



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 2012



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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

PRINCIPAL BANKERS

The Hong Kong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Ltd.
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 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 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 cassava chips.

The Group's revenue from procurement and sales of dried cassava chips amounted to approximately HK\$1,100.5 million for the six months ended 30 September 2012 (the "Current Period"), representing an increase of approximately 47% from approximately HK\$749.2 million for the corresponding period of previous year. The Group had maintained its leading position in the PRC as the largest supplier of imported dried cassava chips for the Current Period, leading to a significant influence over the market.

The Group's profit for the Current Period amounted to approximately HK\$7.1 million, representing a 26% increase from approximately HK\$5.6 million for the corresponding period of previous year.

REVENUE

Total Revenue of the Group increased by approximately HK\$351.3 million or approximately 47% from approximately HK\$749.2 million in the corresponding period of previous year to approximately HK\$1,100.5 million in the Current Period. It was mainly attributable to the increase in demand from customers. The Group still maintained its leading position in the PRC as the largest supplier of imported dried cassava chips for the Current Period, leading to a significant influence over the market.

GROSS PROFIT AND GROSS PROFIT MARGIN

Total cost of sales of the Group increased by approximately HK\$309.1 million, or approximately 47%, from approximately HK\$661.7 million for the corresponding period of the previous year to approximately HK\$970.8 million in the Current Period.

Gross profit of the Group increased by approximately HK\$42.2 million, or approximately 48%, from approximately HK\$87.5 million for the corresponding period of previous year to approximately HK\$129.7 million for the Current Period, mainly due to an increase in revenue.

The Group's gross profit margin for the Current Period slightly increased by approximately 0.1 percentage points to approximately 11.8% from approximately 11.7% for the corresponding period of previous year.

Management Discussion and Analysis

SELLING AND DISTRIBUTION COSTS

During the Current Period, the selling and distribution expenses of the Group were approximately HK\$98.0 million (2011: approximately HK\$65.4 million), which comprised mainly ocean freight costs of approximately HK\$74.8 million (2011: approximately HK\$50.9 million) and warehouse, handling and inland transportation expenses of approximately HK\$23.2 million (2011: approximately HK\$14.5 million).

The selling and distribution expenses of the Group represented 8.9% of the total sales revenue for the Current Period, compared to that of 8.7% for the corresponding period of previous year, mainly due to increase in ocean transportation costs.

ADMINISTRATIVE EXPENSES

Administrative expenses of the Group increased by approximately HK\$4.9 million from approximately HK\$15.3 million in the previous year to approximately HK\$20.2 million in the Current Period, mainly due to increase in promotion and marketing expenses and increase in staff costs.

FINANCE COSTS

Finance expenses of the Group increased from approximately HK\$3.5 million for the corresponding period of previous year to approximately HK\$5.6 million for the Current Period due to the increase in the average bank borrowing balance for the Group's operations and the increase in interest rate during the Current Period.

TAXATION

For each of six months ended 30 September 2011 and 2012, the Group's taxations were approximately HK\$0.4 million and HK\$0.9 million, respectively. The effective tax rate of the Group for the Current Period was approximately 11.5% (2011: 6.3%).

PROFIT FOR THE PERIOD

The Group's profit for the Current Period amounted to approximately HK\$7.1 million (2011: approximately HK\$5.6 million).

FINANCIAL RESOURCES AND LIQUIDITY

As at 30 September 2012, the net assets amounted to approximately HK\$532.8 million, representing an increase of approximately HK\$2.5 million from approximately HK\$530.3 million as at 31 March 2012 due to the profit for the Current Period less the payment of dividends.

Management Discussion and Analysis

Current assets as at 30 September 2012 amounted to approximately HK\$690.9 million (31 March 2012: HK\$776.9 million), including cash and cash equivalents of approximately HK\$141.1 million (31 March 2012: HK\$142.8 million), trade and bills receivables of approximately HK\$126.5 million (31 March 2012: HK\$213.0 million) and inventories of approximately HK\$350.3 million (31 March 2012: HK\$382.6 million). As at 30 September 2012, the Group had non-current assets of approximately HK\$136.6 million (31 March 2012: HK\$134.9 million) which represented mainly a vessel purchased for the Group's transportation and the properties located in Hong Kong for office and property investment purposes.

The Group's current liabilities as at 30 September 2012 amounted to approximately HK\$294.2 million (31 March 2012: HK\$380.9 million), which comprised mainly trade and other payables and accruals of approximately HK\$16.9 million (31 March 2012: HK\$61.3 million) and bank borrowings of approximately HK\$244.1 million (31 March 2012: HK\$287.4 million). The Group's non-current liabilities as at 30 September 2012 included deferred tax liabilities of approximately HK\$0.6 million (31 March 2012: HK\$0.6 million).

The Group expresses its gearing ratio as a percentage of borrowings over total assets. As at 30 September 2012, the Group had a gearing ratio of 29.5% (31 March 2012: 31.5%). Such decrease is mainly due to the increase in profit for the Current Period and the decrease in bank borrowings at end of the Current Period.

The Group's debtor turnover period is 28.1 days as at 30 September 2012, representing a decrease of 18.1 days from 46.2 days as at 31 March 2012. Such decrease is mainly due to the Group's effective debtor management during the Current Period.

The Group's inventory turnover period is 68.9 days as at 30 September 2012, representing a decrease of 6.7 days from 75.6 days as at 31 March 2012. The inventories as at 30 September 2012 was held for fulfilling the orders from customers in coming months prior to the harvest season.

EMPLOYMENT AND REMUNERATION POLICY

As at 30 September 2012, the total number of the Group's staff was approximately 70. The total staff costs (including directors' remuneration) amounted to approximately HK\$7.3 million for the six months ended 30 September 2012. 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 2012, the Group's land and buildings and investment properties situated in Hong Kong with aggregate carrying values of HK\$10,670,000 (31 March 2012: HK\$10,670,000) and HK\$29,210,000 (31 March 2012: HK\$29,210,000), respectively, were pledged to the bankers to secure the banking facilities granted to the Group.

Management Discussion and Analysis

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

As 30 September 2012, the Group did not have any material contingent liabilities.

PROSPECT

The Group’s unique and integrated business model combines the procurement, processing, warehousing, logistics and sale of cassava chips. This year, the Group had set up six procurement and warehouse centres strategically located in Thailand with a total capacity of approximately 230,000 tonnes and it plans to set up warehouses in the major cassava plantation areas in Thailand and expand its procurement network to secure more cassava supply sources. Meanwhile, referencing to its successful business model in Thailand, the Group will set up procurement network and logistics facilities in South East countries such as Cambodia and Laos in order to capitalize the huge development potentials of procuring cassava in those regions.

In terms of developing its sales network in the PRC, the Group will expand its sales network coverage to southern and southwestern China, and it will increase its brand promotion efforts in eastern and central China, thus to strengthen the Group’s leading position in the PRC’s cassava industry.

Riding on our broad procurement channels and network together with the warehouse facilities and the widespread sales network in the PRC, the Group will continue to strive to enhance our market coverage 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 of Hong Kong Limited (the "Stock Exchange") on 23 March 2009, after deduction of related issuance expenses, amounted to approximately HK\$59,234,000.

Planned application of IPO proceeds	Planned use of proceeds in accordance with the Prospectus HK\$'000	Actual use of proceeds up to 30 September 2012 HK\$'000
1. the establishment of warehousing facilities and acquisition of leasing of drying yards in Thailand	39,217	22,342
2. the development of the Group's procurement networks and logistics system 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	3,204
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	1,500
5. additional general working capital of the Group	5,844	5,844
	59,234	36,963

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

DIVIDENDS AND CLOSURE OF REGISTER OF MEMBERS

The Board do not recommends payment of an interim dividend for the six months ended 30 September 2012 and hence, no closure of register of members is necessary.

SUPPLEMENTARY INFORMATION

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 September 2012, 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, capacity and nature of interest			Percentage of the Company's issued share capital
	Directly beneficially owned	Through controlled corporation	Total	
Mr. Chu Ming Chuan ("Mr. Chu") (note (a))	594,000	225,000,000	225,594,000	56.4%

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 2012, 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 2012. 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 2012, 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:

Name	Note	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
<i>Long positions:</i>				
AR Management	(a)	Directly beneficially owned	225,000,000	56.25%
Mr. Chu		Directly beneficially owned	594,000	0.15%
	(a)	Through a controlled corporation	225,000,000	56.25%
			<u>225,594,000</u>	<u>56.40%</u>
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%

Notes:

- (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 2012, 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 2012, 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 2012.

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 28 November 2012 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.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six months ended 30 September 2012

	Notes	Six months ended 30 September	
		2012 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)
REVENUE	4	1,100,509	749,248
Cost of sales		(970,845)	(661,727)
Gross profit		129,664	87,521
Other income	4	2,231	2,711
Selling and distribution costs		(98,042)	(65,407)
General and administrative expenses		(20,244)	(15,330)
Finance costs		(5,612)	(3,494)
PROFIT BEFORE TAX	5	7,997	6,001
Income tax expense	6	(919)	(381)
PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		7,078	5,620
OTHER COMPREHENSIVE INCOME			
Exchange differences arising on translation of foreign operations		384	695
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		7,462	6,315
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	7		
Basic and diluted (HK cents)		1.8	1.4

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2012

	<i>Notes</i>	30 September 2012 HK\$'000 (unaudited)	31 March 2012 HK\$'000 (restated)
NON-CURRENT ASSETS			
Property, plant and equipment		83,330	81,609
Investment properties		51,310	51,310
Prepayment		1,992	1,992
Total non-current assets		136,632	134,911
CURRENT ASSETS			
Inventories		350,278	382,566
Trade and bills receivables	8	126,526	212,953
Prepayments, deposits and other receivables		73,058	38,589
Cash and cash equivalents		141,085	142,810
Total current assets		690,947	776,918
CURRENT LIABILITIES			
Trade and other payables and accruals	9	16,889	61,306
Interest-bearing bank borrowings		244,139	287,361
Tax payable		33,122	32,195
Total current liabilities		294,150	380,862
NET CURRENT ASSETS		396,797	396,056
TOTAL ASSETS LESS CURRENT LIABILITIES		533,429	530,967
NON-CURRENT LIABILITIES			
Deferred tax liabilities		624	624
Net assets		532,805	530,343
EQUITY			
Equity attributable to owners of the Company			
Issued share capital		40,000	40,000
Reserves		492,805	485,343
Proposed dividends		–	5,000
Total equity		532,805	530,343

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Six months ended 30 September 2012

	Attributable to owners of the Company									
	Issued capital HK\$'000	Share premium* HK\$'000	Contributed surplus* HK\$'000	Merger reserve* HK\$'000 <i>(note (i))</i>	Legal reserve* HK\$'000 <i>(note (ii))</i>	Asset revaluation reserve* HK\$'000	Exchange fluctuation reserve* HK\$'000	Retained profits* HK\$'000	Proposed dividends HK\$'000	Total equity HK\$'000
At 1 April 2011 (as previously reported)	40,000	223,709	8,229	(9,773)	46	9,204	2,471	224,338	16,000	514,224
Adjustment <i>(note 2.2)</i>	-	-	-	-	-	-	-	5,319	-	5,319
At 1 April 2011 (restated)	40,000	223,709	8,229	(9,773)	46	9,204	2,471	229,657	16,000	519,543
Profit for the period	-	-	-	-	-	-	-	5,620	-	5,620
Other comprehensive income for the period:										
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	695	-	-	695
Total comprehensive income for the period	-	-	-	-	-	-	695	5,620	-	6,315
2011 final dividend paid	-	-	-	-	-	-	-	-	(16,000)	(16,000)
At 30 September 2011	40,000	223,709	8,229	(9,773)	46	9,204	3,166	235,277	-	509,858

Condensed Consolidated Statement of Changes in Equity (Unaudited)
Six months ended 30 September 2012

	Attributable to owners of the Company									
	Issued capital HK\$'000	Share premium* HK\$'000	Contributed surplus* HK\$'000	Merger reserve* HK\$'000 <i>(note (i))</i>	Legal reserve* HK\$'000 <i>(note (ii))</i>	Asset revaluation reserve* HK\$'000	Exchange fluctuation reserve* HK\$'000	Retained profits* HK\$'000	Proposed dividends HK\$'000	Total equity HK\$'000
At 1 April 2012 (as previously reported)	40,000	223,709	8,229	(9,773)	46	9,322	3,061	245,305	5,000	524,899
Adjustment <i>(note 2.2)</i>	-	-	-	-	-	-	-	5,444	-	5,444
At 1 April 2012 (restated)	40,000	223,709	8,229	(9,773)	46	9,322	3,061	250,749	5,000	530,343
Profit for the period	-	-	-	-	-	-	-	7,078	-	7,078
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations	-	-	-	-	-	-	384	-	-	384
Total comprehensive income for the period	-	-	-	-	-	-	384	7,078	-	7,462
2012 final dividend paid	-	-	-	-	-	-	-	-	(5,000)	(5,000)
At 30 September 2012	40,000	223,709	8,229	(9,773)	46	9,322	3,445	257,827	-	532,805

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 a 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\$492,805,000 (2011: HK\$469,858,000) in the consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Six months ended 30 September 2012

	Six months ended 30 September	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
NET CASH INFLOW FROM OPERATING ACTIVITIES	43,233	79,288
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(4,120)	(4,563)
NET CASH OUTFLOW FROM FINANCING ACTIVITIES	(41,222)	(84,406)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,109)	(9,681)
Cash and cash equivalents at beginning of period	142,810	116,890
Effect of foreign exchange rate changes, net	384	261
CASH AND CASH EQUIVALENTS AT END OF PERIOD	141,085	107,470

NOTES TO FINANCIAL STATEMENT

30 September 2012

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.

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 ACCOUNTING POLICIES AND BASIS OF PRESENTATION

These interim condensed consolidated financial information have been 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 2012, 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 2.2 below.

2.2 IMPACT OF NEW AND REVISED HKFRSs

The Group adopted the new and revised HKFRSs issued by HKICPA for the first time for the current period’s unaudited condensed consolidated financial statements:

HKAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets
HKFRS 7 (Amendment)	Financial Instruments: Disclosure – Transfers of Financial Assets

The adoption of HKAS 12 (Amendment) has had a material impact on the current and comparative periods. As a result of this change in policy, the Group now measures any deferred tax liability in respect of its investment properties in Hong Kong with reference to the tax liability that would arise if the properties were disposed of at their carrying amounts at the balance sheet date. Previously, where these properties were held under leasehold interests, deferred tax was generally measured using the tax rate that would apply as a result of recovery of the asset’s value through use.

Notes to Financial Statement
30 September 2012

2.2 IMPACT OF NEW AND REVISED HKFRSs (Continued)

This change in policy has been applied retrospectively by restating the opening balances at 31 March 2012 and 1 April 2011 as follows:

Condensed consolidated statement of financial position

	31 March 2012 HK\$'000	1 April 2011 HK\$'000
Liabilities		
Decrease in deferred tax liabilities	(5,444)	(5,319)
Equity		
Increase in retained profits	5,444	5,319

The adoption of other new and revised HKFRSs had no significant financial effect on these financial statements.

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 property investment segment invests in office space 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.

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 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 assets as these liabilities are managed on a group basis.

Notes to Financial Statement
30 September 2012

3. SEGMENT INFORMATION (Continued)

	Procurement and sales of dried cassava chips HK\$'000	Property investment HK\$'000	Total HK\$'000
Six months ended 30 September 2012			
Segment revenue:			
Sales to external customers	1,100,509	–	1,100,509
Gross rental income	–	727	727
Total	1,100,509	727	1,101,236
Segment results			
	12,218	675	12,893
Interest and unallocated gains			1,504
Corporate and other unallocated expenses			(788)
Finance costs			(5,612)
Profit before tax			7,997
Other segment information:			
Depreciation	2,399	–	2,399
Capital expenditure	4,120	–	4,120

Notes to Financial Statement
30 September 2012

3. SEGMENT INFORMATION (Continued)

	Procurement and sales of dried cassava chips HK\$'000	Property investment HK\$'000	Total HK\$'000
Six months ended 30 September 2011			
Segment revenue:			
Sales to external customers	749,248	–	749,248
Gross rental income	–	623	623
Total	749,248	623	749,871
Segment results			
	7,237	603	7,840
Interest and unallocated gains			2,088
Corporate and other unallocated expenses			(433)
Finance costs			(3,494)
Profit before tax			6,001
Other segment information:			
Depreciation	2,153	–	2,153
Capital expenditure	4,563	–	4,563

Notes to Financial Statement
30 September 2012

3. SEGMENT INFORMATION (Continued)

	Procurement and sales of dried cassava chips HK\$'000	Property investment HK\$'000	Total HK\$'000
As at 30 September 2012			
Segment assets	601,106	73,376	674,482
Corporate and other unallocated assets			<u>153,097</u>
Total assets			<u><u>827,579</u></u>
Segment liabilities	292,573	2,107	294,680
Corporate and other unallocated liabilities			<u>94</u>
Total liabilities			<u><u>294,774</u></u>
As at 31 March 2012			
Segment assets	690,316	73,186	763,502
Corporate and other unallocated assets			<u>148,327</u>
Total assets			<u><u>911,829</u></u>
Segment liabilities	379,784	1,213	380,997
Corporate and other unallocated liabilities			<u>489</u>
Total liabilities			<u><u>381,486</u></u>

Notes to Financial Statement
30 September 2012

3. SEGMENT INFORMATION *(Continued)*

Geographical information

(a) Revenue from external customers

	Six months ended 30 September	
	2012 HK\$'000	2011 HK\$'000
Hong Kong	727	623
Mainland China	1,100,509	749,248
	1,101,236	749,871

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

(b) Non-current assets

	30 September 2012 HK\$'000	31 March 2012 HK\$'000
	Hong Kong	61,765
Mainland China	14,063	13,976
Thailand	4,336	1,357
Unallocated	56,468	58,214
	136,632	134,911

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

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

Notes to Financial Statement
30 September 2012

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 revenue is as follows:

	Six months ended 30 September	
	2012 HK\$'000	2011 HK\$'000
Revenue		
Sales of dried cassava chips	1,100,509	749,248

An analysis of other income is as follows:

	Six months ended 30 September	
	2012 HK\$'000	2011 HK\$'000
Other income		
Bank interest income	798	204
Gross rental income	727	623
Others	706	1,884
	2,231	2,711

Notes to Financial Statement
30 September 2012

5. PROFIT BEFORE TAX

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

	Six months ended 30 September	
	2012 HK\$'000	2011 HK\$'000
Cost of inventories sold	970,845	661,727
Depreciation	2,399	2,153
Employee benefit expenses (including directors' remuneration):		
Wages and salaries	7,046	6,866
Pension scheme contributions	268	110
	7,314	6,976
Rental income on investment properties less direct operating expense of HK\$20,000 (2011: HK\$20,000)	(707)	(623)
Minimum lease payments under operating leases in respect of storage facilities and office premises	1,908	1,205
Contingent rent under operating leases in respect of storage facilities	830	80

6. INCOME TAX

Hong Kong profits tax has been provided at the rates of 16.5% (2011: 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.

	Six months ended 30 September	
	2012 HK\$'000	2011 HK\$'000
Current – Hong Kong	919	381
Total tax charge for the period	919	381

Notes to Financial Statement
30 September 2012

7. 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 six months ended 30 September 2012 attributable to ordinary equity holders of the Company and the weighted average number of 400,000,000 (2011: 400,000,000) ordinary shares in issue during the period.

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 September 2012 and 2011 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those periods.

8. 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 receivable as at the end of the reporting period, based on the invoice date, is as follows:

	30 September 2012 HK\$'000	31 March 2012 HK\$'000
Within 30 days	108,314	145,164
30-60 days	–	8,791
61-90 days	15,714	31,133
Over 90 days	2,498	27,865
	126,526	212,953

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.

9. TRADE AND OTHER PAYABLES AND ACCRUALS

	30 September 2012 HK\$'000	31 March 2012 HK\$'000
Trade and other payables	9,784	43,075
Accrued liabilities and other payables	6,670	17,796
Rental deposits received	435	435
	16,889	61,306

Notes to Financial Statement
30 September 2012

9. TRADE AND OTHER PAYABLES AND ACCRUALS (Continued)

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 September 2012 HK\$'000	31 March 2012 HK\$'000
Within 1 month	9,784	43,075

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

10. 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 2012, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 September 2012 HK\$'000	31 March 2012 HK\$'000
Within one year	716	1,155
In the second to fifth years, inclusive	–	142
	716	1,297

(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 2012, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 September 2012 HK\$'000	31 March 2012 HK\$'000
Within one year	3,020	3,023
In the second to fifth years inclusive	784	2,296
	3,804	5,319

Notes to Financial Statement
30 September 2012

10. OPERATING LEASE ARRANGEMENTS *(Continued)*

(b) As lessee *(Continued)*

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.

11. COMMITMENTS

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

12. RELATED PARTY TRANSACTIONS

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

	Notes	Six months ended 30 September	
		2012 HK\$'000	2011 HK\$'000
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
Management expenses paid to a related company	(iii)	498	–

* 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.
- (iii) The management expenses were determined based on mutual agreement.

13. APPROVAL OF THE FINANCIAL STATEMENTS

These condensed financial statements were approved and authorised for issue by the board of directors on 29 November 2012.