NATURAL DAIRY (NZ) HOLDINGS LIMITED
天然乳品(新西蘭)控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 462)

FINAL RESULTS ANNOUNCEMENT FOR THE FOURTEEN MONTHS ENDED 31 MAY 2010

The board of directors ("Directors") of Natural Dairy (NZ) Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the fourteen months ended 31 May 2010, together with the comparative figures for the previous year as follows:

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	*3*	**59,576**	5,470
Cost of sales		**(58,424)**	(3,288)
Gross profit		**1,152**	2,182
Other income	*4*	**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	*5*	**2,350**	3,409
Gain on liquidation of subsidiaries	*6*	**4,877**	–
Finance costs	*8*	**(43,996)**	–

	Notes	**1.4.2009 to 31.5.2010** ***HK$'000***	1.4.2008 to 31.3.2009 *HK$'000* (restated)
Loss before taxation		**(199,075)**	(207,950)
Income tax	*9*	**–**	(1,865)
Loss for the period/year from continuing operations		**(199,075)**	(209,815)
Discontinued operations			
Loss for the period/year from discontinued operations	*7*	**(4,169)**	(12,948)
Loss for the period/year	*10*	**(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	*12*		
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**	31.3.2009	1.4.2008
		HK$'000	*HK$'000*	*HK$'000*
			(restated)	
Non-current assets				
Available-for-sale investment	*13*	**552,120**	–	–
Property, plant and equipment		**33,451**	7,606	18,267
Prepaid lease payments		**–**	759	779
Mining exploration rights	*14*	**–**	25,038	–
Deposit paid for acquisition of a subsidiary		**–**	–	30,000
Deposit paid for acquisition of property, plant and equipment		**7,118**	–	–
		592,689	33,403	49,046
Current assets				
Inventories		**–**	502	3,870
Prepaid lease payments		**–**	20	20
Trade and bills receivables	*15*	**34,342**	3,065	11,536
Other receivables, deposits and prepayments	*16*	**611,221**	10,165	40,207
Tax recoverable		**–**	533	493
Funds in escrow and trust accounts		**351,175**	–	–
Pledged bank deposits		**896**	1,250	3,000
Bank balances and cash		**43,663**	10,137	86,257
Subsidiary held-for-sale assets		**–**	–	24,458
		1,041,297	25,672	169,841

	Notes	31.5.2010	31.3.2009	1.4.2008
		HK$'000	*HK$'000*	*HK$'000*
			(restated)	
Current liabilities				
Trade and bills payables	*17*	**43,899**	35,268	24,122
Other payables and accrued charges		**18,341**	12,445	41,513
Tax payable		**2,157**	2,157	–
Payable to acquisition of subsidiaries	*18*	**100,000**	100,000	–
Convertible notes	*19*	**68,426**	–	–
Liabilities associated with assets classified as subsidiary held-for-sale		**–**	–	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
Capital and reserves				
Share capital	*20*	**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		**–**	473	121
Convertible notes	*19*	**892,915**	–	–
		892,915	473	121
		1,401,163	(90,795)	125,447

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 April 2009 to 31 May 2010

1. 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.

2. 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.

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*

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.

3. 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 2009 *(see note 7)*.

Information regarding the above segments is reported below.

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)**

For the year ended 31.3.2009	Trading of beverage & food related products *HK$'000*	Trading of iron ore *HK$'000*	Total *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)

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**

At 31.3.2009	**Trading of beverage & food related products** *HK$'000*	**Trading of iron ore** *HK$'000*	**Total** *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

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

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	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(restated)		(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.

4. Other income

	Continuing operations		Discontinued operations		Consolidated	
	1.4.2009 to 31.5.2010	1.4.2008 to 31.3.2009	**1.4.2009 to 31.5.2010**	1.4.2008 to 31.3.2009	**1.4.2009 to 31.5.2010**	1.4.2008 to 31.3.2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'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

5. 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 either 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)

6. 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").

Assets/(liabilities) of the liquidated subsidiaries	At 15.9.2009 *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)

7. 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**	1.4.2008 to 31.3.2009
	HK$'000	*HK$'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	**(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)

8. Finance costs

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

9. Taxation

	Continuing operations		Discontinued operations		Consolidated	
	1.4.2009 to 31.5.2010	1.4.2008 to 31.3.2009	**1.4.2009 to 31.5.2010**	1.4.2008 to 31.3.2009	**1.4.2009 to 31.5.2010**	1.4.2008 to 31.3.2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000* (restated)
Current tax						
PRC Enterprise tax	**–**	1,865	**–**	–	**–**	1,865
Deferred taxation						
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.

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	1.4.2008 to 31.3.2009
	HK$'000	*HK$'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

10. Loss for the period/year

	Continuing operations		Discontinued operations		Consolidated	
	1.4.2009 to 31.5.2010	1.4.2008 to 31.3.2009	**1.4.2009 to 31.5.2010**	1.4.2008 to 31.3.2009	**1.4.2009 to 31.5.2010**	1.4.2008 to 31.3.2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'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)						
– 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

11. Dividends

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

12. 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	1.4.2008 to 31.3.2009
	HK$'000	*HK$'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	1.4.2008 to 31.3.2009
	HK$'000	*HK$'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.

13. Available-for-sale investment

	31.5.2010	31.3.2009	1.4.2008
	HK$'000	*HK$'000*	*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.

14. Mining exploration rights

	HK$'000
COST	
At 1 April 2008	–
Acquisition of subsidiaries	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
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.

15. Trade and bills receivables

	31.5.2010	31.3.2009	1.4.2008
	HK$'000	*HK$'000*	*HK$'000*
		(restated)	
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	31.3.2009
	HK$'000	*HK$'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

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	2009
	HK$'000	*HK$'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.

16. Other receivables, deposits and prepayments

	31.5.2010	31.3.2009	1.4.2008
	HK$'000	*HK$'000*	*HK$'000*
		(restated)	
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".

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

	2010	2009
	HK$'000	*HK$'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.

17. Trade and bills payables

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

The aged analysis of the trade payables is below:

	31.5.2010	31.3.2009
	HK$'000	*HK$'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

18. 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.

	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

19. 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.

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.

20. Share capital

	Notes	Number of shares	Share capital
		'000	*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 19.

(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.

21. 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	31.3.2009
	HK$'000	*HK$'000*
Property, plant and equipment	**–**	1,847
Bank deposits	**896**	1,250
	896	3,097

22. Contingent liabilities

(a) Litigation with Citywin

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

	31.5.2010	31.3.2009
	HK$'000	*HK$'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.

(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.

23. 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 of the Share Option is included in the total consideration of NZ$100,000,000 which will be satisfied by both 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.

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	31.3.2009
	HK$'000	*HK$'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	31.3.2009
	HK$'000	*HK$'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.

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	31.3.2009
	HK$'000	*HK$'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.

24. Related party disclosures

Compensation to directors and key management personnel of the Group:

	2010	2009
	HK$'000	*HK$'000*
Short-term benefits	**7,590**	3,630
Post-employment benefits	**17**	27
Equity-settled share-based payments	**3,665**	666
	11,272	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.

25. 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 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.

SUMMARY OF THE INDEPENDENT AUDITOR'S REPORT

The Directors would like to draw your attention to the disclaimer opinion of the independent auditor's report on the consolidated financial statements of the Group for the fourteen months ended 31 May 2010.

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 13 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 16 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.

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.

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.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

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

- Revenue from continuing operation 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 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 HK37.95 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 the 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 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.

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 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.

VSA-2: Acquisition of 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 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.

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$867,813,000 (2009: HK$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.

The Group had no interest-bearing loan as at 31 May 2010 (31 March 2009: HK$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: 1.64 times) and it has finance cost of HK$43,996,000 (31 March 2009: HK$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.

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

During the fourteen months ended 31 May 2010, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed shares of the Company.

CORPORATE GOVERNANCE

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

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers, as amended from time to time (the "Model Code"), set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by directors. On specific enquiries made, all directors have confirmed that they have complied with the required standard as set out in the Model Code, during the fourteen months ended 31 May 2010.

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

PUBLICATION OF INFORMATION ON THE WEBSITES OF HKEX AND THE COMPANY

The results announcement, as required, has been published on the website of Hong Kong Exchanges and Clearing Limited ("HKEX") at www.hkex.com.hk under "Latest Listed Company Information" and the Company at www.aplushk.com/clients/0462naturaldairy/index.html respectively. The 2010 audit report of the Company for the period ended 31 May 2010 will be dispatched to the shareholders before 29 October 2010 and will publish on the websites of the HKEX's and the Company's websites accordingly.

By Order of the Board
Natural Dairy (NZ) Holdings Limited
Wu Neng Kun
Chairman

Hong Kong, 29 October 2010

As at the date of this announcement, the Board comprises seven executive Directors, being Mr. Wu Neng Kun (Chairman), Mr. Graham Chin (Vice-Chairman), Mr. Yan Feng, Mr. Luo Ji, Ms. Ng Yat Fung Miranda, Mr. Zhang Han Wen and Mr. Yao Hai Sheng and three independent non-executive Directors, being Mr. Stephen Bryden Kerr, Mr. Sze Cheung Hung and Ms. Chan Man Kuen Laura.