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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)

**INTERIM REPORT 2011**



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## Corporate Information

### Directors

#### Executive Directors

Mr. Chu Ming Chuan  
Ms. Liu Yuk Ming  
Ms. Lam Ching Fun

#### Independent Non-executive Directors

Professor Fung Kwok Pui  
Mr. Lee Kwan Hung  
Mr. Yue Man Yiu Matthew

### Authorised Representatives

Mr. Chu Ming Chuan  
Mr. Shum Shing Kei

### Company Secretary

Mr. Shum Shing Kei

### Audit Committee

Mr. Yue Man Yiu, Matthew (Chairman)  
Professor Fung Kwok Pui  
Mr. Lee Kwan Hung

### Remuneration Committee

Mr. Lee Kwan Hung (Chairman)  
Professor Fung Kwok Pui  
Mr. Yue Man Yiu, Matthew

### Nomination Committee

Professor Fung Kwok Pui (Chairman)  
Mr. Lee Kwan Hung  
Mr. Yue Man Yiu, Matthew

### Website Address

[www.asiacassava.com](http://www.asiacassava.com)

### Principal Bankers

The Hong Kong and Shanghai Banking Corporation Limited  
Bank of China (Hong Kong) Ltd.  
Standard Chartered Bank Limited  
Bank of China Macau Branch  
Chiyu Banking Corporation Ltd.  
Bank of China Bangkok Branch  
Bangkok Bank Public Company Ltd.  
Agricultural Bank of China Limited, Rizhao Branch

### Principal Share Registrar and Transfer Office in Cayman Islands

Butterfield Fulcrum Group (Cayman) Limited  
Butterfield House  
68 Fort Street  
P.O. Box 609  
Grand Cayman KY1-1107  
Cayman Islands

### Branch Share Registrar and Transfer Office in Hong Kong

Tricor Investor Services Limited  
26/F., Tesbury Centre  
28 Queen's Road East  
Wan Chai  
Hong Kong

### Registered Office

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

### Head Office and Principal Place of Business

Unit 612-3 and 617  
Houston Centre  
63 Mody Road  
Tsim Sha Tsui East  
Kowloon  
Hong Kong



## Management Discussion and Analysis

During the six months ended 30 September 2011 (the "Current Period"), 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 was 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 cassava chips.

The Group's revenue amounted to approximately HK\$749.2 million for the Current Period, representing an increase of approximately 11.9% from approximately HK\$669.3 million for the previous period. The Group had maintained its leading position in the PRC as the largest supplier of imported dried cassava chips for the Current Period.

The Group's profit for the Current Period amounted to approximately HK\$5.6 million, representing a decrease of approximately 88.4% over approximately HK\$48.3 million for the previous period. The decrease was mainly because the Chinese Government's stricter control over the price level of corn amidst the rising Consumer Price Index in the PRC, meant that the Group was not able to set its selling prices in line with international cassava chip prices and therefore could not fully pass on the rise in procurement cost to its customers. Nevertheless, the Group's efforts in enhancing its vertically integrated business model resulted in a stable level of selling and distribution expenses during the review period and mitigated the drop in profitability.

### Revenue

Revenue of the Group increased by approximately HK\$79.9 million, or approximately 11.9%, from approximately HK\$669.3 million in the previous period to approximately HK\$749.2 million in the Current Period. It was mainly attributable to the increasing demand from the Group's PRC customers, including those engaging in production of ethanol fuel, during the Current Period.

The Group had maintained its leading position in the PRC as the largest supplier of imported dried cassava chips for the Current Period.

### Gross profit and gross profit margin

Cost of sales of the Group, representing the cost of cassava, increased by approximately HK\$117.0 million, or approximately 21.5%, from approximately HK\$544.7 million for the previous period to approximately HK\$661.7 million in the Current Period.

Gross profit of the Group was decreased by approximately HK\$37.2 million, or approximately 29.8%, from approximately HK\$124.7 million for the previous period to approximately HK\$87.5 million for the Current Period. Gross profit margin of the Group for the Current Period was 11.7%, which was decreased compared with those of previous period. During the Current Period, the Group was still affected by the price control measures taken by the PRC Government in response to the increase in the CPI index in Mainland China. The Group was not able to set prices with reference to the international dried cassava chips price. As a result, the Group was not able to fully pass on the rise in procurement cost of dried cassava chips to its customers as usual. Hence, the gross profit margin was decreased.

# Management Discussion and Analysis

## Selling and distribution costs

During the Current Period, the selling and distribution expenses of the Group were approximately HK\$65.4 million (2010: approximately HK\$60.4 million), which comprised mainly ocean freight costs of approximately HK\$50.9 million (2010: approximately HK\$45.1 million) and warehouse, handling and inland transportation expenses of approximately HK\$14.5 million (2010: approximately HK\$15.3 million).

The selling and distribution expenses of the Group represented 8.7% of the total sales revenue for the Current Period, representing an improvement of 0.3 percentage points from that of 9.0% for the previous period, mainly due to the effect of (i) the usage of owned vessels and (ii) the Group's ability to negotiating for favourable terms for vessel hiring.

## Administrative expenses

Administrative expenses of the Group decreased by approximately HK\$2.8 million, or approximately 15.5%, from approximately HK\$18.1 million in the previous period to approximately HK\$15.3 million in the Current Period.

## Finance costs

Finance expenses of the Group increased by 118% from approximately HK\$1.6 million for the previous period to approximately HK\$3.5 million for the Current Period due to the increasing market interest rates and the increase in the average bank borrowing balance during the Current Period.

## Profit attributable to ordinary equity holders of the Company

The Group's profit attributable to ordinary equity holders of the Company amounted to approximately HK\$5.6 million for the Current Period, compared to HK\$48.3 million for the previous period.

## Financial resources and liquidity

As at 30 September 2011, the net assets amounted to approximately HK\$504.5 million, representing a decrease of approximately HK\$9.7 million from approximately HK\$514.2 million as at 31 March 2011 due to the profit for the Current Period less the payment of final dividends for previous year.

The Group's current assets as at 30 September 2011 amounted to approximately HK\$494.9 million (31 March 2011: HK\$722.5 million), including cash and cash equivalents of approximately HK\$107.5 million (31 March 2011: HK\$88.2 million), trade and bills receivables of approximately HK\$192.9 million (31 March 2011: HK\$283.2 million) and inventories of approximately HK\$136.6 million (31 March 2011: HK\$330.4 million). The Group had non-current assets of HK\$134.2 million (31 March 2011: HK\$131.3 million) which are mainly properties located in Hong Kong for office and property investment purposes and a vessel for transportation purposes.

The Group's current liabilities as at 30 September 2011 amounted to approximately HK\$118.7 million (31 March 2011: approximately HK\$333.6 million), which comprised mainly trade and other payables and accruals of approximately HK\$33.8 million (31 March 2011: approximately HK\$164.5 million) and bank borrowings of approximately HK\$56.2 million (31 March 2011: approximately HK\$140.6 million).

The Group expresses its gearing ratio as a percentage of borrowings over total assets. As at 30 September 2011, the Group had a gearing ratio of approximately 8.9%, representing a significant improvement of approximately 7.6 percentage points from approximately 16.5% as at 31 March 2011. The improvement is mainly due to the application of surplus cashflow to repay borrowings during the Current Period.

## Management Discussion and Analysis

The Group's debtor turnover period is approximately 58.0 days as at 30 September 2011, representing an increase of approximately 20.5 days from approximately 37.5 days as at 31 March 2011. Such increase is mainly because the Group had sufficient working capital from operation so that it is not necessary to discount the related bills receivables as usual. Subsequent to the balance sheet date, all those debtors had been fully received.

The Group's inventory turnover period is approximately 64.8 days as at 30 September 2011, representing an increase of approximately 13.1 days from approximately 51.7 days as at 31 March 2011. Such increase is mainly attributable to the Group's strategy to hold additional inventories for fulfilling the orders from customers in coming months before the harvest season commences. Subsequent to the balance sheet date, all those inventories had been fully sold.

### Employment and remuneration policy

The total staff costs (including directors' remuneration) amounted to approximately HK\$7.0 million for the period. 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 30 September 2011, the Group's land and buildings and investment properties situated in Hong Kong with aggregate carrying values of HK\$10,670,000 (31 March 2011: HK\$10,670,000) and HK\$29,210,000 (31 March 2010: HK\$29,210,000), 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 30 September 2011, the Group did not have any material contingent liabilities and capital commitment.

### Prospect

Leveraging on our broad procurement channels and network and optimised logistics capabilities, the Group is evaluating on extending its procurement business to other resources, including coal. This would enable the Group not only to reduce the market risks of the cassava-related business, but also to broaden the potential profit earning ability of the Group.

The Group's unique and integrated business model combines the procurement, processing, warehousing, logistics and sale of cassava chips. Currently, the Group operates six procurement and warehouse centres strategically located in Thailand and Cambodia with a total capacity of approximately 230,000 tonnes. Looking ahead, the Group plans to establish more procurement and warehouse centres in Cambodia, Laos and elsewhere in order to replicate the proven business model in Thailand. Riding on our broad procurement channels and network together with the warehouse facilities, optimised logistics capabilities and the widespread sales network in the PRC, the Group will continue to enhance its market presence and sustain long-term business growth and maximise returns for our shareholders.

## Management Discussion and Analysis

### 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:

Planned application of IPO proceeds	Planned use of proceeds in accordance with the Prospectus HK\$'000	Actual use of proceeds up to 30 September 2011 HK\$'000
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	50
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	59,234	22,677

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

### Interim dividends and closure of register of members

The Board does not declare payment of an interim dividend for the Current Period, and hence the register of members of the Company will not be closed.

## Supplementary Information

### Directors' interests and short positions in shares and underlying shares

At 30 September 2011, the interests and short positions of the directors in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

#### Long positions in ordinary shares of the Company:

Name of director	Number of shares held through controlled corporation	Percentage of the Company's issued share capital
Mr. Chu Ming Chuan ("Mr. Chu") (note (a))	225,000,000	56.25%

#### Long positions in shares and underlying shares of associated corporations:

Name of director	Name of associated corporation	Capacity and nature of interest	Percentage of the associated corporation's issued share capital
Mr. Chu	Art Rich Management Limited ("AR Management") (note (b))	Directly beneficially owned	97%
		Deemed interest	3%

Notes:

- (a) The entire issued share capital of AR management is legally and beneficially owned by Mr. Chu as to 97% and Ms. Ng Nai Nar ("Mrs. Chu") as to 3%. By virtue of the SFO, Mr. Chu is deemed to be interested in the 225,000,000 Shares held by AR Management.
- (b) AR Management is a holding company of the Company and is owned as to 97% by Mr. Chu and 3% by Mrs. Chu. Mr. Chu is also deemed to be interested in the shares of AR Management held by Mrs. Chu.

Save as disclosed above, as at 30 September 2011, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

### Directors' rights to acquire shares

At no time during the period were rights to acquire benefits by means of acquisition of shares in the Company granted to any director or their respective spouses or minor children, or were such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.



## Supplementary Information

### Share option scheme

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Further details of the Scheme are disclosed in note 25 to the Company's annual report for the year ended 31 March 2011. No share options had been granted under the Scheme since the Scheme became effective.

### Substantial shareholders' interests in shares and underlying shares

At 30 September 2011, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

#### Long positions:

Name	Note	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
AR Management	(a)	Directly beneficially owned	225,000,000	56.25%
Mr. Chu	(a)	Through a controlled corporation	225,000,000	56.25%
Mrs. Chu	(a)	Through a controlled corporation	225,000,000	56.25%
Lam Lai Ming	(b)	Through a controlled corporation	42,508,000	10.63%
Li Gabriel	(b)	Through a controlled corporation	42,508,000	10.63%
YM Investment Limited	(c), (d)	Through a controlled corporation	42,508,000	10.63%
Orchid Asia IV Group Management, Limited	(c)	Through a controlled corporation	39,200,000	9.80%
Orchid Asia IV Group, Limited	(c)	Through a controlled corporation	39,200,000	9.80%
Orchid Asia IV Investment, Limited	(c)	Through a controlled corporation	39,200,000	9.80%
Orchid Asia IV, L.P.	(c)	Directly beneficial owned	39,200,000	9.80%

#### Note:

- (a) The entire issued share capital of AR Management is legally and beneficially owned by Mr. Chu as to 97% and Mrs. Chu as to 3%. As spouse, Mr. Chu is deemed to be interested in the shares of AR Management which Mrs. Chu is interested in and Mrs. Chu is also deemed to be interested in the shares of AR Management which Mr. Chu is interested in.
- (b) Li Gabriel and Lam Lai Ming were the founders of a discretionary trust, YM Investment Limited and were therefore deemed to be interested in the same shares held by it.
- (c) Orchid Asia IV, L.P. holds 39,200,000 shares in the Company. YM Investment Limited was the ultimate holding company of Orchid Asia IV, L.P.. The immediate holding company of Orchid Asia IV, L.P. was Orchid Asia IV Group Management, Limited. Orchid Asia IV Group Management, Limited was in turn a wholly-owned subsidiary of Orchid Asia IV Group, Limited, which was a wholly-owned subsidiary of Orchid Asia IV Investment, Limited. As YM Investment Limited owned approximately 92.61% in the issued share capital of Orchid Asia IV Investment, Limited, YM Investment Limited was therefore deemed to be interested in the same shares held by Orchid Asia IV, L.P..
- (d) Orchid Asia IV Co-Investment, Limited and Orchid China Master Fund Limited hold 800,000 shares and 2,508,000 shares in the Company, respectively. As YM Investment Limited holds the entire direct interest in Orchid Asia Co-investment, Limited and holds indirect 87% interest in Orchid China Master Fund Limited, YM Investment Limited is therefore deemed to have the same interest as held by Orchid Asia Co-investment, Limited and Orchid China Master Fund Limited.

## Supplementary Information

Save as disclosed above, as at 30 September 2011, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

### Sufficiency of public float

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

### Competing business

None of the directors of the Company have an interest in a business which competes or may compete with the business of the Group.

### 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 Period.

### Code of conduct regarding securities transactions by directors

During the six months ended 30 September 2011, 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 six months ended 30 September 2011.

### 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 25 November 2011 to consider and review the interim report and interim financial statements of the Group and to give their opinion and recommendations to the Board. The Audit Committee considers that the interim report and the interim financial statements of the Company have complied with the applicable accounting standards and the Company has made appropriate disclosure thereof.

### Changes in director's information

Changes in the information of the directors of the Company since the date of the Company's 2010/2011 annual report are set out below:

#### Mr. Lee Kwan Hung ("Mr. Lee")

Mr. Lee has been appointed as an independent non-executive director of Tenfu (Cayman) Holding Company Limited (Code: 6868), a company listed on the main board of the Stock Exchange, with effect from 31 August 2011.

#### Mr. Yue Man Yiu Matthew ("Mr. Yue")

Mr. Yue has been appointed as an independent non-executive director of Royale Furniture Holdings Limited (Code: 1198), a company listed on the main board of the Stock Exchange, with effect from 17 November 2011.

**Condensed Consolidated Statement of Comprehensive Income**

Six months ended 30 September 2011

	Notes	Six months ended 30 September	
		2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
<b>REVENUE</b>	5	<b>749,248</b>	669,335
Cost of sales		<b>(661,727)</b>	(544,658)
Gross profit		<b>87,521</b>	124,677
Other income and gains	5	<b>2,711</b>	819
Fair value gain on investment properties		–	6,450
Reversal of deficit on revaluation of property, plant and equipment		–	150
Selling and distribution costs		<b>(65,407)</b>	(60,395)
Administrative expenses		<b>(15,330)</b>	(18,133)
Finance costs		<b>(3,494)</b>	(1,599)
<b>PROFIT BEFORE TAX</b>	6	<b>6,001</b>	51,969
Tax	7	<b>(381)</b>	(3,665)
<b>PROFIT ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>		<b>5,620</b>	48,304
Other comprehensive income			
Change in fair value of a building recognised directly in equity		–	1,247
Deferred tax component of asset revaluation reserve		–	(206)
Exchange differences on translation of foreign operations		<b>695</b>	430
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>		<b>6,315</b>	49,775
<b>DIVIDEND</b>			
Interim	8	–	8,800
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>	9		
Basis (HK cents)		<b>1.4</b>	13.4
Diluted (HK cents)		<b>N/A</b>	N/A

# Condensed Consolidated Statement of Financial Position

30 September 2011

	Notes	30 September 2011 HK\$'000 (Unaudited)	31 March 2011 HK\$'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		83,497	80,587
Investment properties		50,692	50,692
Total non-current assets		134,189	131,279
<b>CURRENT ASSETS</b>			
Inventories		136,589	330,366
Trade and bills receivables	10	192,894	283,182
Prepayments, deposits and other receivables		57,970	20,729
Cash and cash equivalents		107,470	88,173
Total current assets		494,923	722,450
<b>CURRENT LIABILITIES</b>			
Trade and other payables and accruals	11	33,767	164,486
Interest-bearing bank borrowings		56,150	140,556
Tax payable		28,738	28,545
Total current liabilities		118,655	333,587
<b>NET CURRENT ASSETS</b>			
		376,268	388,863
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		510,457	520,142
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		5,918	5,918
Net assets		504,539	514,224
<b>EQUITY</b>			
Equity attributable to equity holders of the Company			
Issued capital		40,000	40,000
Reserves		464,539	458,224
Proposed dividends		–	16,000
Total equity		504,539	514,224

# Condensed Consolidated Statement of Changes in Equity

Six months ended 30 September 2011

	Attributable to equity holders of the Company									
	Issued capital HK\$'000 (Unaudited)	Share premium* HK\$'000 (Unaudited)	Contributed surplus* HK\$'000 (Unaudited)	Merger reserve* HK\$'000 (Unaudited) (note (i))	Legal reserve* HK\$'000 (Unaudited) (note (ii))	Asset revaluation reserve* HK\$'000 (Unaudited)	Exchange fluctuation reserve* HK\$'000 (Unaudited)	Retained profits* HK\$'000 (Unaudited)	Proposed dividend HK\$'000 (Unaudited)	Total equity HK\$'000 (Unaudited)
At 1 April 2011	40,000	223,709	8,229	(9,773)	46	9,204	2,471	224,338	16,000	514,224
Exchange differences on translation of foreign operations	-	-	-	-	-	-	695	-	-	695
Change in fair value of a building recognised directly in equity	-	-	-	-	-	-	-	-	-	-
Deferred tax component of asset revaluation reserve	-	-	-	-	-	-	-	-	-	-
Total income and expenses directly recognised in equity	-	-	-	-	-	-	695	-	-	695
Profit for the period	-	-	-	-	-	-	-	5,620	-	5,620
Total income and expense for the period	-	-	-	-	-	-	695	5,620	-	6,315
2010 final dividend paid	-	-	-	-	-	-	-	-	(16,000)	(16,000)
At 30 September 2011	40,000	223,709	8,229	(9,773)	46	9,204	3,166	229,958	-	504,539



# Condensed Consolidated Statement of Changes in Equity

Six months ended 30 September 2011

	Attributable to equity holders of the Company									
	Issued capital HK\$'000 (Unaudited)	Share premium* HK\$'000 (Unaudited)	Contributed surplus* HK\$'000 (Unaudited)	Merger reserve* HK\$'000 (Unaudited) (note (i))	Legal reserve* HK\$'000 (Unaudited) (note (ii))	Asset revaluation reserve* HK\$'000 (Unaudited)	Exchange fluctuation reserve* HK\$'000 (Unaudited)	Retained profits* HK\$'000 (Unaudited)	Proposed dividend HK\$'000 (Unaudited)	Total equity HK\$'000 (Unaudited)
At 1 April 2010	36,000	140,113	8,229	(9,773)	46	7,136	2,081	166,104	21,600	371,536
Exchange differences on translation of foreign operations	-	-	-	-	-	-	430	-	-	430
Change in fair value of a building recognised directly in equity	-	-	-	-	-	1,247	-	-	-	1,247
Deferred tax component of asset revaluation reserve	-	-	-	-	-	(206)	-	-	-	(206)
Total income and expenses directly recognised in equity	-	-	-	-	-	1,041	430	-	-	1,471
Profit for the period	-	-	-	-	-	-	-	48,304	-	48,304
Total income and expense for the period	-	-	-	-	-	1,041	430	48,304	-	49,775
2010 final dividend paid	-	-	-	-	-	-	-	-	(21,600)	(21,600)
Proposed 2010 interim dividend	-	-	-	-	-	-	-	(8,800)	8,800	-
At 30 September 2010	36,000	140,113	8,229	(9,773)	46	8,177	2,511	205,608	8,800	399,711

## 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 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 reserve of HK\$464,539,000 as at 30 September 2011 (2010: HK\$354,911,000) in the condensed consolidated statements of financial position.

## Condensed Consolidated Statement of Cash Flows

Six months ended 30 September 2011

	Six months ended 30 September	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
<b>NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES</b>	<b>79,288</b>	151,652
<b>NET CASH OUTFLOW FROM INVESTING ACTIVITIES</b>	<b>(4,563)</b>	(13,113)
<b>NET CASH OUTFLOW FROM FINANCING ACTIVITIES</b>	<b>(84,406)</b>	(86,084)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(9,681)</b>	52,455
Cash and cash equivalents at beginning of period	<b>116,890</b>	64,005
Effect of foreign exchange rate changes, net	<b>261</b>	430
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>107,470</b>	116,890
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	<b>79,577</b>	114,690
Non-pledged time deposits with original maturity of less than three months when acquired	<b>27,893</b>	2,200
	<b>107,470</b>	116,890

# Notes to Financial Statement

30 September 2011

## 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.

During the period, the principal activities of the Company and its subsidiaries (collectively the "Group") are the procurement of dried cassava chips in Southeast Asian countries and the sales of dried cassava chips in Mainland China.

## 2. Accounting Policies and Basis of Preparation

The interim condensed consolidated financial statements are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements set out in Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange. The accounting policies and basis of preparation adopted in the preparation of the interim condensed consolidated financial statements are the same as those used in the annual financial statements for the year ended 31 March 2011, except for the adoption of certain new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (which also include HKASs and Interpretation) for the first time in the current period as disclosed in note 3 below.

## 3. Impact of New and Revised HKFRSs

The accounting policies adopted in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2011, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time for the current period's unaudited condensed consolidated interim financial statements.

HKFRS 1 Amendment	Amendment to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HKAS 24 (Revised)	Related Party Disclosures
HK(IFRIC) – Int 14	Amendments to HK(IFRIC) – Int 14 Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments
Improvements to HKFRSs 2010	Amendments to a number of HKFRSs

The adoption of the new/revised HKFRSs had no material effect on the results and financial position for the current or prior accounting periods which have been prepared and presented. Accordingly, no prior period adjustment has been recognized.

## 4. Segment Information

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. The Group has identified two reportable segments for the purposes of resource allocation and performance assessment. Summary details of the reportable segments are as follows:

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

## Notes to Financial Statement

30 September 2011

### 4. Segment Information (Continued)

Management monitors the operating results of its operating segments separately for the purposes of making decision about resource allocation and performance assessment. Segment performance is evaluated based on the operating profit or loss in the condensed consolidated financial statements. Group financing (including finance costs and interest income) and income taxes are managed on a group basis and are not allocated to operating segments.

The following tables present revenue, profit/(loss) for the Group's operating segments for six months ended 30 September 2011 and 2010.

	Property investment HK\$'000 (Unaudited)	Sale of dried cassava chips HK\$'000 (Unaudited)	Combined HK\$'000 (Unaudited)
<b>Six months ended 30 September 2011</b>			
<b>Segment revenue:</b>			
Sales to external customers	–	749,248	749,248
Gross rental income	623	–	623
Total	623	749,248	748,871
<b>Segment results</b>			
	603	22,139	22,742
Interest and unallocated gains			2,083
Corporate and other unallocated expenses			(15,330)
Finance costs			(3,494)
Profit before tax			6,001
Tax			(381)
Profit for the period			5,620
<b>Other segment information:</b>			
Depreciation and amortisation	–	1,523	1,523
Corporate and other unallocated amounts			130
			1,653
Capital expenditure	–	4,563	4,563
Corporate and other unallocated amounts			–
			4,563

# Notes to Financial Statement

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## 4. Segment Information (Continued)

	Property investment HK\$'000 (Unaudited)	Sale of dried cassava chips HK\$'000 (Unaudited)	Combined HK\$'000 (Unaudited)
<b>Six months ended 30 September 2010</b>			
<b>Segment revenue:</b>			
Sales to external customers	–	669,335	669,335
Gross rental income	531	–	531
Total	531	669,335	669,866
<b>Segment results</b>	7,131	62,908	70,039
Interest and unallocated gains			288
Corporate and other unallocated expenses			(16,759)
Finance costs			(1,599)
Profit before tax			51,969
Tax			(3,665)
Profit for the period			48,304
<b>Other segment information:</b>			
Depreciation and amortisation	–	1,145	1,145
Corporate and other unallocated amounts			126
			1,271
Capital expenditure	–	13,113	13,113
Corporate and other unallocated amounts			–
			13,113
Fair value gain on investment properties	6,450	–	6,450
Surplus on revaluation of property plant and equipment	150	–	150



## Notes to Financial Statement

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### 5. Revenue, Other Income and Gains

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 and gains is as follows:

	Six months ended 30 September	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
<b>Other income</b>		
Bank interest income	204	8
Gross rental income	623	531
Others	1,884	280
	<b>2,711</b>	<b>819</b>

### 6. Profit Before Tax

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

	Six months ended 30 September	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Cost of inventories sold	661,727	544,658
Depreciation	1,653	1,271
Employee benefit expenses (including directors' remuneration):		
Wages and salaries	6,866	5,806
Pension scheme contributions	110	120
	<b>6,976</b>	<b>5,926</b>
Gross rental income	(623)	(531)
Less: Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	20	3
Net rental income	(603)	(528)
Minimum lease payments under operating leases in respect of storage facilities and office premises	1,205	1,954
Contingent rent under operating leases in respect of storage facilities	80	80

## Notes to Financial Statement

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### 7. Tax

Hong Kong profits tax has been provided at the rates of 16.5% (2010: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Six months ended 30 September	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Current – Hong Kong	381	1,490
Current – Elsewhere	–	570
Deferred	–	1,605
Total tax charge for the period	381	3,665

### 8. Dividend

	Six months ended 30 September	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Proposed interim – nil cents (2010: HK2.2 cents) per share	–	8,800

### 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 six month ended 30 September 2011 attributable to ordinary equity holders of the Company of HK\$5,620,000 (2010: HK\$48,304,000), and the weighted average number of 400,000,000 (2010: 360,000,000) ordinary shares in issue during the period.

A diluted earnings per share amounts for six months ended 30 September 2011 and 2010 have not been disclosed as no diluting events existed during these periods.

### 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, mainly with term within 90 to 180 days at sight, or by cash on delivery (31 March 2011: mainly with term within 90 to 180 days). Credit limits are set for individual customer. 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 portfolio of diversified customers, there is no significant concentration of credit risk.

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### 10. Trade and Bills Receivables (Continued)

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

	30 September 2011 HK\$'000 (Unaudited)	31 March 2011 HK\$'000 (Audited)
Within 30 days	192,894	282,769
30 – 60 days	–	413
	<b>192,894</b>	<b>283,182</b>

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

### 11. Trade and Other Payables and Accruals

	30 September 2011 HK\$'000 (Unaudited)	31 March 2011 HK\$'000 (Audited)
Trade and other payables	30,948	149,673
Accrued liabilities	2,439	14,441
Rental deposits received	380	372
	<b>33,767</b>	<b>164,486</b>

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

## Notes to Financial Statement

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### 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 30 September 2011, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 September 2011 HK\$'000 (Unaudited)	31 March 2011 HK\$'000 (Audited)
Within one year	693	1,008
In the second to fifth years, inclusive	–	308
	<b>693</b>	<b>1,316</b>

#### (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 30 September 2011, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 September 2011 HK\$'000 (Unaudited)	31 March 2011 HK\$'000 (Audited)
Within one year	1,486	2,664

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.

### 13. Commitments

At the balance sheet date, the Group had no significant commitments.

## Notes to Financial Statement

30 September 2011

### 14. Related Party Transactions

- (a) In addition to the transactions detailed elsewhere in this financial statements, the Group had the following material transactions with related parties during the period:

	Notes	Six months ended 30 September	
		2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Rental income received from a related company*	(i)	112	112
Rental expenses paid to related companies*	(ii)	284	284
Rental expenses paid to a director	(ii)	68	68

\* A director of the Company is the controlling shareholder of these related companies.

Notes:

- (i) The rental income received was charged based on prevailing market rent.
- (ii) The rental expenses were determined based on prevailing market rent.

### 15. Approval of the Financial Statements

These condensed financial statements were approved and authorised for issue by the board of directors on 25 November 2011.