of the internal control system of the Group covering the financial, operational, procedural compliance and risk management functions. The internal control system is designed to provide reasonable, but not absolute, assurance of no material misstatement or loss and to manage rather than eliminate risks of failure in operational system and achievements of the Group's objectives.

(H) COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Board recognises the importance of good communications with all shareholders. Extensive information on the Company's activities is provided in the annual and interim reports of the Company which are sent to shareholders of the Company regularly. The Company's annual general meeting is a valuable forum for the Board to communicate directly with the shareholders. The chairman of the Board, the chairman of the audit committee and remuneration committee are present to answer shareholders' questions.

INDEPENDENT AUDITOR'S REPORT

MORISON HENG
Certified Public Accountants

TO THE SHAREHOLDERS OF
NATURAL DAIRY (NZ) HOLDINGS LIMITED
天然乳品(新西蘭)控股有限公司
(Incorporated in Cayman Inlands with limited liability)

We were engaged to audit the consolidated financial statements of Natural Dairy (NZ) Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 42 to 120, which comprise the consolidated statement of financial position as at 31 May 2010, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period from 1 April 2009 to 31 May 2010, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Except for the limitation in the scope of our work as described in the basis for disclaimer of opinion paragraphs, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement. However, because of the matters described in the basis for disclaimer of opinion paragraphs, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

INDEPENDENT AUDITOR'S REPORT

BASIS FOR DISCLAIMER OF OPINION

1. Scope limitation on the recoverability of available-for-sale investment

Included in the consolidated statement of financial position as at 31 May 2010 was available-for-sale investment with carrying amount of HK$552,120,000 (or equivalent to NZ$100,000,000) in relation to the acquisition of 20% of the issued share capital of UBNZ Assets Holdings Limited ("UBNZ AHL"). As detailed in note 19 to the consolidated financial statements, 4 out of total 22 dairy properties have been settled by UBNZ AHL at the date of our report. The completion of acquisition by UBNZ AHL on the remaining dairy properties was subject to certain conditions, including the obtainment of consent from the New Zealand Overseas Investment Office. In the absence of reliable financial information relating to the UBNZ AHL, we were unable to carry out other satisfactory audit procedures to ascertain the fair value of the available-for-sale investment and the impairment loss, if any. Accordingly, we were unable to satisfy ourselves as to whether the carrying amount of available-for-sale investment stated in the consolidated statement of financial position was free from material misstatement as at 31 May 2010.

2. Scope limitation on the recoverability of other receivables, deposits and prepayments

Included in the consolidated statement of financial position as at 31 May 2010 was other receivables, deposits and prepayments with carrying amount of HK$590,246,000 (or equivalent to NZ$109,357,000) being amount due from UBNZ Trustee Limited (the "Vendor"). As detailed in note 25 to the consolidated financial statements, the amount of HK$590,246,000 (or equivalent to NZ$109,357,000) comprised of HK$276,078,000 (or equivalent to NZ$50,000,000) being deposit payment to Vendor in acquisition of remaining 80% of the issued share capital of UBNZ AHL through the issuance of convertible note "A", which has been fully converted into ordinary shares subsequent to the period ended 31 May 2010. We were unable to ascertain the recoverability of this deposit payment in the event of default in the acquisition.

INDEPENDENT AUDITOR'S REPORT

2. Scope limitation on the recoverability of other receivables, deposits and prepayments *(continued)*

The remaining balance of HK$314,168,000 (or equivalent to NZ$59,357,000), which was raising through the proceeds from the issuance of convertible note "C", was used in providing financial assistance to the Vendor in assisting the dairy properties acquisition by UBNZ AHL. In respect of this, UBNZ Funds Management Limited, as the warrantor, has irrevocably assigned its beneficiary ownership of the amount of HK$314,168,000 (or equivalent to NZ$59,357,000) held in its own escrow account (but limited to HK$264,643,000 (or equivalent to NZ$50,000,000) in the event of default in the acquisition) to the Group as a form of repayment of above mentioned "financial assistance". Accordingly, we were unable to obtain sufficient reliable evidence to ascertain the recoverability of the financial assistance for the part of the above shortfall, amounting to HK$49,525,000 (or equivalent to NZ$9,357,000) in the event of default in the acquisition.

In view of above, we were unable to satisfy ourselves as to whether the carrying amount of other receivables, deposits and prepayments was fairly stated in the consolidated statement of financial position and free from material misstatement as at 31 May 2010.

3. Scope limitation on the ownership of subsidiaries and corresponding ownership of mining exploration rights

Chengde City Sanjin Mining Company Limited ("Chengde Sanjin") was stated as a wholly owned PRC subsidiary. We noted that 10% of the share capital in the subsidiary was transferred to the Group's former executive director while 90% of the share capital in the subsidiary was transferred to an independent third party without the Group's knowledge and consent. Subsequent to the period end date, the aggregate 100% of the share capital in the subsidiary was further transferred to another two independent third parties, who were currently holding 70% and 30% of the share capital respectively.

The Group had provided the sales and purchases agreement dated 7 December 2007 and the shareholder circular dated 31 January 2008 to demonstrate that 100% equity interest purchase in the subsidiary and the Group had also advised that there was no subsequent authorization for disposal of the 100% interest. The directors of the Company were of the opinion that the transfer of shares in Chengde Sanjin was fraudulent in nature. The Group was taking all the necessary legal actions in relation to the recovery of the ownership of subsidiary.

INDEPENDENT AUDITOR'S REPORT

3. Scope limitation on the ownership of subsidiaries and corresponding ownership of mining exploration rights *(continued)*

Since Chengde Sanjin is the sole shareholder of Chengde City Shenlong Mining Company Limited ("Shenlong Mining") which currently owns the mining exploration rights in Chengde County, Hebei Province, the PRC. The transfer of shares in Chengde Sanjin may result in a loss of the ownership of the mining exploration rights. Against this background, the Group provided full impairment loss on the mining exploration rights during the period.

In the absence of reliable sufficient documentation on verification of the ownership of subsidiary Chengde Sanjin and the corresponding mining exploration rights, we were unable to ascertain the accuracy of the impairment loss recognized in the consolidated financial statements during the period. We were unable to satisfy ourselves as to whether the carrying amount of mining exploration rights was fairly stated in the consolidated statement of financial position and free from material misstatement as at 31 May 2010.

4. Scope limitation on the completeness and accuracy of trade and bills payables, other payables and accrued charges and tax payables attributed by the PRC subsidiaries

Included in the consolidated statement of financial position as at 31 May 2010 was trade and bills payables with carrying amount of HK$16,794,000, other payables and accrued charges with carrying amount of HK$11,720,000 and tax payables with carrying amount of HK$2,156,000 attributed by the PRC subsidiaries namely Qingdao Yongxinhui Mining Company Limited ("Qingdao Yongxinhui"), Chengde Sanjin and Shenlong Mining (collectively the "Mining Group"). We were unable to carry out relevant satisfactory audit procedures to ascertain the completeness and accuracy of these payables and accordingly, we were unable to satisfy ourselves as to whether the carrying amount of all these payables was fairly stated in the consolidated statement of financial position and free from material misstatement as at 31 May 2010.

INDEPENDENT AUDITOR'S REPORT

5. Scope limitation on opening balances and corresponding figures

   The auditor's opinion on the consolidated financial statement of the Group for the year ended 31 March 2009, which formed the basis for the corresponding figures presented in the current period's consolidated financial statement, was qualified by the preceding auditor because of the possible effect of the limitations on the scope of the audit. Details of the qualified opinion were 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 consolidated financial statements may not be comparable with the amount for the current period.

   In addition, the directors of the Company, having considered the legal advice from the Company's PRC legal counsel, made retrospective restatements ("Restatements") in relation to the Group's acquisition of the Mining Group which was completed in 14 June 2008. As a result of Restatements, the correspondence figures for the year ended 31 March 2009 were restated. In the absence of proper books and records and the related supporting documents maintained by the Mining Group, we were unable to carry out audit procedures to obtain sufficient reliable evidence to ascertain the accuracy and completeness of the financial information of Mining Group and accordingly, we are unable to satisfy ourselves as to whether the carrying amounts of restated figures were fairly stated in the consolidated statement of financial position and free from material misstatement as at 31 March 2009.

Any adjustments found to be necessary in respect of the matters set out in points (1) to (5) above would have a significant and consequential effect on the consolidated financial position of the Group as at 31 March 2009 and 31 May 2010, the results and cash flows for the year ended 31 March 2009 and for the period from 1 April 2009 to 31 May 2010 and the related disclosures thereof in the consolidated financial statements.

DISCLAIMER OF OPINION: DISCLAIMER ON VIEW GIVEN BY CONSOLIDATED FINANCIAL STATEMENTS

Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the state of affairs of the Group as at 31 May 2010 and of the Group's loss and cash flows for the period from 1 April 2009 to 31 May 2010 in accordance with Hong Kong Financial Reporting Standards and as to whether they have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Morison Heng
Certified Public Accountants
Hong Kong: 29 October 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period from 1 April 2009 to 31 May 2010

	Notes	1.4.2009 to 31.5.2010 HK$'000	1.4.2008 to 31.3.2009 HK$'000 (restated)
Continuing operations			
Revenue	8	59,576	5,470
Cost of sales		(58,424)	(3,288)
Gross profit		1,152	2,182
Other income	9	637	1,232
Selling and distribution expenses		(2,775)	(255)
General and administrative expenses		(128,528)	(36,344)
Impairment loss in respect of inventories		–	(13,916)
Impairment loss in respect of mining exploration rights		–	(68,063)
Written off of property, plant and equipment		(56)	(58,954)
Amortization of mining exploration rights		(32,736)	(37,241)
Gain on deconsolidation of subsidiaries	10	2,350	3,409
Gain on liquidation of subsidiaries	11	4,877	–
Finance costs	13	(43,996)	–
Loss before taxation		(199,075)	(207,950)
Income tax	14	–	(1,865)
Loss for the period/year from continuing operations		(199,075)	(209,815)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period from 1 April 2009 to 31 May 2010

	Notes	1.4.2009 to 31.5.2010 HK$'000	1.4.2008 to 31.3.2009 HK$'000 (restated)
Discontinued operations			
Loss for the period/year from discontinued operations	12	**(4,169)**	(12,948)
Loss for the period/year	15	**(203,244)**	(222,763)
Other comprehensive income			
Exchange difference arising on translation of foreign operations		**834**	1,612
Total comprehensive expenses for the period/year attributable to owners of the Company		**(202,410)**	(221,151)
Loss per share	17		
From continuing and discontinued operations			
Basic		**(37.95) HK cents**	(52.87) HK cents
Diluted		**N/A**	N/A
From continuing operations			
Basic		**(37.18) HK cents**	(49.80) HK cents
Diluted		**N/A**	N/A
From discontinued operations			
Basic		**(0.77) HK cents**	(3.07) HK cents
Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 May 2010

	Notes	31.5.2010 HK$'000	31.3.2009 HK$'000 (restated)	1.4.2008 HK$'000
Non-current assets				
Available-for-sale investment	19	552,120	–	–
Property, plant and equipment	20	33,451	7,606	18,267
Prepaid lease payments	21	–	759	779
Mining exploration rights	22	–	25,038	–
Deposit paid for acquisition of a subsidiary	31	–	–	30,000
Deposit paid for acquisition of property, plant and equipment		7,118	–	–
		592,689	33,403	49,046
Current assets				
Inventories	23	–	502	3,870
Prepaid lease payments	21	–	20	20
Trade and bills receivables	24	34,342	3,065	11,536
Other receivables, deposits and prepayments	25	611,221	10,165	40,207
Tax recoverable		–	533	493
Funds in escrow and trust accounts	26	351,175	–	–
Pledged bank deposits	27	896	1,250	3,000
Bank balances and cash	27	43,663	10,137	86,257
Subsidiary held-for-sale assets	28	–	–	24,458
		1,041,297	25,672	169,841
Current liabilities				
Trade and bills payables	29	43,899	35,268	24,122
Other payables and accrued charges	30	18,341	12,445	41,513
Tax payable		2,157	2,157	–
Payable to acquisition of subsidiaries	31	100,000	100,000	–
Convertible notes	33	68,426	–	–
Liabilities associated with assets classified as subsidiary held-for-sale	28	–	–	27,805
		232,823	149,870	93,440
Net current assets/(liabilities)		808,474	(124,198)	76,401
		1,401,163	(90,795)	125,447

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 May 2010

	Notes	31.5.2010 HK$'000	31.3.2009 HK$'000 (restated)	1.4.2008 HK$'000
Capital and reserves				
Share capital	34	**69,805**	42,133	42,133
Reserves		**438,443**	(133,401)	83,193
Total equity		**508,248**	(91,268)	125,326
Non-current liabilities				
Deferred taxation	32	–	473	121
Convertible notes	33	**892,915**	–	–
		892,915	473	121
		1,401,163	(90,795)	125,447

The consolidated financial statements on pages 42 to 120 were approved and authorised for issue by the board of directors on 29 October 2010:

Wu Neng Kun
Executive Director

Ng Yat Fung Miranda
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period from 1 April 2009 to 31 May 2010

	Share capital	Share premium	Merger reserve (note a)	Share options reserve	Exchange reserve	Accumulated losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 April 2008	42,133	195,275	(14,990)	–	859	(97,951)	125,326
Total comprehensive expenses for the year	–	–	–	–	1,612	(222,763)	(221,151)
Equity-settled share-based payment	–	–	–	4,006	–	–	4,006
Reserve released upon disposal of a subsidiary	–	–	–	–	534	–	534
Reserve released upon deconsolidation of a subsidiary	–	–	–	–	17	–	17
Balance at 31 March 2009 (restated)	42,133	195,275	(14,990)	4,006	3,022	(320,714)	(91,268)

	Share capital	Share premium	Merger reserve (note a)	Mining exploration rights revaluation reserve	Share options reserve	Convertible notes equity reserve	Exchange reserve	Accumulated losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK'000	HK$'000
Balance at 1 April 2009 (restated)	42,133	195,275	(14,990)	–	4,006	–	3,022	(320,714)	(91,268)
Total comprehensive expenses for the period	–	–	–	–	–	–	834	(203,244)	(202,410)
Equity settled share-based payment	–	–	–	–	14,146	–	–	–	14,146
Shares issued under share option scheme (note b)	166	913	–	–	–	–	–	–	1,079
Shares issued under share option scheme (note c)	2,610	7,233	–	–	(2,483)	–	–	–	7,360
Shares issued under share option scheme (note d)	2,970	35,530	–	–	(14,146)	–	–	–	24,354
Shares issued under warrant agreement (note e)	8,426	19,380	–	–	–	–	–	–	27,806
Convertible notes equity component	–	–	–	–	–	606,449	–	–	606,449
Shares issued upon conversion of convertible notes (note f)	13,500	115,257	–	–	–	(17,103)	–	–	111,654
Revaluation of mining exploration rights	–	–	–	195,115	–	–	–	–	195,115
Impairment loss in respect of mining exploration rights	–	–	–	(187,417)	–	–	–	–	(187,417)
Reserve released upon lapse of share option	–	–	–	–	(1,523)	–	–	1,523	–
Reserve released upon liquidation of subsidiaries	–	–	–	–	–	–	3,771	–	3,771
Reserve released upon deconsolidation of subsidiaries	–	–	–	–	–	–	(2,407)	–	(2,407)
Reserve release upon disposal of a subsidiary	–	–	–	–	–	–	16	–	16
Balance at 31 May 2010	69,805	373,588	(14,990)	7,698	–	589,346	5,236	(522,435)	508,248

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period from 1 April 2009 to 31 May 2010

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 fourteen months ended 31 May 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 fourteen months ended 31 May 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 fourteen months ended 31 May 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.

(e) During the fourteen months ended 31 May 2010, an aggregate of 84,260,000 new shares of the Company were issued at the exercise price of HK$0.30 pursuant to the warrants issued on 15 April 2009.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period from 1 April 2009 to 31 May 2010

	1.4.2009 to 31.5.2010 HK$'000	1.4.2008 to 31.3.2009 HK$'000 (restated)
Cash flow from operating activities		
Loss before taxation		
Continuing operations	(199,075)	(207,950)
Discontinued operations	(4,169)	(12,596)
	(203,244)	(220,546)
Adjustments for:		
Amortisation of mining exploration rights	32,736	37,241
Bank interest income	(117)	(420)
Depreciation of property, plant and equipment	2,940	6,609
Equity-settled share-based payment	14,146	4,006
Finance costs	43,996	–
Gain on deconsolidation of subsidiaries	(2,350)	(3,409)
Gain on liquidation of subsidiaries	(4,877)	–
Impairment loss in respect of inventories	–	16,817
Impairment loss in respect of mining exploration rights	–	68,063
Impairment loss in respect of property, plant and equipment	–	2,606
Impairment loss in respect of trade and bills receivables	85	6,177
Loss on disposal of property, plant and equipment	104	–
Loss/(gain) on disposal of a subsidiary	72	(4,813)
Release of prepaid lease payments	6	26
Written off of property, plant and equipment	56	58,954
Written back of impairment loss in respect of trade receivables	(1,285)	(3,757)
Operating loss before working capital changes	(117,732)	(32,446)
Increase in inventories	–	(9,869)
(Increase) decrease in trade and bills receivables	(32,357)	2,294
(Increase) decrease in other receivables, deposits and prepayment	(18,960)	35,791
Increase (decrease) in trade and bills payables	27,598	(32,150)
Increase (decrease) in other payables and accrued charges	14,908	(41,436)
Cash used in operations	(126,543)	(77,816)
Tax refund (paid)	18	(18)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period from 1 April 2009 to 31 May 2010

	Notes	1.4.2009 to 31.5.2010 HK$'000	1.4.2008 to 31.3.2009 HK$'000 (restated)
Net cash used in operating activities		(126,525)	(77,834)
Investing activities			
Increase in funds in escrow and trust accounts		(351,175)	–
Purchases of property, plant and equipment		(33,918)	(4,237)
Deposit paid for property, plant and equipment		(7,118)	–
(Increase) decrease in pledged bank deposits		(896)	1,750
Proceeds from disposal of property, plant and equipment		220	1,192
Interest received		117	420
Cash outflow arising from liquidation of a subsidiary	11	(1,625)	–
Cash outflow arising from deconsolidation of a subsidiary	10	(57)	(5)
Cash (outflow) inflow arising from disposal of a subsidiary	45	(12)	2,000
Cash inflow arising from acquisition of subsidiaries	31	–	413
Net cash (used in) from investing activities		(394,464)	1,533
Financing activities			
Proceeds from issue of convertible notes		854,400	–
Issuing cost of convertible notes		(47,186)	–
Proceeds from issue of shares upon exercise of share options		32,793	–
Proceeds from issue of shares upon exercise of warrants		27,806	–
Advance to the vendor		(314,168)	–
Net cash from financing activities		553,645	–
Net increase (decrease) in cash and cash equivalents		32,656	(76,301)
Cash and cash equivalents at beginning of the year		10,137	86,257
Effect of foreign exchange rate changes		870	181
Cash and cash equivalents at end of the year, representing bank balances and cash		43,663	10,137

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 April 2009 to 31 May 2010

1. GENERAL

Natural Dairy (NZ) Holdings Limited (the "Company") is an exempted company with limited liability incorporated in the Cayman Islands under the Companies Law of the Cayman Islands on 8 October 2002. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the section headed "Corporate Information" of the Annual Report.

The consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

The principal activity of the Company is investment holding and the principal activities of its subsidiaries are set out in note 46 to the consolidated financial statements.

2. BASIS OF PREPARATION

On 25 March 2010, the Company announced that the financial year end date of the Company has been changed from 31 March to 31 May (the "Change"). The Board believes that the Change will facilitate the Company in preparing and updating its financial statements for the preparation of consolidated financial statements and enable the Company to rationalize its internal resources and facilitate better planning and operational processes of the Company. The Change has resulted in the consolidated financial statements for the current period covering a period of 14 months while the comparative amounts for the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and related notes cover a 12-month period, and therefore they may not be comparable.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 April 2009 to 31 May 2010

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current period, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are or have become effective.

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	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	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

New and revised HKFRSs affecting presentation and disclosure only

HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the consolidated financial statements) and changes in the format and content of the consolidated financial statements.

In addition, the adoption of HKAS 1 (Revised 2007) has resulted in the presentation of a third statement of financial position as at 1 April 2008 as the Group has made a retrospective restatement of items in its financial statements during the current financial year.

HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard that has not resulted in a redesignation of the Group's reportable segments..

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 April 2009 to 31 May 2010

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

Improving Disclosures about Financial Instruments (Amendments to HKFRS 7 Financial Instruments: Disclosures)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

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 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKFRSs (Amendments)	Improvements to HKFRSs 2010[3]
HKAS 24 (Revised)	Related Party Disclosures[7]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[5]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1(Amendment)	Additional Exemptions for First-time Adopters[4]
HKFRS 1(Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[6]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[4]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[8]
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[7]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruements[6]

[1] Effective for annual periods beginning on or after 1 July 2009
[2] Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate
[3] Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate
[4] Effective for annual periods beginning on or after 1 January 2010
[5] Effective for annual periods beginning on or after 1 February 2010
[6] Effective for annual periods beginning on or after 1 July 2010
[7] Effective for annual periods beginning on or after 1 January 2011
[8] Effective for annual periods beginning on or after 1 January 2013

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 April 2009 to 31 May 2010

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 June 2010. HKAS 27 (Revised 2008) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

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

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 April 2009 to 31 May 2010

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably on the following bases:

Sales of goods are recognised when goods are delivered and title has passed.

Commission, handling and service income are recognized when the services are rendered.

Rental income from operating leases is recognized in a straight-line basis over the terms of the relevant lease.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 April 2009 to 31 May 2010

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives, using the straight-line method, at the following rates per annum:

Buildings	4%
Leasehold improvement	20%
Machinery and equipment	20%
Office equipment	20%
Computer equipment	20%
Furniture and fixtures	20%
Motor vehicles	20%

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

Mining exploration rights

Mining exploration rights are stated at cost less subsequent accumulated amortisation and accumulated impairment losses. Mining exploration rights are amortised using the units of production method based on the proven and probable mineral reserves.

Prepaid lease payments

Cost of acquiring rights to use certain land for the Group's operations over a certain period is recorded as prepaid lease payments. Prepaid lease payments are stated at cost and amortised over the period of the lease on the straight-line basis to the profit or loss.

Leasing

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals applicable to such operating leases are charged to the statement of comprehensive income on the straight-line basis over the lease terms.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 April 2009 to 31 May 2010

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leasing *(continued)*

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Impairment of assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. In addition, intangible assets with in definite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Foreign currencies translation

(a) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Hong Kong dollars (HK$), which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 April 2009 to 31 May 2010

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies translation *(continued)*

(b) Transactions and balances (continued)

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in equity.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available for sale are included in the available for sale reserve in equity.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

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

(iii) all resulting exchange differences are recognised as a separate component of equity.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 April 2009 to 31 May 2010

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies translation *(continued)*

(c) Group companies (continued)

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the profit or loss as part of the gain or loss on sale.

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

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

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

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 April 2009 to 31 May 2010

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Borrowing costs

Borrowing costs directly attributed to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

Retirement benefit schemes

The Group operates a defined contribution retirement benefits scheme (the Mandatory Provident Fund ("MPF")) under the MPF Schemes Ordinance, for all of its employees who are eligible to participate in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of comprehensive income as they become payable in accordance with the rules of the scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund.

The employees of the Group's subsidiaries which operate in the People's Republic of China (the "PRC") are required to participate in the retirement benefits schemes (the "PRC RB Schemes") operated by the respective local municipal government in provinces of the PRC that the Group's subsidiaries operate. These subsidiaries are required to contribute a certain percentage of their payroll costs to the PRC RB Schemes to fund the benefits. Contributions under the PRC RB Schemes are charged to the statement of comprehensive income as they become payable in accordance with the rule of the PRC RB Schemes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 April 2009 to 31 May 2010

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payment transactions

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve). At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained earnings.

Financial instruments

Financial assets and financial liabilities are recognized on the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

The Group's financial assets are mainly classified into loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 April 2009 to 31 May 2010

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and bills receivables, other receivables, deposits and prepayments, funds in trust accounts, pledged bank deposits, bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy in respect of impairment loss on financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve until the financial asset is disposed of or determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see accounting policy in respect of impairment loss on financial assets below).

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy in respect of impairment loss on financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 April 2009 to 31 May 2010

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Impairment of financial assets (continued)

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

– significant financial difficulty of the issuer or counterparty; or

– default or delinquency in interest or principal payments; or

– it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit of loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 April 2009 to 31 May 2010

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Impairment of financial assets (continued)

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve. For available-for-sale debt investment, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payment through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount of the financial liability.

Interest expense is recognised on an effective interest basis.

Convertible notes

Convertible notes issued by the Company that contain both the liability and conversion option components are classified separately into the respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the loan notes into equity, is included in equity (convertible notes equity reserve).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 April 2009 to 31 May 2010

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity (continued)

Convertible notes (continued)

In subsequent periods, the liability component of the convertible notes is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in the convertible notes equity reserve until the embedded option is exercised (in which case the balance stated in convertible notes equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible notes equity reserve will be released to the retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible notes using the effective interest method.

Other financial liabilities

Other financial liabilities including trade and bills payables, other payables and accrued charges and payable to acquisition of subsidiaries are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 April 2009 to 31 May 2010

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material.

Related parties

A party is considered to be related to the Company if:

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

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

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

(e) the party is a close member of the family of any individual referred to in (a) or (d);

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

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

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that the individual in their dealings with the entity.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 April 2009 to 31 May 2010

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, management has made the following estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Estimated useful lives and impairment loss for property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and identified impairment losses. The estimation of useful lives that the Group places the property, plant and equipment into productive use reflects the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. Property, plant and equipment are evaluated for possible impairment on a specific asset basis or in groups of similar assets, as applicable. This process requires management's estimate of future cash flows generated by each assets or group of assets and the fair value of each assets or group of assets less cost to sell. For any instance where this evaluation process indicates impairment, the relevant asset's carrying amount is written down to the recoverable amount and the amount of the write-down is charged against the consolidated statement of comprehensive income.

Impairment loss in respect of trade and other receivables

Impairment loss recognised in respect of trade and other receivables is made when there is objective evidence of impairment and is based on an assessment of the recoverability of trade and other receivables. Where the future discounted cash flow of trade and other receivables is different from the carrying amount, such difference represents allowance for doubtful debts recognised as expense in the consolidated statement of comprehensive income.

Impairment loss in respect of inventories

The management of the Group reviews an aging analysis at each end of the reporting period, and identifies the slow-moving inventory items that are no longer suitable for use in production. The management estimates the net realisable value for such finished goods based primarily on the latest invoice prices and current market conditions. In addition, the Group carries out an inventory review on a product-by-product basis at each end of the reporting period and makes allowance for obsolete items.

Equity-settled share-based payments

The fair value of the share options granted to the directors, employees and consultants determined at the date of grant of the respective share options is expensed over the vesting period, with a corresponding adjustment to the Group's share options reserve. In assessing the fair value of the share options, the generally accepted option pricing models were used to calculate the fair value of the share options. The option pricing models require the input of subjective assumptions, including the expected dividend yield and expected life of options. Any changes in these assumptions can significantly affect the estimate of the fair value of the share options.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 April 2009 to 31 May 2010

6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The Group is not subject to any externally imposed capital requirements. The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on an annual basis. As part of this review, the directors consider the cost of capital and risks associated with each class of capital. The Group will balance its overall capital structure through payment of dividends and new share issues.

7. FINANCIAL INSTRUMENTS

(i) Categories of financial instruments

	31.5.2010 HK$'000	31.3.2009 HK$'000 (restated)
Financial assets		
Loans and receivables	1,041,297	24,617
Available-for-sale investment	552,120	–
Financial liabilities		
Amortised cost	1,123,581	147,713

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 April 2009 to 31 May 2010

7. FINANCIAL INSTRUMENTS *(continued)*

(ii) Financial risk management objectives and policies

The Group's major financial instruments include trade and bills receivables, other receivables, deposits and prepayments, funds in trust accounts, pledged bank deposits, bank balances and cash, trade and bills payables, other payables and accrued charges, payable to acquisition of subsidiaries and convertible notes. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

The Group is exposed to foreign currency risk primarily through capital expenditures, investment, bank balances, funds in trust and escrow account that are denominated in a currency other than the functional currency of the operations to which they relates. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

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

	Assets		Liabilities	
	31.5.2010	31.3.2009	31.5.2010	31.3.2009
	HK$'000	HK$'000	HK$'000	HK$'000
New Zealand dollars ("NZD")	674,402	–	617	–
Renminbi ("RMB")	23,090	9,317	32,699	23,485
United States dollars ("USD")	34,090	5,336	26,937	1,897
Japanese Yen ("JPY")	–	1,283	–	10,856

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 April 2009 to 31 May 2010

7. FINANCIAL INSTRUMENTS *(continued)*

(ii) Financial risk management objectives and policies *(continued)*

Currency risk (continued)

The following table details the Group's sensitivity to a 5% increase and decrease in functional currency of respective group entities against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represent management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjust their transaction at the year end for a 5% change in foreign currency rates. The strengthening of functional currency of respective group entities against the relevant foreign currencies by 5% will give rise to the following impact on profit or loss after tax, and vice versa:

	2010 HK$'000	2009 HK$'000
NZD Impact	33,689	–
RMB Impact	(480)	(461)
USD Impact	358	1,252
JPY Impact	–	(543)

Interest rate risk

The Group exposed to cash flow interest rate risk to pledged bank deposits and bank balance carried at prevailing market rate. However, such exposure is minimal to the Group as they are short term in nature.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31 May 2010 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. In order to minimise the credit risk, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

The credit risk on liquid funds is limited because the majority of the counter-parties are banks with high credit ratings assigned by international credit-rating agencies.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 April 2009 to 31 May 2010

7. FINANCIAL INSTRUMENTS *(continued)*

(ii) Financial risk management objectives and policies *(continued)*

Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it meets the liquidity requirements in the short and long term.

The following table details the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flow and the earliest date that Group can be required to pay.

At 31 May 2010

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 5 years HK$'000	More than 5 years HK$'000
Trade and bills payables	43,899	43,899	43,899	–	–
Other payables and accrued charges	18,341	18,341	18,341	–	–
Payable to acquisition of subsidiaries	100,000	100,000	100,000	–	–
Convertible notes	961,341	1,556,215	72,981	655,000	828,234
	1,123,581	1,718,455	235,221	655,000	828,234

At 31 March 2009

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 5 years HK$'000	More than 5 years HK$'000
Trade and bills payables	35,268	35,268	35,268	–	–
Other payables and accrued charges	12,445	12,445	12,445	–	–
Payable to acquisition of subsidiaries	100,000	100,000	100,000	–	–
	147,713	147,713	147,713	–	–

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 April 2009 to 31 May 2010

7. FINANCIAL INSTRUMENTS *(continued)*

(iii) Fair value

The fair value of financial assets and financial liabilities are determined as follows:

– the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices respectively; and

– the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximated their fair values.

8. REVENUE 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 not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14, nor changed the basis of measurement of segment profit or loss.

The Group's operating and reportable segments from continuing operations under HKFRS 8 are: (a) trading of beverage and food related products and (b) trading of iron ore.

The Group was also involved in the provision of engineering systems contracting services and sales of consumables and spare parts. That operation was discontinued with effect from 15 September 2010 (see note 12).

Information regarding the above segments is reported below.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 April 2009 to 31 May 2010

8. REVENUE AND SEGMENT INFORMATION *(continued)*

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segment:

Continuing operations

For the period ended 31.5.2010	Trading of beverage & food related products HK$'000	Trading of iron ore HK$'000	Total HK$'000
Revenue			
External sales	59,576	–	59,576
Segment results	1,067	(32,736)	(31,669)
Bank interest income			116
Gain on deconsolidation of subsidiaries			2,350
Gain on liquidation of subsidiaries			4,877
Unallocated corporate income			521
Unallocated corporate expenses			(131,274)
Finance cost			(43,996)
Loss before taxation from continuing operations			(199,075)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 April 2009 to 31 May 2010

8. REVENUE AND SEGMENT INFORMATION *(continued)*

Segment revenues and results *(continued)*

Continuing operations (continued)

For the year ended 31.3.2009	Trading of beverage & food related products	Trading of iron ore	Total
	HK$'000	HK$'000	HK$'000 (restated)
Revenue			
External sales	–	5,470	5,470
Segment results	–	(35,059)	(35,059)
Bank interest income			327
Gain on deconsolidation of subsidiaries			3,409
Unallocated corporate income			905
Impairment loss in respect of inventories	–	(13,916)	(13,916)
Written off of property, plant and equipment	–	(58,954)	(58,954)
Impairment loss in respect of mining exploration rights	–	(68,063)	(68,063)
Unallocated corporate expenses			(36,599)
Loss before taxation from continuing operations			(207,950)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the period from 1 April 2009 to 31 May 2010

8. REVENUE AND SEGMENT INFORMATION *(continued)*

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment:

Continuing operations

At 31.5.2010	Trading of beverage & food related products HK$'000	Trading of iron ore HK$'000	Total HK$'000
ASSETS			
Segment assets	34,090	–	34,090
Unallocated corporate assets			1,599,896
Consolidated assets			1,633,986
LIABILITIES			
Segment liabilities	26,937	30,670	57,607
Unallocated corporate liabilities			1,068,131
Consolidated liabilities			1,125,738

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 April 2009 to 31 May 2010

8. REVENUE AND SEGMENT INFORMATION *(continued)*

Segment assets and Liabilities *(continued)*

Continuing operations (continued)

At 31.3.2009	Trading of beverage & food related products	Trading of iron ore	Total
	HK$'000	HK$'000	HK$'000 (restated)
ASSETS			
Segment assets	–	25,038	25,038
Assets relating to discontinued operations			13,732
Unallocated corporate assets			20,305
Consolidated assets			59,075
LIABILITIES			
Segment liabilities	–	19,383	19,383
Liabilities relating to discontinued operations			28,330
Unallocated corporate liabilities			102,630
Consolidated liabilities			150,343

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 April 2009 to 31 May 2010

8. REVENUE AND SEGMENT INFORMATION *(continued)*

Other segment information

Amounts included in the measure of segment profit or loss or segment assets:

Continuing operations

For the period ended 31.5.2010	Trading of beverage & food related products	Trading of iron ore	Unallocated	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Capital additions	–	–	33,918	33,918
Depreciation of property, plant and equipment	–	–	1,532	1,532
Amortization of mining exploration rights	–	32,736	–	32,736
Loss on disposal of property, plant and equipment	–	–	104	104

For the year ended 31.3.2009	Trading of beverage & food related products	Trading of iron ore	Unallocated	Total
	HK$'000	HK$'000	HK$'000	HK$'000 (restated)
Capital additions	–	–	4,119	4,119
Depreciation of property, plant and equipment	–	–	1,230	1,230
Amortization of mining exploration rights	–	37,241	–	37,241

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 April 2009 to 31 May 2010

8. REVENUE AND SEGMENT INFORMATION *(continued)*

Geographical information

The Group's operations are principally located in Hong Kong, the other regions of PRC, the Southeast Asia and New Zealand.

The Group's revenue from continuing operations from external customers based on the location of customers and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers		Non-Current assets	
	2010 H$K'000	2009 H$K'000 (restated)	2010 H$K'000	2009 H$K'000 (restated)
Hong Kong	2,787	–	8,677	7,253
PRC	19,616	5,470	31,892	26,143
Southeast Asia	37,173	–	–	7
New Zealand	–	–	552,120	–
	59,576	5,470	592,689	33,403

Information about major customers

For the period ended 31 May 2010, revenue from two customers of the Group amounting to HK$35,287,000, and HK$19,616,000 had individually accounted for over 10% of the Group's total revenue.

For the year ended 31 March 2009, none of the customers of the Group had individually accounted for over 10% of the Group's total revenue.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 April 2009 to 31 May 2010

9. OTHER INCOME

	Continuing operations		Discontinued operations		Consolidated	
	1.4.2009 to 31.5.2010 HK$'000	1.4.2008 to 31.3.2009 HK$'000	1.4.2009 to 31.5.2010 HK$'000	1.4.2008 to 31.3.2009 HK$'000	1.4.2009 to 31.5.2010 HK$'000	1.4.2008 to 31.3.2009 HK$'000 (restated)
Bank interest income	116	327	1	93	117	420
Rental income	–	905	–	–	–	905
Advertising fee income	497	–	2	–	499	–
Management service income	–	–	196	–	196	–
Maintenance service income	–	–	–	370	–	370
Commission income	–	–	–	15	–	15
Handling income	–	–	–	38	–	38
Written back of impairment loss made in respect of trade receivables	–	–	1,285	3,757	1,285	3,757
Sundry income	24	–	32	53	56	53
	637	1,232	1,516	4,326	2,153	5,558

10. DECONSOLIDATION OF SUBSIDIARIES

During the period, the directors considered that as the Group was unable to exercise its rights either to control the assets and operations or to exercise control over the financial and operating policy decision of Changsha Sanjin Kuangye Touzi Zixum Company Limited ("Changsha Sanjin"), it is inappropriate to consolidate Changsha Sanjin and hence, it is deconsolidated.

During the year ended 31 March 2009, the directors considered that the Group was unable to exercise its rights seither to control the assets and operations or to exercise control over the financial and operating policy decision of Chengde Jincheong Mining Company Limited ("Chengde Jincheong"), it is inappropriate to consolidate Chengde Jincheong and hence, it is deconsolidated.

The gain on the deconsolidation is as follows:

	1.4.2009 to 31.5.2010 HK$'000	1.4.2008 to 31.3.2009 HK$'000
Net assets deconsolidated:		
Property, plant and equipment	–	56
Bank balances and cash	57	5
Other payables	–	(3,444)
Tax payable	–	(10)
	57	(3,393)
Release of exchange reserve	(2,407)	(16)
Gain on deconsolidation of subsidiaries	(2,350)	(3,409)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 April 2009 to 31 May 2010

11. 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 creditors' 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").

	At 15.9.2009
Assets/(liabilities) of the liquidated 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 balances and cash	1,625
	19,801
Aggregate liabilities	
Trade and bills payables	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
Gain on liquidation of subsidiaries	(4,877)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 April 2009 to 31 May 2010

12. 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 general 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.

Loss for the period/year from discontinued operations	1.4.2009 to 31.5.2010 HK$'000	1.4.2008 to 31.3.2009 HK$'000
Revenue from:		
– provision of engineering systems contracting services	15	54,242
– sales of consumables and spare parts	981	8,765
	996	63,007
Cost of contract works	(40)	(43,393)
Cost of sales	(566)	(6,425)
Gross profit	390	13,189
Other income	1,516	4,326
Selling and distribution expenses	(67)	(1,501)
General and administrative expenses	(5,936)	(21,840)
(Loss)/Gain on disposal of a subsidiary (note 45)	(72)	4,813
Impairment loss in respect of inventories	–	(2,901)
Impairment loss in respect of property, plant and equipment	–	(2,505)
Impairment loss in respect of trade and bills receivables	–	(6,177)
Loss before taxation	(4,169)	(12,596)
Income tax	–	(352)
Loss for the period/year from discontinued operations	(4,169)	(12,948)
Cash flow from discontinued operations		
Net cash used in operating activities	(287)	(3,795)
Net cash from (used in) investing activities	52	(88)
Net cash outflows	(235)	(3,883)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 April 2009 to 31 May 2010

13. FINANCE COSTS

	Continuing operations	
	1.4.2009 to 31.5.2010 HK$'000	1.4.2008 to 31.3.2009 HK$'000
Effective interest expenses on convertible notes	**43,996**	–

14. TAXATION

	Continuing operations		Discontinued operations		Consolidated	
	1.4.2009 to 31.5.2010 HK$'000	1.4.2008 to 31.3.2009 HK$'000	**1.4.2009 to 31.5.2010 HK$'000**	1.4.2008 to 31.3.2009 HK$'000	**1.4.2009 to 31.5.2010 HK$'000**	1.4.2008 to 31.3.2009 HK$'000 (restated)
Current tax						
PRC Enterprise tax	–	1,865	–	–	–	1,865
Deferred taxation (Note 32)						
Current year	–	–	–	359	–	359
Attributable to a change in tax rate	–	–	–	(7)	–	(7)
	–	–	–	352	–	352
	–	1,865	–	352	–	2,217

No Hong Kong Profits Tax has been provided in the consolidated financial statements as there was no assessable profit for the period (2009: Nil).

The provision for the PRC income tax was calculated at 25% of the estimated assessable profits in accordance with the relevant income tax rules and regulations of the PRC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 April 2009 to 31 May 2010

14. TAXATION *(continued)*

The tax charge for the period/year can be reconciled to the loss per the consolidated statement of comprehensive income as follows:

	1.4.2009 to 31.5.2010 HK$'000	1.4.2008 to 31.3.2009 HK$'000 (restated)
Loss before taxation:		
Continuing operations	(199,075)	(207,950)
Discontinued operations	(4,169)	(12,596)
	(203,244)	(220,546)
Tax at the domestic income tax rate	(33,535)	(36,390)
Tax effect of income not taxable for tax purposes	(1,200)	(947)
Tax effect of expenses not deductible for tax purposes	29,229	34,992
Tax effect of tax losses not recognised	5,506	4,253
Decrease in opening deferred tax liability resulting from a decrease in applicable tax rate	–	(7)
Effect of different tax rates of subsidiaries operating in other jurisdictions	–	316
Tax charge for the period/year	–	2,217

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 April 2009 to 31 May 2010

15. LOSS FOR THE PERIOD/YEAR

	Continuing operations		Discontinued operations		Consolidated	
	1.4.2009 to 31.5.2010 HK$'000	1.4.2008 to 31.3.2009 HK$'000	1.4.2009 to 31.5.2010 HK$'000	1.4.2008 to 31.3.2009 HK$'000	1.4.2009 to 31.5.2010 HK$'000	1.4.2008 to 31.3.2009 HK$'000 (restated)
Loss for the period/year has been arrived at after charging:						
Auditor's remuneration	1,269	700	–	–	1,269	700
Depreciation of property, plant and equipment	1,532	1,230	1,408	5,379	2,940	6,609
Exchange loss, net	28,734	419	2,025	967	30,759	1,386
Loss on disposal of property, plant and equipment	104	–	–	–	104	–
Release of prepaid lease payments	–	20	6	6	6	26
Rent under operating leases	3,368	1,232	36	770	3,404	2,002
Staff costs (including directors' emoluments - note 18)						
– salaries and other benefits	19,666	6,373	1,722	10,936	21,388	17,309
– equity-settled share-based payments	14,146	4,006	–	–	14,146	4,006
– staff quarters	350	–	65	601	415	601
– retirement benefits contribution	102	98	84	191	186	289

16. DIVIDENDS

No dividends were paid, declared or proposed during both years, nor has any dividend been proposed since the end of the reporting period.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 April 2009 to 31 May 2010

17. LOSS PER SHARE

From continuing and discontinued operations

The calculation of the basis loss per share attributable to the owners of the Company is based on the following data:

	1.4.2009 to 31.5.2010 HK$'000	1.4.2008 to 31.3.2009 HK$'000 (restated)
Loss for the period attributable to owners of the Company for the purpose of basic loss per share	(203,244)	(222,763)
	'000	'000
Weighted average number of ordinary shares for the purpose of basic loss per share	535,507	421,334

From continuing operations

The calculation of the basis loss per share from continuing operation attributable to the owners of the Company is based on the following data:

	1.4.2009 to 31.5.2010 HK$'000	1.4.2008 to 31.3.2009 HK$'000 (restated)
Loss for the period attributable to owners of the Company	(203,244)	(222,763)
Less: Loss for the period from discontinued operations	(4,169)	(12,948)
	(199,075)	(209,815)

The denominators used are the same as those detailed above for basic loss per share from continuing and discontinued operations.

From discontinued operations

Basic loss per share for discontinued operations is 0.77 HK cents (2009: 3.07 HK cents) per share, based on the loss for the period from discontinued operations of HK$4,169,000 (2009: HK$12,948,000) and the denominators detailed above for basic loss per share.

No diluted loss per share is presented for the period ended 31 May 2010 and year ended 31 March 2009 as the exercises of the potential dilutive ordinary shares would result in reduction in loss per share.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 April 2009 to 31 May 2010

18. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the directors were as follows:

For the period from 1 April 2009 to 31 May 2010

		Other emoluments paid			
	Directors' fees	Salaries and other benefits	Equity-settled share-based payments	Retirement benefits contribution	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors:					
Yip Kean Mun[1]	–	1,191	–	–	1,191
Graham Chin[2]	–	803	714	–	1,517
Ng Chun Ming[3]	–	553	–	5	558
Yan Feng[4]	–	344	–	–	344
Luo Ji[5]	–	467	–	–	467
Chan Mei Mei[6]	–	257	714	3	974
Chan Keen Jack[7]	–	50	1,667	–	1,717
Chan Wai Kay Katherine[8]	–	2,040	–	9	2,049
Zuo Lihua[9]	–	284	–	–	284
	–	5,989	3,095	17	9,101
Independent non-executive directors					
Stephen Bryden Kerr[10]	205	240	190	–	635
Sze Cheung Hung[11]	205	240	190	–	635
Chan Man Kuen Laura[12]	205	240	190	–	635
Lee Kin Leung[13]	76	–	–	–	76
	691	720	570	–	1,981
Total	691	6,709	3,665	17	11,082

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 April 2009 to 31 May 2010

18. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(continued)*

(a) Directors' emoluments *(continued)*

For the year ended 31 March 2009

		Other emoluments paid			
	Directors' fees	Salaries and other benefits	Equity-settled share-based payments	Retirement benefits contribution	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors:					
Chan Wai Kay Katherine[8]	–	2,400	381	12	2,793
Zuo Lihua[9]	–	729	95	15	839
	–	3,129	476	27	3,632
Non-executive directors:					
He Changming[14]	–	–	190	–	190
Chow Kin Ming[15]	–	–	–	–	–
	–	–	190	–	190
Independent non-executive directors					
Stephen Bryden Kerr[10]	120	–	–	–	120
Sze Cheung Hung[11]	20	–	–	–	20
Chan Man Kuen Laura[12]	20	–	–	–	20
Lee Kin Keung[13]	168	–	–	–	168
Xu Wen An[16]	170	–	–	–	170
Lam Chun Kong[17]	3	–	–	–	3
	501	–	–	–	501
Total	501	3,129	666	27	4,323

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 April 2009 to 31 May 2010

18. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(continued)*

(a) Directors' emoluments *(continued)*

Notes:

1. Mr. Yip Kean Mun was appointed on 4 January 2010 and resigned on 24 September 2010.
2. Mr. Graham Chin was appointed on 14 September 2009.
3. Mr. Ng Chun Ming was appointed on 4 January 2010 and resigned on 24 September 2010.
4. Mr. Yan Feng was appointed on 4 January 2010.
5. Mr. Luo Ji was appointed on 4 January 2010.
6. Ms. Chan Mei Mei was appointed on 14 September 2009 and resigned on 4 January 2010.
7. Mr. Chen Keen Jack was appointed on 7 May 2009 and resigned on 15 September 2009.
8. Ms. Chan Wai Kay Katherine was resigned on 25 January 2010.
9. Ms. Zuo Lihua was resigned on 22 September 2009.
10. Mr. Stephen Bryden Kerr was appointed on 14 March 2008.
11. Mr. Sze Cheung Hung was appointed on 16 January 2009.
12. Ms. Chan Man Kuen Laura was appointed on 16 January 2009.
13. Mr. Lee Kin Keung was resigned on 14 September 2009.
14. Mr. He Changming was resigned on 2 April 2009.
15. Mr. Chow Kin Ming was retired on 8 April 2008.
16. Mr. Xu Wen An was resigned on 22 January 2009.
17. Dr. Lam Chun Kong was retired on 8 April 2008.

None of the directors of the Company waived or agreed to waive any emoluments paid by the Group. No emoluments have been paid by the Group to the directors as an inducement to join or upon joining the Group, or as compensation for loss of office during the period from 1 April 2009 to 31 May 2010 and from 1 April 2008 to 31 March 2009.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 April 2009 to 31 May 2010

18. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(continued)*

(b) Five highest paid employees

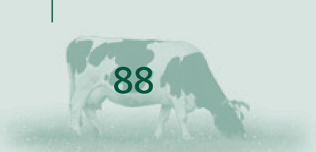
Of the five individuals with the highest emoluments in the Group, two (2009: two) are directors of the Company whose emoluments are set out in note 18(a). The emoluments of the remaining three (2009: three) highest paid individuals were as follows:

	1.4.2009 to 31.5.2010 HK$'000	1.4.2008 to 31.3.2009 HK$'000 (restated)
Salaries and other benefits	4,245	2,028
Equity-settled share-based payments	3,858	124
Contribution to retirement benefits scheme	14	36
	8,117	2,188

The emoluments of the three (2009: three) highest paid employees fall in the following bands.

	Number of employees	
	1.4.2009 to 31.5.2010	1.4.2008 to 31.3.2009 (restated)
Nil to HK$1,000,000	–	3
HK$1,000,000 to HK$1,500,000	–	–
Over HK$1,500,000	3	–

No emoluments have been paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office during the period ended 31 May 2010 and year ended 31 March 2009.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 April 2009 to 31 May 2010

19. AVAILABLE-FOR-SALE INVESTMENT

	31.5.2010 HK$'000	31.3.2009 HK$'000	1.4.2008 HK$'000
Unlisted securities:			
Equity securities	552,120	–	–

During the period, the Group acquired 20% of the ordinary share of UBNZ Assets Holdings Limited ("UBNZ AHL") by convertible notes issued by the Company. UBNZ AHL 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 AHL 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. Up to the date of our report, 4 out of total 22 dairy properties have been settled by UBNZ AHL. The legal representative of the Group stated that the purchases of remaining dairy properties by UBNZ AHL will require consent from Overseas Investment Office (OIO) in New Zealand.

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

Name of Company	Place of incorporation	Proportion of nominal value of issued capital held directly	Principal activities
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

The above unlisted investment was stated at cost at the end of the reporting period.

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20. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Construction in progress HK$'000	Leasehold improvement HK$'000	Machinery and equipment HK$'000	Office equipment HK$'000	Computer equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost									
At 1 April 2008	1,520	–	–	25,266	493	1,584	1,045	5,451	35,359
Exchange adjustments	355	–	–	1,201	(15)	(2)	(2)	75	1,612
Acquired from subsidiaries	36,614	–	–	14,465	–	70	–	1,912	53,061
Additions	629	–	–	3,453	25	110	20	–	4,237
Eliminated on deconsolidation of subsidiaries	–	–	–	–	–	(56)	–	–	(56)
Eliminated on disposals	–	–	–	–	(75)	(12)	(21)	(1,399)	(1,507)
Eliminated on written off	(37,598)	–	–	(20,910)	–	(66)	–	(1,930)	(60,504)
At 1 April 2009	1,520	–	–	23,475	428	1,628	1,042	4,109	32,202
Additions	–	13,803	3,703	–	1,339	749	2,784	11,540	33,918
Eliminated on disposal of a subsidiary	–	–	–	–	(29)	–	(4)	–	(33)
Eliminated on liquidation of subsidiaries	(1,520)	–	–	(23,475)	(291)	(1,439)	(983)	(1,975)	(29,683)
Eliminated on disposals	–	–	–	–	–	–	–	(486)	(486)
Eliminated on written off	–	–	–	–	(60)	(85)	–	–	(145)
At 31 May 2010	–	13,803	3,703	–	1,387	853	2,839	13,188	35,773
DEPRECIATION AND IMPAIRMENT									
At 1 April 2008	391	–	–	13,574	346	1,009	891	881	17,092
Exchange adjustments	182	–	–	69	(9)	–	(1)	(87)	154
Provided for the year	352	–	–	4,691	55	218	70	1,223	6,609
Impairment	–	–	–	2,504	68	–	34	–	2,606
Eliminated on disposals	–	–	–	–	(75)	(12)	(21)	(207)	(315)
Eliminated on written off	(474)	–	–	(944)	–	–	–	(132)	(1,550)
At 1 April 2009	451	–	–	19,894	385	1,215	973	1,678	24,596
Provided for the period	20	–	80	1,388	148	118	126	1,060	2,940
Eliminated on disposals of a subsidiary	–	–	–	–	(25)	–	(2)	–	(27)
Eliminated on liquidation of subsidiaries	(471)	–	–	(21,282)	(250)	(1,161)	(917)	(855)	(24,936)
Eliminated on disposals	–	–	–	–	–	–	–	(162)	(162)
Eliminated on written off	–	–	–	–	(52)	(37)	–	–	(89)
At 31 May 2010	–	–	80	–	206	135	180	1,721	2,322
CARRYING VALUES									
At 31 May 2010	–	13,803	3,623	–	1,181	718	2,659	11,467	33,451
At 31 March 2009	1,069	–	–	3,581	43	413	69	2,431	7,606
At 1 April 2008	1,129	–	–	11,692	147	575	154	4,570	18,267

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 April 2009 to 31 May 2010

21. PREPAID LEASE PAYMENTS

The leasehold lands situated in Hong Kong are held under medium term leases and are analysed for reporting purposes as follows.

	31.5.2010	31.3.2009	1.4.2008
	HK$'000	HK$'000	HK$'000
Non-current asset	–	759	779
Current asset	–	20	20
	–	779	799

22. MINING EXPLORATION RIGHTS

	HK$'000
COST	
At 1 April 2008	–
Acquisition of subsidiaries (note 31)	130,342
At 31 March 2009	130,342
Revaluation increase	195,115
At 31 May 2010	325,457
AMORTISATION AND IMPAIRMENT	
At 1 April 2008	–
Charged for the year	37,241
Impairment loss recognised	68,063

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 April 2009 to 31 May 2010

22. MINING EXPLORATION RIGHTS *(continued)*

	HK$'000
At 31 March 2009	105,304
Charged for the period	32,736
Impairment loss recognised	187,417
At 31 May 2010	325,457
CARRYING VALUES	
At 31 May 2010	–
At 31 March 2009	25,038
At 1 April 2008	–

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 since April 2006. 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.

The mining rights are amortised over the remaining period of the mining rights. The fair value of mining rights at 31 May 2010 have been arrived at on the basis of a valuation carried out on that day by LCH (Asia-Pacific) Surveyors Limited, an 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.

Full impairment has been made by the Group during the period ended 31 May 2010 as the entire share capital of the subsidiary owning the mining exploration rights, in the opinion of the directors of the Company, have been fraudulently transferred. The Group is taking all the necessary legal actions in relation to the recovery of the ownership of subsidiary and the related mining exploration rights.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 April 2009 to 31 May 2010

23. INVENTORIES

	31.5.2010 HK$'000	31.3.2009 HK$'000	1.4.2008 HK$'000
Consumables and spare parts	–	502	3,870

24. TRADE AND BILLS RECEIVABLES

	31.5.2010 HK$'000	31.3.2009 HK$'000 (restated)	1.4.2008 HK$'000
Trade receivables	34,427	52,001	55,096
Less: impairment loss recognised	(85)	(48,936)	(46,970)
	34,342	3,065	8,126
Bills receivables	–	–	3,410
Total trade and bills receivables	34,342	3,065	11,536

The Group has a policy of allowing credit period ranging from three to twelve months to its trade customers. In addition, for certain customers with long-established relationship and good past repayment histories, a longer credit period may be granted. The Group does not hold any collateral over the balances.

An aged analysis of trade receivables net of impairment loss recognised at the end of the reporting period is as follows:

	31.5.2010 HK$'000	31.3.2009 HK$'000 (restated)
Within 30 days	7,796	78
Between 31 to 60 days	1,303	118
Between 61 to 90 days	7,193	361
Between 91 to 180 days	14,629	356
Between 181 to 365 days	3,421	2,152
	34,342	3,065

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 April 2009 to 31 May 2010

24. TRADE AND BILLS RECEIVABLES *(continued)*

The Group's neither past due nor impaired trade receivables mainly represent sales made to recognized and creditworthy customers. The credit terms of these customers are subject to credit verification procedures. No impairment is required for the past due balances based on the historical payment records and continuing subsequent settlement.

The movements in the impairment of trade receivables are as follows:

	2010 HK$'000	2009 HK$'000 (restated)
At the beginning of the period/year	**48,936**	46,970
Elimination on liquidation of subsidiaries	**(47,651)**	–
Impairment losses recognized	**85**	6,177
Reversal of impairment	**(1,285)**	(3,757)
Exchange realignment	**–**	(454)
At the end of the period/year	**85**	48,936

At the end of the reporting period, the Group's trade debtors were individually determined to be impaired. The individually impaired receivables are recognised based on the credit history of its customers, such as financial difficulties or default in payments, and current market conditions. Consequently, specific impairment loss was recognised. The Group does not hold any collateral over these balances.

The Group's trade and bills receivables that are denominated in currencies other than the functional currency of the relevant group entities net of impairment loss recognised are as follows:

	31.5.2010 '000	31.3.2009 '000
Amounts denominated in:		
USD	**4,371**	81
NZD	**47**	–
RMB	**–**	1,623
EUR	**–**	87
MOP	**–**	316

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 April 2009 to 31 May 2010

25. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	31.5.2010 HK$'000	31.3.2009 HK$'000 (restated)	1.4.2008 HK$'000
Advance to vendor (note)	590,246	–	–
Prepayment	9,814	861	1,010
Utility and other deposits	2,603	1,036	1,070
Deposit Paid	1,502	–	–
Project deposit paid	–	6,925	31,824
Purchase deposit paid	–	577	572
Temporary payment	7,056	1,779	7,295
	611,221	11,178	41,771
Less: impairment loss recognised	–	(1,013)	(1,564)
	611,221	10,165	40,207

Note: Being amount advanced to UBNZ Trustee Limited, the vendor which comprised of HK$276,078,000 (equivalent to NZ$50,000,000) being deposit payment to vendor in acquisition of remaining 80% of the issued share capital of UBNZ AHL through the issuance of Convertible Note "A", which has been fully converted into ordinary shares subsequent to the period end.

The remaining balance of HK$314,168,000 (or equivalent to NZ$59,357,000), which was raising through the proceeds from the issuance of convertible note "C", was used in providing financial assistance to the Vendor in assisting the dairy properties acquisition by UBNZ AHL. In respect of this, UBNZ Funds Management Limited, as the warrantor, has irrevocably assigned its beneficiary ownership of the amount of HK$314,168,000 (or equivalent to NZ$59,357,000) held in its own escrow account (but limited to HK$264,643,000 (or equivalent to NZ$50,000,000) in the event of default in the acquisition) to the Group as a form of repayment of above mentioned "financial assistance".

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 April 2009 to 31 May 2010

25. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS *(continued)*

The movements in the impairment of other receivables are as follows:

	2010 HK$'000	2009 HK$'000 (restated)
At the beginning of the period/year	1,013	1,564
Eliminated on liquidation of subsidiaries	(1,013)	–
Reversal of impairment	–	(551)
At the end of the period/year	–	1,013

At the end of the reporting period, the Group's other receivables, deposits and prepayments were individually assessed for impairment. The individually impaired receivables are recognised based on the events or changes in circumstances indicate that the carrying amount may not be recoverable. Consequently, specific impairment loss was recognised.

The Group's other receivables, deposits and prepayments that are denominated in currencies other than the functional currency of the relevant group entities net of impairment loss recognised are as follows:

	31.5.2010 '000	31.3.2009 '000
Amounts denominated in:		
NZD	110,415	–
RMB	2,848	4,505
USD	–	393
JPY	–	2,500
EUR	–	7
AUD	–	18
GBP	–	152
MYR	–	20
NTD	–	391

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 April 2009 to 31 May 2010

26. FUNDS IN ESCROW AND TRUST ACCOUNTS

Funds in escrow and trust accounts are funds held by the Group's New Zealand lawyers as below:

	31.5.2010 HK$'000	31.3.2009 HK$'000	1.4.2008 HK$'000
Funds in escrow accounts (note a)	345,627	–	–
Funds in trust accounts (note b)	5,548	–	–
	351,175	–	–

Note a: Funds in escrow accounts are applied for the purpose of acquisition of dairy properties based on the escrow arrangement.

Note b: Funds in trust accounts are funds held for the proposes of general operation and settlement of legal fees in New Zealand.

27. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Pledged bank deposits/bank balances comprise short-term bank deposits of approximately HK$44,559,000 (2009: HK$11,387,000) at prevailing interest rate or at fixed interest rates ranging from 0.01% to 0.10% (2009: 3.52% to 4.35%).

The Group's bank balances that are denominated in currencies other than the functional currency of the relevant group entities are as follows:

	31.5.2010 '000	31.3.2009 '000
Amounts denominated in:		
RMB	17,425	2,939
NZD	436	–
USD	100	6
JPY	–	1,283
AUD	–	3
EUR	–	20
MOP	–	65
SGD	–	1

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28. SUBSIDIARY HELD-FOR-SALE

	31.5.2010 HK$'000	31.3.2009 HK$'000	1.4.2008 HK$'000
Assets classified as held-for-sale	–	–	24,458
Liabilities associated with assets classify as subsidiary held-for-sales	–	–	27,805

On 25 March 2008, the board of directors has passed a resolution to dispose of the entire equity interests of Linfair Engineering Company Limited ("LEC"), due to the significant operating loss suffered from LEC and in the opinion of the directors, such position would not be improved in the foreseeable future. Details are set out note in 45.

29. TRADE AND BILLS PAYABLES

	31.5.2010 HK$'000	31.3.2009 HK$'000 (restated)	1.4.2008 HK$'000
Trade payables	**43,899**	35,268	23,615
Bills payables	–	–	507
Total trade and bills payables	**43,899**	35,268	24,122

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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29. TRADE AND BILLS PAYABLES *(continued)*

The aged analysis of the trade payables is below:

	31.5.2010 HK$'000	31.3.2009 HK$'000 (restated)
Within 30 days	7,357	110
Between 31 to 60 days	1,229	43
Between 61 to 90 days	6,817	2,500
Between 91 to 180 days	9,288	38
Between 181 to 365 days	2,414	1,192
Over 1 year	16,794	31,385
	43,899	35,268

The Group's trade payables that are denominated in currencies other than the functional currency of the relevant group entities are as follows:

	31.5.2010 '000	31.3.2009 '000
Amounts denominated in:		
RMB	14,723	15,551
USD	3,453	49
NZD	32	–
JPY	–	140,453
EUR	–	301
NTD	–	50

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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30. OTHER PAYABLES AND ACCRUED CHARGES

	31.5.2010 HK$'000	31.3.2009 HK$'000 (restated)	1.4.2008 HK$'000
Provision for litigation	10,534	–	–
Projects deposit received	–	5,754	33,345
Sales deposit received	–	964	565
Temporary deposits	2,867	693	1,622
Other payables and accruals	4,940	5,034	5,981
	18,341	12,445	41,513

The Group's other payables and accrued charges that are denominated in currencies other than the functional currency of the relevant group entities are as follows:

	31.5.2010 '000	31.3.2009 '000
Amounts denominated in:		
RMB	10,293	4,443
NZD	79	–
USD	–	195
EUR	–	3
MYR	–	14

31. PAYABLE 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 note with the maturity of 4 years from the date of issue. Deposit of HK$30 million was paid during the year ended 31 March 2008. The Acquisition was completed on 14 June 2008 and Qingdao Yongxinhui became a wholly-owned subsidiary of the Group. The Group has not yet issued the convertible note to settle the balance of the consideration due to certain non-performance dispute with Citywin. Details are set out in note 44.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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31. PAYABLE 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
Other receivables, deposits and prepayments	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 note			100,000
			130,000
Net cash outflow arising on acquisition			30,000
Bank balances and cash acquired			(413)
			29,587
Consideration payable at 31 May 2010 and 31 March 2009			100,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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32. DEFERRED TAXATION

The deferred tax liabilities recognised by the Group represent the excess of tax allowances over depreciation and movement thereon during the period/year are as follows:

	HK$'000
COST	
At 1 April 2008	121
Charged to profit or loss	359
Effect of change in tax rate	(7)
At 31 March 2009	473
Eliminated on liquidation of subsidiaries	(473)
At 31 May 2010	–

At the end of the reporting period, the Group had unused tax losses of approximately HK$27 million (2009: HK$42 million) available to offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Pursuant to the relevant laws and regulations in the PRC, the unused tax losses incurred by the PRC subsidiaries will be expired in 2011. Other tax losses may be carried forward indefinitely.

33. 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 million 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 million 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.

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33. CONVERTIBLE NOTES *(continued)*

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 antidilutive 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 into 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 antidilutive 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.

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

	CN A	CN B	CN C	CN D	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At date of issue	130,602	194,163	646,793	57,441	1,028,999
Conversion into ordinary share	–	–	(111,654)	–	(111,654)
Interest charged	6,544	9,497	25,551	2,404	43,996
At 31 May 2010	137,146	203,660	560,690	59,845	961,341
Analysed for reporting purposes as:					
Current liabilities	–	–	8,581	59,845	68,426
Non-current liabilities	137,146	203,660	552,109	–	892,915
	137,146	203,660	560,690	59,845	961,341

The liability component is measured at amortised cost. The interest expense for the period of HK$43,996,000 is calculated by applying an effective interest rate from 9.49% to 11.29% to the liability component since the convertible notes were issued.

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34. SHARE CAPITAL

	Notes	Number of shares '000	Share capital HK$'000
Authorised:			
Ordinary shares of HK$0.10 each:			
At 1 April 2008 and 31 March 2009		1,000,000	100,000
Increase during the period	(a)	3,000,000	300,000
At 31 May 2010		4,000,000	400,000
Issued and fully paid:			
Ordinary shares of HK$0.10 each:			
At 1 April 2008 and at 31 March 2009		421,334	42,133
Exercise of share options	(b)	57,460	5,746
Conversion of convertible notes	(c)	135,000	13,500
Exercise warrants	(d)	84,260	8,426
At 31 May 2010		698,054	69,805

Notes:

(a) Pursuant to an ordinary resolution passed by the shareholders of the Company on 2 October 2009, the authorised share capital of the Company was increased from HK$100,000,000 to HK$400,000,000 by the creation of HK$300,000,000 additional shares of HK$0.1 each, ranking pari passu in all respects with the existing share capital of the Company.

(b) During the period ended 31 May 2010, an aggregate of 57,460,000 new shares of the Company were issued pursuant to Pre-IPO share options scheme at the exercise price of HK$0.65 per share, and other share option scheme at the exercise price of HK$0.282 per share and HK$0.82 per share.

(c) From 5 January 2010 to 25 February 2010, 135,000,000 new shares of the Company of HK$0.1 each were allotted on conversion of the CN C with principal amount of HK$135,000,000 at the conversion price of HK$1 as detailed in note 33.

(d) From 15 June 2009 to 30 March 2010, 84,260,000 new shares of the Company of HK$0.1 each were allotted on the exercise of warrants issued.

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35. SHARE OPTION

Pre-IPO share option scheme

A pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") was approved and adopted by the Company on 30 March 2005.

The maximum number of shares which may be issued under the Pre-IPO Share Option Scheme shall be 15,000,000 shares. The Pre-IPO Share Option Scheme is not subject to any vesting condition precedent and the exercise period shall commence from the day following 6 months after 10 June 2005 and end on 30 March 2010 (both dates inclusive). Upon acceptance of the pre-IPO share option, each participant shall pay HK$1 to the Company by way of consideration for the grant.

The exercise price is HK$0.65 per share and there is no restriction on the number of pre-IPO share options granted under the Pre-IPO Share Option Scheme to any grantee.

Movement of the share options during the period ended 31 May 2010 and year ended 31 March 2009 were as follows:

For the period from 1 April 2009 to 31 May 2010

Category	Exercise period	Exercise price	Balance at 1 April 2009	Granted	Exercised	Lapsed/ Cancelled	Balance at 31 May 2010
Ex-employees	11.12.2005 to 30.3.2010	HK$0.65	3,666,000	–	(1,660,000)	(2,006,000)	–
Weighted average exercise price			HK$0.65	–	HK$0.65	HK$0.65	–

For the year ended 31 March 2009

Category	Exercise period	Exercise price	Balance at 1 April 2008	Granted	Exercised	Lasped/ Cancelled	Balance at 31 March 2009
Director	11.12.2005 to 30.3.2010	HK$0.65	1,720,000	–	–	–	1,720,000
Employees	11.12.2005 to 30.3.2010	HK$0.65	1,946,000	–	–	–	1,946,000
			3,666,000	–	–	–	3,666,000
Exercisable at the end of the year							**3,666,000**
Weighted average exercise price			HK$0.65	–	–	–	**HK$0.65**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 April 2009 to 31 May 2010

35. SHARE OPTION *(continued)*

No share options had been granted and 1,660,000 had been exercised during the period ended 31 May 2010 under Pre-IPO share options scheme.

Other share option scheme

Another share option scheme (the "Share Option Scheme") was approved and adopted by the Company on 20 May 2005.

Under the Share Option Scheme, the Directors may, at their description, grant to any eligible person as defined under the Share Option Scheme to take up options to subscribe for shares of the Company at a subscription price to be determined by the Directors and notified to each grantee but in any case shall not be less than the higher of (1) the closing price of the shares as stated in The Stock Exchange of Hong Kong Limited's daily quotations sheet on the date on which the Directors approve the making of the offer for the grant option (the "Date Of Grant"), which must be a trading day; (2) the average of closing price of the shares as stated in The Stock Exchange of Hong Kong Limited's daily quotations sheet for the five trading days immediately preceding the Date of Grant; or (3) the nominal value of a share. Upon acceptance of the share option, the grantee shall pay HK$1 to the Company by way of consideration for the grant.

At the date of this annual report, the total number of shares in respect of which options maybe granted under the Share Option Scheme and any other share option schemes of the Company shall not exceed 33,400 shares, being 0.01% of the issued shares of the Company. Details of the Share Option Scheme are set out in the prospectus dated 27 May 2005 issued by the Company.

Movements of the share options during the period ended 31 May 2010 and year ended 31 March 2009 were as follows:

Category	Exercise period	Exercise price	Balance at 1 April 2009	Granted	Exercised	Lapsed/ Cancelled	Balance at 31 May 2010
Directors	23.2.2009 – 22.2.2014	HK0.282	7,000,000	–	(7,000,000)	–	–
	20.10.2009 – 19.10.2012	HK0.82	–	4,200,000	(4,200,000)	–	–
Employees	23.2.2009 – 22.2.2014	HK0.282	4,100,000	–	(4,100,000)	–	–
	20.10.2009 – 19.10.2012	HK0.82	–	25,500,000	(25,500,000)	–	–
Consultants	23.2.2009 – 22.2.2012	HK0.282	28,000,000	–	(12,000,000)	(16,000,000)	
	23.2.2009 – 22.2.2014	HK0.282	3,000,000	–	(3,000,000)	–	–
Total			42,100,000	29,700,000	(55,800,000)	(16,000,000)	–
Weighted average exercise price			HK$0.282	HK$0.82	HK$0.568	HK$0.282	–

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 April 2009 to 31 May 2010

35. SHARE OPTION *(continued)*

Other share option scheme *(continued)*

For the year ended 31 March 2009

Category	Exercise period	Exercise price	Balance at 1 April 2008	Granted	Exercised	Lapsed/ cancelled	Balance at 31 March 2009
			Number of share options				
Directors	23.2.2009 – 22.2.2014	HK$0.282	–	7,000,000	–	–	7,000,000
Employees	23.2.2009 – 22.2.2014	HK$0.282	–	4,100,000	–	–	4,100,000
Consultants	23.2.2009 – 22.2.2012	HK$0.282	–	28,000,000	–	–	28,000,000
	23.2.2009 – 22.2.2014	HK$0.282	–	3,000,000	–	–	3,000,000
			–	42,100,000	–	–	42,100,000
Exercisable at the end of the year							42,100,000
Weighted average exercise price			–	HK$0.282	–	–	HK$0.282

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 April 2009 to 31 May 2010

35. SHARE OPTION *(continued)*

Other share option scheme *(continued)*

During the period ended 31 May 2010, share options were granted by the Company on the below grant date. The estimated fair value of the share options on the grant date is determined using the Binomial Model. The respective fair value and significant inputs to the model are as follows:

The contractual life and expectations of early exercise of the share options were used as inputs into relevant models.

Grant date	20 Oct 2009	22 Feb 2009
Fair value at measurement date	HK$14,146,000	HK$4,006,000
Share price at the grant date	HK$0.79	HK$0.275
Exercise price	HK$0.82	HK$0.282
Expected volatility	140.24%	74.7%
Expected dividends yield	–	–
Risk free rate	0.342%	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.

The Binomial Model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

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.

36. WARRANTS

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.

On 30 March 2010, all of 84,260,000 warrants were exercised and none of any warrants issued is outstanding as at 31 May 2010.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 April 2009 to 31 May 2010

36. WARRANTS *(continued)*

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 was determined solely by the placing agent, subject to the requirement that such placees were independent institutional or private investors 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 Warrant holders.

(ix) Voting

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at 31 May 2010

37. STATEMENT OF FINANCIAL POSITION

As at 31 May 2010

	Notes	31.5.2010 HK$'000	31.3.2009 HK$'000	1.4.2008 HK$'000
Non-current assets				
Interests in subsidiaries		75,800	258,511	256,734
Available-for-sale investment		552,120	–	–
		627,920	258,511	256,734
Current assets				
Other receivables, deposits and prepayments		593,848	–	–
Funds in escrow and trust accounts		351,175	–	–
Bank balances and cash		577	577	9,725
		945,600	577	9,725
Current liabilities				
Other payables and accrued charges		3,561	927	2,548
Payable to acquisition of subsidiaries		100,000	–	–
Convertible notes		68,426	–	–
		171,987	927	2,548
Net current assets/(liabilities)		773,613	(350)	7,177
		1,401,533	258,161	263,911
Capital and reserves				
Share capital	34	69,805	42,133	42,133
Reserves	38	438,813	216,028	221,778
Total equity		508,618	258,161	263,911
Non-current liability				
Convertible notes		892,915	–	–
		1,401,533	258,161	263,911

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at 31 May 2010

38. RESERVES

The Group

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

The Company

	Share premium HK$'000	Contribution surplus HK$'000	Share options reserve HK$'000	Convertible notes equity reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2008	195,275	43,294	–	–	(16,791)	221,778
Total comprehensive expenses for the year	–	–	–	–	(9,756)	(9,756)
Equity-settled share-based payment	–	–	4,006	–	–	4,006
At 31 March 2009	195,275	43,294	4,006	–	(26,547)	216,028
Total comprehensive expenses for the period	–	–	–	–	(542,391)	(542,391)
Equity-settled share-based payment	–	–	14,146	–	–	14,146
Shares issued under share option scheme	43,676	–	(16,629)	–	–	27,047
Shares issued under warrant agreement	19,380	–	–	–	–	19,380
Convertible notes equity component	–	–	–	606,449	–	606,449
Shares issued upon conversion of convertible notes	115,257	–	–	(17,103)	–	98,154
Reserve released upon lapse of share option	–	–	(1,523)	–	1,523	–
At 31 May 2010	373,588	43,294	–	589,346	(567,415)	438,813

The contributed surplus of the Company represents the difference between the fair value of the consolidated net assets of Excellent Overseas Limited acquired and the nominal value of the Company's shares issued in exchange therefore.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at 31 May 2010

39. PLEDGE OF ASSETS

At the end of the reporting period, the banking facilities of the Group were secured by the following assets:

	31.5.2010 HK$'000	31.3.2009 HK$'000
Property, plant and equipment	–	1,847
Bank deposits	896	1,250
	896	3,097

40. CONTINGENT LIABILITIES

(a) Litigation with Citywin

At the end of the reporting period, the Group had the following contingent liability:

	31.5.2010 HK$'000	31.3.2009 HK$'000
Performance bonds	1,227	1,227

On 12 June 2009, the Company announced that it received a Writ of Summons issued from the Court of First Instance of Hong Kong on 10 June 2009. Details are set out in note 44.

(b) Litigation against subsidiaries of the Group

Based on legal opinion from PRC lawyer, the Group should make a provision at a total amount of RMB9,260,500 for claims against the Group's subsidiaries Chengde Sanjin Mining Company Limited and Chengde Shenglong Mining Company Limited. Full provision has been made and included in the general and administrative expenses.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at 31 May 2010

41. COMMITMENTS

(a) Capital commitments

(i) 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 for the 20% share capital with NZ$100,000,000 have been satisfied by issuance of convertible notes.

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.

Completion of the transaction is conditional upon to approval of Overseas Investment Office of New Zealand.

(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, livestock 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 notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at 31 May 2010

41. COMMITMENTS *(continued)*

(a) Capital commitments *(continued)*

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) Other capital commitments contracted for but not provided in the consolidated financial statements are as follows:

	31.5.2010 HK$'000	31.3.2009 HK$'000
Contracted but not provided for in respect of:		
– the acquisition of property, plant and equipment	18,570	–
– construction in progress	52,581	–
	71,151	–

(b) Operating lease commitments

The Group as lessee

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:

	31.5.2010 HK$'000	31.3.2009 HK$'000
Within one year	10,266	863
In the second to fifth year inclusive	18,406	2,066
Over five years	13,398	102
	42,070	3,031

Operating lease payments represent rental payable by the Group for certain of its office premises and staff quarters. Leases are negotiated for terms of one to five years a fixed rentals.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at 31 May 2010

41. COMMITMENTS *(continued)*

(b) Operating lease commitments *(continued)*

The Group as lessor

Rental income earned during the period was nil (2009: HK$905,000).

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	31.5.2010 HK$'000	31.3.2009 HK$'000
Within one year	–	905
In the second to fifth year inclusive	–	905
	–	1,810

The properties are expected to generate rental yield of 15% on an ongoing basis. All of the properties held have committed tenants for the next 2 years.

42. RETIREMENT BENEFITS SCHEMES

The Group operates a MPF for all qualifying employees in Hong Kong under the MPF Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

The Group is also required to make contributions to state pension schemes in the PRC based on a certain percentage of the monthly salaries of the employees of its PRC subsidiaries. The Group has no other obligation under the state pension schemes in the PRC other than the contribution payments.

During the period, the total amount of retirement benefit contribution made by the Group are approximate HK$186,000 (2009: HK$289,000).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at 31 May 2010

43. RELATED PARTY DISCLOSURES

Compensation to directors and key management personnel of the Group:

	2010 HK$'000	2009 HK$'000
Short-term benefits	7,400	3,630
Post-employment benefits	17	27
Equity-settled share-based payments	3,665	666
	11,082	4,323

The remuneration of director and key executives is determined by the remuneration committee and having regard to the performance of individuals and market trends. Details of the directors' remuneration are set out in note 18.

44. 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. On 10 August 2009, the Group made defense in relation to the above writ of summons by counter claiming Citywin for certain non-performance service. On 25 September 2009, Citywin has submitted a denied reply to the Court of First Instance of Hong Kong against the Group's defense and no further action was noted up to the date of our report.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at 31 May 2010

45. 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
Aggregate assets disposed of:	
Property, plant and equipment	6
Other receivables, deposits and prepayments	41
Bank balances and cash	12
Other payables and accrued charges	(3)
Net assets disposal of	56
Release of exchange reserve	16
Loss on disposal	(72)
Total consideration	–
Net cash outflow arising on disposal:	
Bank balances and cash	(12)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at 31 May 2010

45. DISPOSAL OF A SUBSIDIARY *(continued)*

On 5 June 2008, the Group entered into an agreement with an independent third party for the disposal of its entire equity interest in LEC for an aggregate consideration of HK$2,000,000. The disposal was completed on 23 July 2008 with a gain of approximately HK$4,813,000 recorded. LEC did not contribute any turnover and results to the Group from its operations for the year ended 31 March 2009.

Net liabilities disposed of:

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

The disposed subsidiary did not contribute any cash flow in respect of operating, investing and financing activities for the year ended 31 March 2009.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at 31 May 2010

46. PRINCIPAL SUBSIDIARIES

Particulars of the Group's subsidiaries as at 31 May 2010 are as follows:

Name of subsidiaries	Place of incorporation/ establishment and operations	Class of shares	Issued share/ paid-up registered capital	Percentage of equity interest attributable to the Company		Principal activities
				Direct	Indirect	
Excellent Overseas Limited	British Virgin Islands	Ordinary shares	US$1	100%	–	Investment holding
Nation Yield Limited	Hong Kong	Ordinary shares	HK$1	100%	–	Investment holding
Guoyuan Natural Dairy Products (Jiangxi) Company Limited[(i)]	PRC	Registered capital	HK$50,000,000	–	100%	Manufacturing of dairy products, not commenced business
Power High Limited	British Virgin Islands	Ordinary shares	US$1	100%	–	Investment holding
Nation Resources Limited	Hong Kong	Ordinary shares	HK$100	–	100%	Trading of food and beverage
Jin Lun Duo Engineering (Shenzhen) Company Limited[(i)]	PRC	Registered capital	HK$3,000,000	–	100%	Provision of installation and maintenance services
Beijing Jinlunduo Resources Technology Company Limited[(i)]	PRC	Registered capital	RMB6,000,000	–	100%	Inactive
Qingdao Yongxinhui Mining Company Limited[(i)]	PRC	Registered capital	RMB1,000,000	–	100%	Inactive
Chengde City Sanjin Mining Company Limited[(i)]	PRC	Registered capital	RMB1,000,000	–	100%	Inactive
Chengde City Shenlong Mining Company Limited[(i)]	PRC	Registered	RMB5,000,000	–	100%	Inactive
NZ Natural Dairy Limited	New Zealand	Ordinary shares	NZ100	100%	–	Management services to subsidiaries
NZND Media Limited	New Zealand	Ordinary shares	NZ100	–	100%	The production and sale of a Chinese and English language newspaper
NZND Assets Holdings Limited	New Zealand	Ordinary shares	NZ100	–	100%	Non-trading holding company

Note:

(i) the English names are for identification purpose only.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at 31 May 2010

46. PRINCIPAL SUBSIDIARIES *(continued)*

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

None of the subsidiaries had issued any debt securities subsisting at the end of the period or any time during the periods.

47. EVENT AFTER THE END OF THE REPORTING PERIOD

(a) On 9 June 2010, Guoyuan Natural Dairy Products (Jiangxi) Company 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, amounting to HK$592,200,000, to be sold by Jiangxi Natural Dairy 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) On 19 July 2010, there was a further issuance of CN C with aggregated principal amount of HK$32,000,000. Up to the date of our report, all convertible notes previously issued have been fully converted into ordinary shares of the Company, except for a principal amount of HK$50 million of CN C remained outstanding to be converted. The conversion has resulted in the issue of 637,000,000 ordinary shares of HK$0.1 each in the Company. The rights in conversion of CN A and CN B were subject to the conditions stipulated in the sales and purchase agreement dated 22 May 2009 in relation to the acquisition of 20% of the issued shares capital of UBNZ AHL, circular dated 8 September 2009 as well as all of related supplement and variation agreements dated between 26 May 2009 to 3 August 2010. At the date of our report, 20% of the issued share capital of UBNZ Assets Holdings Limited was acquired, with only 4 out of total 22 dairy properties settled. The application of 80% option shares acquisition by Natural Dairy was still subject to the approval of New Zealand Overseas Investment Office.