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## **ASIA CASSAVA RESOURCES HOLDINGS LIMITED**

**亞洲木薯資源控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 841)**

### **2010 ANNUAL RESULTS ANNOUNCEMENT**

#### **HIGHLIGHTS**

- Continued to be the largest procurer and exporter of dried cassava chips in Thailand and the largest supplier of imported dried cassava chips in the PRC, with a persistent increase in our market share
- Revenue amounted to approximately HK\$1,997.1 million, representing an increase of 117% over the previous year
- Approximately 1,480,000 tonnes of dried cassava chips were sold, representing an increase of 101% over the previous year
- Profit for the year amounted to approximately HK\$100.3 million, representing an increase of 101% over the previous year
- Approximately 350,000 tonnes of dried cassava chips sold to companies in ethanol fuel industry, representing an increase of 115% over the previous year
- Recommend a final dividend of HK\$0.06 per share

The Board of Directors (the “Board”) of Asia Cassava Resources Holdings Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2010 together with the comparative figures in 2009.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2010

	Notes	2010 HK\$'000	2009 HK\$'000
REVENUE	4	1,997,132	919,250
Cost of sales		<u>(1,633,136)</u>	<u>(730,547)</u>
Gross profit		363,996	188,703
Other income	4	1,711	11,233
Fair value gain/(loss) on investment properties		11,270	(16,859)
Reversal of deficit/(deficit) on revaluation of property, plant and equipment		2,455	(2,455)
Selling and distribution costs		(219,865)	(95,398)
Administrative expenses		(43,215)	(22,611)
Finance costs	5	<u>(4,023)</u>	<u>(10,532)</u>
PROFIT BEFORE TAX	6	112,329	52,081
Income tax expense	7	<u>(11,997)</u>	<u>(2,074)</u>
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u>100,332</u>	<u>50,007</u>
OTHER COMPREHENSIVE INCOME/(LOSS)			
Gain/(loss) on property revaluation		3,151	(4,659)
Income tax effect		<u>(467)</u>	<u>868</u>
		2,684	(3,791)
Exchange differences on translation of foreign operations		<u>671</u>	<u>194</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		<u>3,355</u>	<u>(3,597)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>103,687</u>	<u>46,410</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9		
Basis (HK cents)		<u>31.1</u>	<u>22.1</u>
Diluted (HK cents)		<u>31.1</u>	<u>22.1</u>

Details of the dividends payable and proposed for the year are disclosed in note 8 to the financial information.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2010

	<i>Notes</i>	<b>2010</b> <b>HK\$'000</b>	2009 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>67,739</b>	13,978
Investment properties		<b>42,610</b>	31,340
Deferred tax assets		–	1,822
Total non-current assets		<b>110,349</b>	47,140
<b>CURRENT ASSETS</b>			
Inventories		<b>162,038</b>	47,632
Trade and bills receivables	<i>10</i>	<b>131,856</b>	104,140
Prepayments, deposits and other receivables		<b>68,831</b>	34,711
Cash and cash equivalents		<b>64,005</b>	164,674
Total current assets		<b>426,730</b>	351,157
<b>CURRENT LIABILITIES</b>			
Trade and other payables and accruals	<i>11</i>	<b>47,491</b>	77,481
Interest-bearing bank borrowings		<b>86,544</b>	112,914
Finance lease payable		–	47
Tax payable		<b>22,027</b>	15,661
Total current liabilities		<b>156,062</b>	206,103
<b>NET CURRENT ASSETS</b>		<b>270,668</b>	145,054
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>381,017</b>	192,194
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank borrowings		<b>5,031</b>	6,967
Deferred tax liabilities		<b>4,450</b>	2,057
Total non-current liabilities		<b>9,481</b>	9,024
Net assets		<b>371,536</b>	183,170
<b>EQUITY</b>			
Equity attributable to equity holders of the Company			
Issued capital		<b>36,000</b>	30,000
Reserves		<b>313,936</b>	138,170
Proposed dividends		<b>21,600</b>	15,000
Total equity		<b>371,536</b>	183,170

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
*Year ended 31 March 2010*

	Attributable to owners of the Company									
	Issued capital <i>HK\$'000</i>	Share premium* <i>HK\$'000</i>	Contributed surplus* <i>HK\$'000</i>	Merger reserve* <i>HK\$'000</i> <i>(note (i))</i>	Legal reserve* <i>HK\$'000</i> <i>(note (ii))</i>	Asset revaluation reserve* <i>HK\$'000</i>	Exchange fluctuation reserve* <i>HK\$'000</i>	Retained profits* <i>HK\$'000</i>	Proposed dividends <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
At 1 April 2008	-	-	18,229	(9,773)	46	8,243	1,216	59,565	-	77,526
Total comprehensive income for the year	-	-	-	-	-	(3,791)	194	50,007	-	46,410
Capitalisation issue of shares	12,500	(12,500)	-	-	-	-	-	-	-	-
Issuance of shares	7,500	69,000	-	-	-	-	-	-	-	76,500
Share issue expenses	-	(17,266)	-	-	-	-	-	-	-	(17,266)
Acquisition of subsidiaries pursuant to the Group Reorganisation	10,000	-	(10,000)	-	-	-	-	-	-	-
Proposed 2009 final dividend	-	-	-	-	-	-	-	(6,000)	6,000	-
Proposed 2009 special dividend	-	-	-	-	-	-	-	(9,000)	9,000	-
At 31 March 2009 and 1 April 2009	30,000	39,234	8,229	(9,773)	46	4,452	1,410	94,572	15,000	183,170
Total comprehensive income for the year	-	-	-	-	-	2,684	671	100,332	-	103,687
Issuance of shares	6,000	106,800	-	-	-	-	-	-	-	112,800
Share issue expenses	-	(5,921)	-	-	-	-	-	-	-	(5,921)
2009 final dividend declared	-	-	-	-	-	-	-	-	(6,000)	(6,000)
2009 special dividend declared	-	-	-	-	-	-	-	-	(9,000)	(9,000)
2010 interim dividend declared	-	-	-	-	-	-	-	(7,200)	-	(7,200)
Proposed 2010 final dividend	-	-	-	-	-	-	-	(21,600)	21,600	-
At 31 March 2010	36,000	140,113	8,229	(9,773)	46	7,136	2,081	166,104	21,600	371,536

*Notes:*

- (i) The merger reserve represents the excess of the consideration paid over the net asset value of the subsidiaries acquired pursuant to the Group Reorganisation in the prior year over the investment cost of these subsidiaries.
- (ii) In accordance with the provisions of the Macau Commercial Code, the Group's subsidiary incorporated in Macau is required to transfer 25% of the annual net profit to the legal reserve before the appropriation of profits to dividends until the reserve equals half of the capital. This reserve is not distributable to the respective shareholders.

\* *These reserve accounts comprise the consolidated reserves of HK\$313,936,000 (2009: HK\$138,170,000) in the consolidated statement of financial position.*

*Notes:*

## **1. CORPORATE INFORMATION**

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 8 May 2008. The registered office of the Company is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

Pursuant to the group reorganisation (the “Group Reorganisation”) to rationalise the structure of the Group in preparation for the initial public offering of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the Company has become the holding company of the subsidiaries now comprising the Group since 18 February 2009. Further details of the Group Reorganisation are set forth in the Company’s listing prospectus dated 26 February 2009 (the “Prospectus”).

The ordinary shares of the Company had been listed on the Stock Exchange since 23 March 2009.

The principal activities of the Group are the procurement of dried cassava chips in Southeast Asian countries and the sales of dried cassava chips in Mainland China.

In the opinion of the directors, the ultimate holding company of the Company is Art Rich Management Limited, which is incorporated in the British Virgin Islands.

### **2.1 BASIS OF PRESENTATION AND CONSOLIDATION**

These financial information have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and certain land and buildings, which have been measured at fair value. These financial statements are presented in Hong Kong dollar and all values are rounded to the nearest thousand except when otherwise indicated.

#### **Basis of consolidation**

The consolidated financial information include the financial information of the Company and its subsidiaries for the year ended 31 March 2010. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

The consolidated financial information for the year ended 31 March 2009 had been prepared in accordance with the principles of merger accounting as set out in Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the HKICPA, as a result of the Group Reorganisation. On this basis, the Company has been treated as the holding company of its subsidiaries for the financial year presented rather than from the date of their acquisition. Accordingly, the consolidated results of the Group for the year ended 31 March 2009 included the results of the Company and its subsidiaries with effect from 1 April 2008 or since their respective dates of incorporation, where this is a shorter period. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group were eliminated on consolidation in full.

In the opinion of the directors the consolidated financial information prepared on the above basis presented more fairly the results and state of affairs of the Group as a whole.

## 2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of HKFRSs</i> and HKAS 27 <i>Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i>
HKFRS 2 Amendments	Amendments to HKFRS 2 <i>Share-based Payment – Vesting Conditions and Cancellations</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments</i>
HKFRS 8	<i>Operating Segments</i>
HKAS 1 (Revised)	<i>Presentation of Financial Statements</i>
HKAS 18 Amendment*	Amendment to Appendix to HKAS 18 <i>Revenue – Determining whether an entity is acting as a principal or as an agent</i>
HKAS 23 (Revised)	<i>Borrowing Costs</i>
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation</i> and HKAS 1 <i>Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation</i>
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 <i>Reassessment of Embedded Derivatives</i> and HKAS 39 <i>Financial Instruments: Recognition and Measurement – Embedded Derivatives</i>
HK(IFRIC)-Int 13	<i>Customer Loyalty Programmes</i>
HK(IFRIC)-Int 15	<i>Agreements for the Construction of Real Estate</i>
HK(IFRIC)-Int 16	<i>Hedges of a Net Investment in a Foreign Operation</i>
HK(IFRIC)-Int 18	<i>Transfers of Assets from Customers (adopted from 1 July 2009)</i>
Improvements to HKFRSs (October 2008)**	Amendments to a number of HKFRSs

\* Included in *Improvements to HKFRSs 2009* (as issued in May 2009).

\*\* The Group adopted all the improvements to HKFRSs issued in October 2008 except for the amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary*, which is effective for annual periods beginning on or after 1 July 2009.

Other than as further explained below regarding the impact of HKAS 1 (Revised) and HKFRS 8, the adoption of these new and revised HKFRSs has had no significant financial effect on these financial statements.

### (a) HKAS 1 (Revised) *Presentation of Financial Statements*

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present one single statement.

(b) HKFRS 8 *Operating Segments*

HKFRS 8, which replaces HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group concluded that the operating segments determined in accordance with HKFRS 8 are the same as the business segments previously identified under HKAS 14.

## 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 (Revised)	<i>First-time Adoption of Hong Kong Financial Reporting Standards</i> <sup>1</sup>
HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters</i> <sup>2</sup>
HKFRS 1 Amendment	Amendment to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters</i> <sup>4</sup>
HKFRS 2 Amendments	Amendments to HKFRS 2 <i>Share-based Payment – Group Cash-settled Share-based Payment Transactions</i> <sup>2</sup>
HKFRS 3 (Revised)	<i>Business Combinations</i> <sup>1</sup>
HKFRS 9	<i>Financial Instruments</i> <sup>6</sup>
HKAS 24 (Revised)	<i>Related Party Disclosures</i> <sup>5</sup>
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements</i> <sup>1</sup>
HKAS 32 Amendment	Amendment to HKAS 32 <i>Financial Instruments: Presentation – Classification of Rights Issues</i> <sup>3</sup>
HKAS 39 Amendment	Amendment to HKAS 39 <i>Financial Instruments: Recognition and Measurement – Eligible Hedged Items</i> <sup>1</sup>
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 <i>Prepayments of a Minimum Funding Requirement</i> <sup>5</sup>
HK(IFRIC)-Int 17	<i>Distributions of Non-cash Assets to Owners</i> <sup>1</sup>
HK(IFRIC)-Int 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i> <sup>4</sup>
Amendments to HKFRS 5 included in <i>Improvements to HKFRSs</i> issued in October 2008	Amendments to HKFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary</i> <sup>1</sup>
HK Interpretation 4 (Revised in December 2009)	<i>Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases</i> <sup>2</sup>
Improvements to HKFRSs (May 2009)	Amendments to a number of HKFRSs <sup>7</sup>
Improvements to HKFRSs (May 2010)	Amendments to a number of HKFRSs <sup>8</sup>

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2009* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16 are effective for annual periods beginning on or after 1 July 2009 while the amendments to HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 36 and HKAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard or interpretation. For *Improvements to HKFRSs 2010* issued in May 2010, the amendments to HKFRS 3 and HKAS 27 are effective for annual periods beginning on or after 1 July 2010 whereas the amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard or interpretation.

- <sup>1</sup> Effective for annual periods beginning on or after 1 July 2009
- <sup>2</sup> Effective for annual periods beginning on or after 1 January 2010
- <sup>3</sup> Effective for annual periods beginning on or after 1 February 2010
- <sup>4</sup> Effective for annual periods beginning on or after 1 July 2010
- <sup>5</sup> Effective for annual periods beginning on or after 1 January 2011
- <sup>6</sup> Effective for annual periods beginning on or after 1 January 2013
- <sup>7</sup> Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate
- <sup>8</sup> Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

### 3. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

- (a) the sale of dried cassava chips segment engages in the procurement and sale of dried cassava chips; and
- (b) the property investment segment invests in office space and industrial properties for its rental income potential.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, finance costs, as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, tax recoverable, cash and cash equivalents, other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.



	<b>Procurement and sales of dried cassava chips HK\$'000</b>	<b>Property investment HK\$'000</b>	<b>Total HK\$'000</b>
<b>Year ended 31 March 2010</b>			
<b>Segment revenue:</b>			
Sales to external customers	1,997,132	–	1,997,132
Gross rental income	–	1,362	1,362
	<u>1,997,132</u>	<u>1,362</u>	<u>1,998,494</u>
Total	<u>1,997,132</u>	<u>1,362</u>	<u>1,998,494</u>
<b>Segment results</b>	<u>105,126</u>	<u>14,769</u>	119,895
Interest and unallocated gains			349
Corporate and other unallocated expenses			(3,892)
Finance costs			(4,023)
			<u>112,329</u>
Profit before tax			<u>112,329</u>
<b>Segment assets</b>	403,966	42,796	446,762
Corporate and other unallocated assets			90,317
			<u>537,079</u>
Total assets			<u>537,079</u>
<b>Segment liabilities</b>	46,522	376	46,898
Corporate and other unallocated liabilities			118,645
			<u>165,543</u>
Total liabilities			<u>165,543</u>
<b>Other segment information:</b>			
Depreciation	320	–	320
Capital expenditure	48,789	–	48,789
Fair value gain on investment properties	–	11,270	11,270
Reversal of deficit of revaluation of property, plant and equipment	–	2,455	2,455
	<u>–</u>	<u>2,455</u>	<u>2,455</u>

	Procurement and sales of dried cassava chips <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Year ended 31 March 2009</b>			
<b>Segment revenue:</b>			
Sales to external customers	919,250	–	919,250
Gross rental income	–	1,524	1,524
	<hr/>	<hr/>	<hr/>
Total	919,250	1,524	920,774
	<hr/>	<hr/>	<hr/>
<b>Segment results</b>	102,665	(15,380)	87,285
	<hr/>	<hr/>	<hr/>
Interest and unallocated gains			349
Corporate and other unallocated expenses			(25,021)
Finance costs			(10,532)
			<hr/>
Profit before tax			52,081
			<hr/>
<b>Segment assets</b>	276,218	31,757	307,975
Corporate and other unallocated assets			90,322
			<hr/>
Total assets			398,297
			<hr/>
<b>Segment liabilities</b>	64,054	389	64,443
Corporate and other unallocated liabilities			150,684
			<hr/>
Total liabilities			215,127
			<hr/>
<b>Other segment information:</b>			
Depreciation	338	–	338
Capital expenditure	61	–	61
Fair value loss on investment properties	–	16,859	16,859
Deficit of revaluation of property, plant and equipment	–	2,455	2,455
	<hr/>	<hr/>	<hr/>

## Geographical information

### (a) Revenue from external customers

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Hong Kong	1,362	1,524
Mainland China	<u>1,997,132</u>	<u>919,250</u>
	<u><b>1,998,494</b></u>	<u>920,774</u>

The revenue information above is based on the location of the customers.

### (b) Non-current assets

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Hong Kong	53,436	36,970
Mainland China	7,980	7,546
Thailand	1,709	802
Unallocated	<u>47,224</u>	<u>–</u>
	<u><b>110,349</b></u>	<u>45,318</u>

The vessel (included in property, plant and equipment) is primarily utilised for shipment of dried cassava chips across various countries. Accordingly, it is impractical to present the location of the vessel by geographical areas and thus the vessel is presented as unallocated non-current asset.

The information of the remaining non-current assets above is based on the location of assets and excludes deferred tax assets.

## Information about a major customer

Revenue from of approximately HK\$269,989,000 (2009: HK\$144,739,000) was derived from sales by the procurement and sales of dried cassava chips segment to a single customer.

## 4. REVENUE AND OTHER INCOME

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

An analysis of other income is as follows:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
<b>Other income</b>		
Bank interest income	51	92
Gross rental income	1,362	1,524
Compensation from a supplier	–	9,360
Others	<u>298</u>	<u>257</u>
	<u><b>1,711</b></u>	<u>11,233</u>

## 5. FINANCE COSTS

An analysis of finance costs is as follows:

	<b>2010</b> <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Interest on bank loans and overdrafts wholly repayable within five years	<b>3,962</b>	10,294
Interest on bank loans wholly repayable after five years	<b>60</b>	218
Interest on finance leases	<b>1</b>	20
	<u><b>4,023</b></u>	<u>10,532</u>

## 6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	<b>2010</b> <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Cost of inventories sold	<b>1,633,136</b>	730,547
Depreciation	<b>719</b>	708
Employee benefit expenses (including directors' remuneration):		
Wages and salaries	<b>13,298</b>	8,972
Pension scheme contributions*	<b>521</b>	390
	<u><b>13,819</b></u>	<u>9,362</u>
Rental income on investment properties less direct operating expense of HK\$4,000 (2009: HK\$45,000)	<b>(1,358)</b>	(1,479)
Minimum lease payments under operating leases in respect of storage facilities and office premises	<b>2,717</b>	2,683
Contingent rent under operating leases in respect of storage facilities	<b>2,376</b>	307

\* As at 31 March 2010, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2009: Nil).

## 7. INCOME TAX

Hong Kong profits tax has been provided at the rates of 16.5% (2009: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	<b>2010</b> <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Current – Hong Kong	<b>11,839</b>	5,164
Current – Elsewhere		
Charge for the year	<b>1,593</b>	1,355
Overprovision in prior years	<b>(5,183)</b>	(5,623)
Deferred	<b>3,748</b>	1,178
	<hr/>	<hr/>
Total tax charge for the year	<b>11,997</b>	2,074
	<hr/>	<hr/>

## 8. DIVIDENDS

	<b>2010</b> <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Proposed final – HK6 cents (2009: HK2 cents) per ordinary share	<b>21,600</b>	6,000
Proposed special – Nil (2009: HK3 cents) per ordinary share	–	9,000
	<hr/>	<hr/>
	<b>21,600</b>	15,000
	<hr/>	<hr/>

The proposed final dividend for the current year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

## 9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of 323,013,699 (2009: 226,648,252) ordinary shares in issue during the year.

The weighted average number of shares used to calculate the basic earnings per share for the year ended 31 March 2009 included the weighted average of 1,648,252 shares issued upon the listing of the Company's shares on the Stock Exchange on 23 March 2009 in addition to the pro forma issued share capital of the Company of 225,000,000 shares, comprising:

- (i) the 1 share of the Company allotted and issued at nil paid on 8 May 2008;
- (ii) the 99,999,999 shares issued as consideration for the acquisition of a subsidiary pursuant to the Group Reorganisation on 18 February 2009; and
- (iii) the capitalisation issue of 125,000,000 shares.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 March 2010 and 2009 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those years.

## 10. TRADE AND BILLS RECEIVABLES

It is the Group's policy that all customers who wish to trade with the Group to provide the Group with irrecoverable letters of credit issued by reputable banks, with terms within 90 days to 180 days at sight, or by cash on delivery. Credit limits are set for individual customers. The Group seeks to maintain tight control over its outstanding receivables in order to minimise credit risk. In view of the aforementioned and the fact that the Group's bills receivable relate to a large number of diversified customers, there is no significant concentration of credit risk.

An aged analysis of the Group's trade and bills receivables as at the end of the reporting period, based on the invoice date, is as follows:

	<b>2010</b> <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Within 30 days	<b>131,856</b>	103,961
30 – 60 days	–	179
	<b>131,856</b>	104,140

None of the above trade and bills receivables is either past due or impaired. Trade and bills receivables relate to customers for whom there was no recent history of default.

## 11. TRADE AND OTHER PAYABLES AND ACCRUALS

	<b>2010</b> <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Trade and other payables	<b>33,806</b>	55,020
Accrued liabilities	<b>13,364</b>	22,091
Rental deposits received	<b>321</b>	345
Sales receipts in advance	–	25
	<b>47,491</b>	77,481

Trade and other payables are non-interest-bearing and have an average term of three months.

## 12. OPERATING LEASE ARRANGEMENTS

### (a) As lessor

The Group leases its investment properties under operating lease arrangements, with leases negotiated for terms ranging from one to three years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 March 2010, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	<b>2010</b> <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Within one year	<b>1,069</b>	918
In the second to fifth years, inclusive	<b>307</b>	680
	<b>1,376</b>	1,598

### (b) As lessee

The Group leases certain of its office properties and warehouses under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to three years.

At 31 March 2010, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>2010</b> <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Within one year	<b>3,050</b>	2,677
In the second to fifth years, inclusive	–	2,388
	<b>3,050</b>	5,065

The operating lease rentals of certain warehouses are based on the higher of a fixed rental or contingent rent based on the volume of inventories handled in the warehouses pursuant to the terms and conditions as set out in the respective rental agreements. As the future handling volume of warehouses could not be estimated reliably, the relevant contingent rent has not been included above and only the minimum lease commitment has been included in the above table.

## MANAGEMENT DISCUSSION AND ANALYSIS

During the year, the Group was principally engaged in procurement of dried cassava chips in Southeast Asian countries, including Thailand and sales of dried cassava chips, to customers in the People's Republic of China (the "PRC"). The Group had remained the largest procurer and exporter of dried cassava chips in Thailand and the largest supplier of imported dried cassava chips in the PRC with an all-round integrated business model covering procurement, processing, warehousing, logistics and sale of dried cassava chips.

The Group's revenue amounted to approximately HK\$1,997.1 million for the year ended 31 March 2010 (the "Current Year"), representing an increase of approximately 117% from approximately HK\$ 919.3 million for the previous year with approximately 1,480,000 tonnes of dried cassava chips sold during the Current Year, representing a 101% increase from approximately 735,000 tonnes for the previous year. The Group had maintained its leading position in the PRC as the largest supplier of imported dried cassava chips with a persistent increase in our market share for the Current Year. The Group's sales of dried cassava to the companies in ethanol fuel industry increased from approximately 163,000 tonnes for the previous year to approximately 350,000 tonnes for the Current Year, representing a significant growth of approximately 115%.

The Group's profit for the Current Year amounted to approximately HK\$100.3 million, representing a 101% increase from approximately HK\$50.0 million for the previous year.

### Revenue

Revenue of the Group increased by approximately HK\$1,077.8 million or approximately 117% from approximately HK\$919.3 million to approximately HK\$1,997.1 million in the Current Year, mainly due to:

- (i) The increase in sales volume of approximately 101% from approximately 735,000 tonnes for the previous year to approximately 1,480,000 tonnes for the Current Year which was mainly attributable to the increasing demand from the Group's PRC customers including those engaging in production of ethanol fuel. The Group's sales of dried cassava chips to the companies in ethanol fuel industry increased from approximately 163,000 tonnes for the previous year to approximately 350,000 tonnes for the Current Year, representing a significant growth of approximately 115%; and
- (ii) The increase in average selling price of approximately 8% from approximately US\$160 per tonne for the previous year to approximately US\$173 per tonne for the Current Year.

The Group had maintained its leading position in the PRC as the largest supplier of imported dried cassava chips with a persistent increase in our market share for the Current Year.



### *Gross profit and gross profit margin*

Cost of sales of the Group, representing the cost of dried cassava chips, increased by approximately HK\$902.6 million, or approximately 124%, from approximately HK\$730.5 million for the previous year to approximately HK\$1,633.1 million in the Current Year, mainly due to (i) the increase in sales volume by approximately 101% and (ii) the increase in average unit cost of dried cassava chips by approximately 12% in the Current Year.

Gross profit of the Group increased by approximately HK\$175.3 million, or approximately 93%, from approximately HK\$188.7 million for the previous year to approximately HK\$364.0 million for the Current Year, mainly due to the net effect of (i) an increase in sales by approximately 117% and (ii) a decrease in gross profit margin.

The Group's gross profit margin for the Current Year decreased by approximately 2.3 percentage points to approximately 18.2% from approximately 20.5% for the previous year as a more robust gross profit margin was sacrificed in favour of an overall stronger sales growth. Considering the liquidity and operational risks associated with locking up working capital and holding excessive inventories during the Current Year when the cost of dried cassava chips was in an increasing trend, the Group adopted its sales strategy by speeding up inventories turnover. The increase in number of inventories turnover was well covered a slight decrease in gross profit margin. In addition, to achieve the Group's strategic objective to boost sales and to enlarge market shares by more quickly capturing the thriving demand of dried cassava chips, a more aggressive direct sales approach was executed, which usually results in a relatively lower gross profit margin.

### *Fair value gain/(loss) on investment properties and reversal of deficit/(deficit) on revaluation of own-used properties*

During the Current Year, the local properties market recovered and the Group had a fair value gain on investment properties of approximately HK\$11.3 million (2009: a loss of approximately HK\$16.9 million) and a surplus of revaluation of own-used properties of approximately HK\$2.5 million (2009: a deficit of approximately HK\$2.5 million).

### *Selling and distribution costs*

During the Current Year, the selling and distribution expenses of the Group were approximately HK\$219.9 million (2009: approximately HK\$95.4 million), which comprised mainly ocean freight costs of approximately HK\$158.9 million (2009: approximately HK\$73.9 million) and warehouse, handling and inland transportation expenses of approximately HK\$61.0 million (2009: approximately HK\$21.5 million),

The selling and distribution expenses increased by approximately HK\$124.5 million, or approximately 131%, mainly due to (i) an increase in sales volume and (ii) an increase in the average unit market ocean freight costs. The average ocean freight costs slightly increased by approximately 6% from approximately HK\$101 per tonne in the previous year to approximately HK\$107 per tonne in the Current Year. In view of the Baltic Dry Index doubled during the Current Year, the Group demonstrated competitive edge on hiring transportation vessels.

The selling and distribution expenses of the Group represented 11.0% of the total sales revenue for the Current Year, compared to that of 10.4% for the previous year.

#### *Administrative expenses*

Administrative expenses of the Group increased by approximately HK\$20.6 million, or approximately 91%, from approximately HK\$22.6 million in the previous year to approximately HK\$43.2 million in the Current Year, mainly due to (i) the increase in salaries and wages as a result of annual payroll adjustment and the increase in staff headcount and (ii) additional administrative expenses incurred for upgrading and maintaining the warehouse and logistic facilities and corporate governance after listing.

#### *Finance costs*

Finance expenses of the Group decreased by approximately 62% from approximately HK\$10.5 million for the previous year to approximately HK\$4.0 million for the Current Year due to the decrease in market interest rates and the reduction of the average bank borrowing balance by the use of the strong cashflows generated by the Group's operations and the proceeds of the share placement during the Current Year.

#### *Taxation*

For each of the years ended 31 March 2010 and 2009, the Group's tax expenses were approximately HK\$12.0 million and HK\$2.1 million, respectively. During the Current Year, the Group wrote back an over-provision for income tax in Thailand in the prior year of approximately HK\$5.2 million (2009: HK\$5.6 million). Excluding the effect of such tax written-back, the effective tax rate of the Group for the Current Year was approximately 15.4% (2009: 14.8%).

#### *Profit for the year*

The Group's profit for the Current Year was doubled to approximately HK\$100.3 million (2009: approximately HK\$50.0 million). The relatively low growth rate when compared with the 117% jump of turnover was because of (i) a lower gross profit margin; (ii) a one-off compensation from a supplier amounting to HK\$9.4 million recorded in previous year; (iii) more administrative expenses incurred in upgrading and maintaining the warehouse and logistics facilities to ensure efficient operation to cater for future growing business needs; and (iv) the higher effective tax rate than the previous year.

#### *Financial resources and liquidity*

As at 31 March 2010, the net assets amounted to approximately HK\$371.5 million, representing an increase of approximately HK\$188.3 million from approximately HK\$183.2 million as at 31 March 2009 due to (i) the proceeds from share placement received during the Current Year, (ii) the profit for the Current Year and (iii) surplus on revaluation of own used properties, less the payment of dividends during the year.

Current assets amounted to approximately HK\$426.7 million (2009: HK\$351.2 million), including cash and cash equivalents of approximately HK\$64.0 million (2009: HK\$164.7 million), trade and bills receivables of approximately HK\$131.9 million (2009: HK\$104.1 million) and inventories of approximately HK\$162.0 million (2009: HK\$47.6 million). The Group had non-current assets of HK\$110.3 million (2009: HK\$47.1 million) which represent mainly a vessel purchased during the Current Year for the Group's transportation and the properties located in Hong Kong for office and property investment purposes.

The Group's current liabilities amounted to approximately HK\$156.1 million (2009: HK\$206.1 million), which comprised mainly trade and other payables and accruals of approximately HK\$47.5 million (2009: HK\$77.5 million) and bank borrowings of approximately HK\$86.5 million (2009: HK\$112.9 million). The Group's non-current liabilities included non-current portion of bank borrowings of approximately HK\$5.0 million (2009: HK\$7.0 million).

The Group expresses its gearing ratio as a percentage of finance leases and borrowings over total assets. As at 31 March 2010, the Group had a gearing ratio of 17.1%, representing a significant improvement of 13.1 percentage points from 30.2% as at 31 March 2009. The improvement is mainly due to the net proceeds from share placement during the Current Year and profit for the Current Year, which improved the total assets of the Group as well as generated funds for reducing the bank borrowings during the Current Year.

The Group's debtor turnover period is 21.6 days as at 31 March 2010, representing a decrease of 19.8 days from 41.4 days as at 31 March 2009. Such decrease is mainly because the Group had several shipments of dried cassava chips near 31 March 2009 and the related bills receivables had not been discounted, as usual, before 31 March 2009 due to time constraint.

The Group's inventory turnover period is 23.4 days as at 31 March 2010, representing a decrease of 3.4 days from 26.8 days as at 31 March 2009. Such decrease is mainly attributable to improvement in operating efficiency and the Group's strategy not to hold excessive inventories during the current year.

#### *Employment and remuneration policy*

As at 31 March 2010, the total number of the Group's staff was approximately 77. The total staff costs (including directors' remuneration) amounted to approximately HK\$13.8 million for the year. The Group remunerates its employees based on their performance, experience and prevailing industry practice. The Group provides retirement benefit for its employees in Hong Kong in form of mandatory provident fund and provides similar schemes for its employees in the PRC, Macau and Thailand.

#### *Charge on group assets*

As at 31 March 2010, the Group's land and buildings and investment properties situated in Hong Kong with aggregate carrying values of HK\$18,300,000 (2009: HK\$12,900,000) and HK\$34,810,000 (2009: HK\$23,900,000), respectively, were pledged to the bankers to secure the banking facilities granted to the Group.

### *Foreign currency exposure*

The Group carries on business in Renminbi (“RMB”), United States dollars (“US\$”) and Thai Baht and therefore the Group is exposed to foreign currency risk as the values of these currencies fluctuate in the international market. The Group currently does not have a foreign currency hedging policy in respect of foreign currency exposure. However, the directors monitor the related foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

### *Contingent liabilities and capital commitment*

As 31 March 2010, the Group did not have any material contingent liabilities and capital commitment.

### **Use of proceeds from the Company’s initial public offering**

The proceeds from the Company’s issue of new shares at the time of its listing on the Stock Exchange on 23 March 2009, after deduction of related issuance expenses, amounted to approximately HK\$59,234,000. The analysis of the planned and actual use of these proceeds is set out below:

<b>Planned application of IPO proceeds</b>	<b>Planned use of proceeds in accordance with the Prospectus HK\$’000</b>	<b>Actual use of proceeds up to 31 March 2010 HK\$’000</b>
1. the establishment of warehousing facilities and acquisition or leasing of drying yards in Thailand	39,217	12,710
2. the development of the Group’s procurement networks and logistics systems beyond Thailand in Southeast Asia including but not limited to Cambodia and Laos	4,073	4,073
3. the expansion of the Group’s sales networks by establishing storage facilities and promotion and marketing of the Group’s products in the southern, central and south western regions in the Mainland China	7,000	–
4. the development and enhancement of sales network and marketing, including promotion and marketing of its Artwell brand dried cassava chips in the Group’s existing network in the north-eastern region in the Mainland China	3,100	–
5. additional general working capital of the Group.	5,844	5,844
Total	<u>59,234</u>	<u>22,627</u>

The unused balance of the proceeds are placed with reputable banks as the Group’s bank deposits.

## **DIVIDENDS AND CLOSURE OF REGISTER OF MEMBERS**

An interim dividend of HK\$0.02 per share was paid on 15 January 2010. The Board recommends the payment of a final dividend of HK\$0.06 per share for the year ended 31 March 2010.

Upon approval from the forthcoming annual general meeting to be held on 31 August 2010, the final dividend which is payable to shareholders whose names appear on the register of members of the Company by 4:30 pm on 27 August 2010, will be paid on or about 10 September 2010.

The register of members of the Company will be closed from 30 August 2010 to 31 August 2010, both days inclusive, during which period no transfer of shares can be effected. In order to qualify for the proposed final dividends, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Share registrar in Hong Kong, Tricor Investor Services Limited, 26/F Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 pm on 27 August 2010.

## **PURCHASE, REDEMPTION OR SALE OF THE COMPANY'S LISTED SECURITIES**

There were no purchases, redemption or sale of the Company's listed securities by the Company or its subsidiaries during the Current Year.

## **CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS**

During the year ended 31 March 2010, the Company had adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Appendix 10 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange. The Company also had made specific enquiry of all directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by directors.

## **CORPORATE GOVERNANCE**

To the knowledge of the Board, the Company has complied with all the code provisions in the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules for the year ended 31 March 2010.

## AUDIT COMMITTEE

The Company has set up an audit committee (the “Audit Committee”) for the purposes of reviewing and providing supervision over financial reporting process and internal controls of the Group. The Audit Committee comprises three independent non-executive directors of the Company. The Audit Committee held a meeting on 23 July 2010 to consider and review the annual report and annual financial statements of the Group and to give their opinion and recommendations to the Board. The Audit Committee considers that the annual report and the annual financial statements of the Company have complied with the applicable accounting standards and the Company has made appropriate disclosure thereof.

By order of the Board  
**Chu Ming Chuan**  
*Chairman*

Hong Kong, 26 July 2010

*As at the date of this announcement, the executive directors of the Company are Mr. Chu Ming Chuan, Ms. Liu Yuk Ming, Mr. Chan Yuk Tong and Ms. Lam Ching Fun; the independent non-executive directors of the Company are Mr. Lee Kwan Hung, Professor Fung Kwok Pui and Mr. Yue Man Yiu Matthew.*