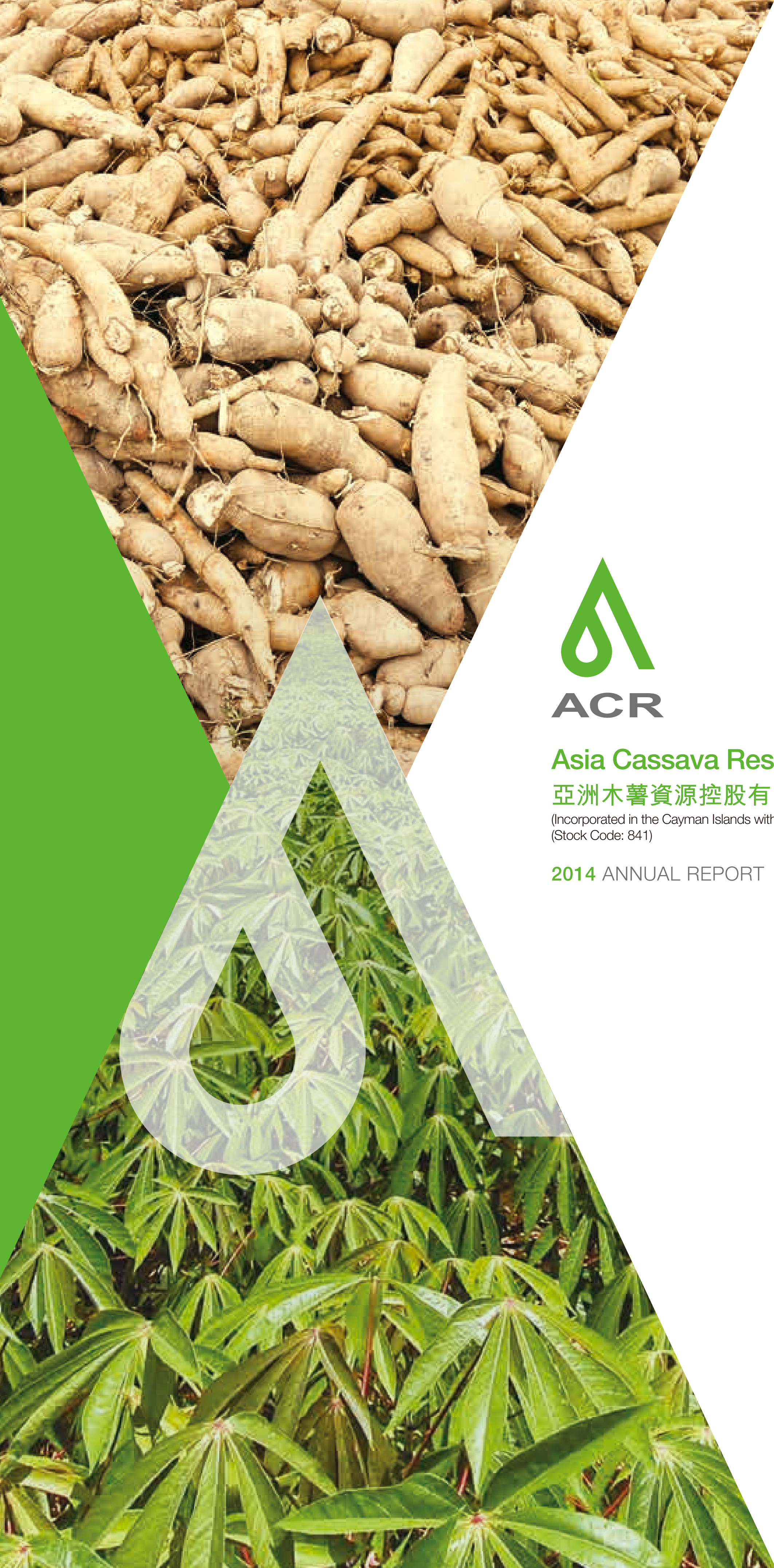

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# Asia Cassava Resources Holdings Limited

亞洲木薯資源控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 841)

2014 ANNUAL REPORT

# Contents

# Management Discussion and Analysis

During the year ended 31 March 2014 (the "Current Year"), the Group was principally engaged in procurement of dried cassava chips in Southeast Asian countries, including Thailand, Cambodia and Vietnam, 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.

During the Current Year, the demand for dried cassava chips in the PRC market was increasing. The Group's revenue from procurement and sales of dried cassava chips amounted to approximately HK$5,160.4 million for the Current Year, representing an increase of approximately 34.0% from approximately HK$3,850.1 million for the previous year. The Group had maintained its leading position in the PRC as the largest supplier of imported dried cassava chips for the Current Year, leading to a significant influence over the market.

In addition, due to fluctuation in the market price of thermal coal, the Group did not carry out the procurement and sales of thermal coal during the Current Year (2013: approximately HK$63,100,000).

The Group's profit for the Current Year amounted to approximately HK$116.7 million, representing an increase of 2.8 times from approximately HK$30.6 million for the previous year.

## Revenue

Total Revenue of the Group increased by approximately HK$1,247.2 million or approximately 31.9% from approximately HK$3,913.2 million to approximately HK$5,160.4 million in the Current Year. It was mainly attributable to (i) the increasing demand in dried cassava chips in the PRC market; and (ii) the contribution from the Group's fulfillment of the arrangement with an independent third party in respect of procurement of dried cassava chips (the "Arrangement") during the Current Year. Pursuant to the Arrangement, the Group was able to procure dried cassava chips from the Thailand Government's warehouses.

## Gross profit and gross profit margin

Total cost of sales of the Group increased by approximately HK$1,063.0 million, or approximately 30.4%, from approximately HK$3,491.5 million for the previous year to approximately HK$4,554.5 million in the Current Year, mainly due to the increase in sales of dried cassava chips in the Current Year.

Gross profit of the Group increased by approximately HK$184.2 million, or approximately 43.7%, from approximately HK$421.7 million for the previous year to approximately HK$605.9 million for the Current Year, mainly due to the increase in average gross profit margin and sales of dried cassava chips in the Current Year.

The Group's gross profit margin for the Current Year increased by approximately 0.9 percentage points to approximately 11.7% from approximately 10.8% for the previous year. The gross profit margin was increased mainly due to the (i) the reduction of average costs of dried cassava chips procured through the Company's procurement networks and the Arrangement; and (ii) slight depreciation of Thai Baht during the Current Year.

## Fair value gain on investment properties

During the Current Year, the Group had a fair value gain on investment properties of approximately HK$1.4 million (2013: approximately HK$0.6 million).

## Selling and distribution costs

During the Current Year, the selling and distribution expenses of the Group were approximately HK$404.3 million (2013: approximately HK$305.7 million), which comprised mainly ocean freight costs of approximately HK$261.3 million (2013: approximately HK$202.4 million) and warehouse, handling and inland transportation expenses of approximately HK$143.0 million (2013: approximately HK$103.3 million). The increase in selling and distribution expenses of the Group was resulted from (i) increase in warehouse, handling and inland transportation for the dried cassava chips procured under the Arrangement; and (ii) increase in ocean freights for increased sales.

The selling and distribution expenses of the Group was maintained at 7.8% of the total sales revenue for the Current Year and for the previous year.

## Administrative expenses

Administrative expenses of the Group increased by approximately HK$16.9 million, or approximately 39.0%, from approximately HK$43.3 million in the previous year to approximately HK$60.2 million in the Current Year, mainly due to (i) increase in salaries and certain office expenses for the Current Year and (ii) the net exchange gains of HK$15.0 million recorded in previous year.

## Finance costs

Finance expenses of the Group increased from approximately HK$15.2 million for the previous year to approximately HK$18.2 million for the Current Year due to the increase in the average bank borrowing balance for financing the Group's increased revenue during the Current Year.

## Impairment loss of a vessel

On 28 March 2013, the Group entered into the Disposal Agreement for the vessel with the purchaser, Jingjiang Dunfeng Ship-breaking Co., Ltd., whereby the purchaser has agreed to purchase and the Group has agreed to sell the Vessel at the consideration of approximately US$3.9 million (equivalent to approximately HK$30.6 million). As a result of the disposal, the Group recorded a loss of approximately HK$24.8 million, which was calculated on the basis of the consideration of the disposal of approximately US$3.9 million (or equivalent to approximately HK$30.6 million) less the carrying value of the Vessel amounting to approximately HK$55.4 million as at 31 March 2013.

## Taxation

For each of the years ended 31 March 2013 and 2014, the Group's taxations were approximately HK$4.7 million and HK$14.1 million, respectively. The effective tax rate of the Group for the Current Year was approximately 10.8% (2013: 13.2%).

## Profit for the year

The Group's profit for the Current Year amounted to approximately HK$116.7 million (2013: approximately HK$30.6 million).



## Financial resources and liquidity

As at 31 March 2014, the net assets amounted to approximately HK$702.4 million, representing an increase of approximately HK$147.4 million from approximately HK$555.0 million as at 31 March 2013 due to (i) the profit for the Current Year less the payment of dividends, and (ii) receipt of net proceeds from new issue of 49,800,000 ordinary shares at HK$0.685 per share during the Current Year.

Current assets amounted to approximately HK$987.1 million (2013: HK$988.6 million), including cash and cash equivalents of approximately HK$413.3 million (2013: HK$138.7 million), pledged deposits of HK$99.4 million (2013: HK$128.8 million), trade and bills receivables of approximately HK$107.0 million (2013: HK$198.6 million), inventories of approximately HK$307.4 million (2013: HK$344.9 million) and prepayments, deposits and other receivables of HK$60.0 million (2013: HK$146.9 million). The Group had non-current assets of HK$169.1 million (2013: HK$120.2 million).

The Group's current liabilities amounted to approximately HK$450.7 million (2013: HK$551.4 million), which comprised mainly trade and other payables and accruals of approximately HK$67.6 million (2013: HK$40.1 million) and bank borrowings of approximately HK$332.5 million (2013: HK$477.3 million). The Group's non-current liabilities included deferred tax liabilities of approximately HK$3.0 million (2013: HK$2.4 million).

The Group expresses its gearing ratio as a percentage of borrowings over total assets. As at 31 March 2014, the Group had a gearing ratio of 29% (2013: 43%). The decrease in bank borrowings as at 31 March 2014 was mainly due to application of proceeds from new issue of shares and the surplus cash flow from operating activities to settle the bank borrowings in the second half of the Current Year.

## Employment and remuneration policy

As at 31 March 2014, the total number of the Group's staff was approximately 80. The total staff costs (including directors' remuneration) amounted to approximately HK$19.1 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, Vietnam and Thailand.

## Charge on group assets

As at 31 March 2014, the Group's fixed deposit, land and buildings and investment properties situated in Hong Kong with aggregate carrying values of HK$99,402,000 (2013: HK$128,769,000), HK$11,340,000 (2013: HK$10,670,000) and HK$30,030,000 (2013: 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 31 March 2014, the Group did not have any material contingent liabilities and capital commitment.

## Major and connected transaction subject to shareholders' approval

On 28 March 2014, the Group has entered into a Sale and Purchase Agreement pursuant to which, subject to terms and conditions, the Group agreed to acquire from a director of the Company the entire issued share capital of Oriental Pioneer Limited (the "Target Company") for a consideration of HK$224.3 million (equivalent to approximately RMB178 million). Such transaction constituted a major and connected transaction which is subject to shareholders' approval and the details of the transaction were set out in the Company's announcement dated 28 March 2014. Such transaction has not yet completed up to the date of this report.

The circular containing, among other matters, details of the acquisition, the financial information of the Target Company, the property valuation and the notice of the extraordinary general meeting of the Company for the purpose of seeking shareholders' approval of the Sale and Purchase Agreement and the transactions contemplated thereunder will be dispatched to the shareholders in due course.

## Prospect

During the Current Year, the demand for dried cassava chips in the PRC market was increasing, especially from those ethanol fuel producers. In the PRC, renewable energy is considered a vital resource of energy, playing an important role in the aspects such as satisfying national energy safety and demand, and reducing environmental pollution. The PRC's policy of "non-competition for grain with people and non-competition for harvest land with grain" stipulates that grains such as corn should be used with priority for animal feeds and food so as to guarantee the national food safety. As a result, the use of non-grain feedstock to produce bio-fuel is encouraged by the PRC government. According to "Medium and Long-Term Development Plan for Renewable Energy in China" in August 2007, the PRC would cease increasing the production capacity of ethanol fuel using grain feedstock, and target to increase the annual production capacity of ethanol fuel using non-grain feedstock from less than 1 million tonnes to 2 million tonnes by 2010 and to 10 million tonnes by 2020. As the progress for approval of ethanol fuel production plants was relatively slow, the production of ethanol fuel has not yet up to the planned level. However, the Group anticipates that several ethanol fuel production plants using cassava as materials will be constructed and commenced production in the coming 2 years. 2.9 tonnes of dried cassava chips are consumed to produce 1 ton of ethanol fuel. As such the demand of dried cassava chips in the PRC market will be growing which is benefit to the Group's long time business development.

## Management Discussion and Analysis

For procurement, in addition to the existing 6 procurement networks in Thailand, the Group has set up 3 new procurement facilities and networks near the cassava plantation zone in Thailand which pave the solid foundation for enhancement of the market coverage and maintenance of long-term business development. In addition, the Group established a subsidiary in Vietnam which commenced procuring the dried cassava chips in Vietnam. It provides with new supply sources and enhances supplies of dried cassava chips to the Group. Up to the date of this report, the Group completed the procurement obligation under the Arrangement. Looking forward, the Group will continue to observe closely the political development in Thailand and assess the applicability of the Arrangement.

For transportation and logistics, In July 2013, the Group purchased a vessel at a total cash consideration of US$4,433,000 (equivalent to approximately HK$34,500,000) from an independent seller, to restore the Group's transportation ability, and commenced serving the Group to transport dried cassava chips since August 2013. In addition, the Group purchased trucks for inland transportation which connects the warehouse facilities near the plantation zone to the ports. As such it will speed up the inland transportation of dried cassava chips, reduce the reliance on the external trucks and save the transportation costs.

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 11 procurement and warehouse centres strategically located in Thailand, Vietnam and Cambodia. Looking ahead, the Group plans to establish more procurement and warehouse centres 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 strive to enhance our market coverage and maximise returns for our shareholders.

# Directors and Senior Management

## Board of Directors

### Executive Directors

**Mr. Chu Ming Chuan ("Mr. Chu")**, aged 59, is the chairman of the Board. He was also appointed as an executive Director on 8 May 2008. Save for All Praise Limited, Artwell Properties Limited, Winsure International Investment Limited and Globe Shipping Limited, Mr. Chu is a director of all the subsidiaries of the Company. Mr. Chu is responsible for formulating the Group's strategies and guiding the Group's overall development. He has over 20 years of experience in import and export of agricultural by-products and over 15 years of experience in the cassava industry. Mr. Chu is currently a member of the National Committee of the Chinese People's Political Consultative Conference, a standing committee member of the All-China Federation of Industry and Commerce, a standing member and a convenor for Hong Kong Region of the Chinese People's Political Consultative Conference, Shandong Province and standing member and a convenor for Hong Kong and Macau Regions of the Chinese People's Political Consultative Conference, Jinan City. He is also a permanent honorary chairman of the Hong Kong Federation of Fujian Associations. Mr. Chu has completed DBA (工商管理博士) course at the Shenzhen Research Institution of the Renmin University of China (中國人民大學深圳研究院). Mr. Chu is the spouse of Ms. Ng Nai Nar and the brother of Ms. Chu Ling Ling, Miranda.

**Ms. Liu Yuk Ming ("Ms. Liu")**, aged 53, was appointed as an executive Director on 8 May 2008. She is also a director of Artsun International Macao Limited, Rizhao Yushun Cassava Co., Ltd. ("Rizhao Yushun"), Global Property Connection Co., Ltd., Art Rich International Limited and Alush (Thailand) Co., Ltd. ("Alush Thailand"), each of which is a subsidiary of the Company. She joined the Group in 1992 and is currently the deputy general manager of the Group. She is responsible for formulating the marketing strategies and daily operations of the Group. She has over 15 years of experience in logistics management and import and export of cassava. Over the 15 years with the Group, Ms. Liu has been responsible for, among others, overseeing the operation of charter vessels, developing ship chartering networks and supervising the sales and marketing team of the Group. Prior to joining the Group, Ms. Liu has worked in certain trading and shipping companies and as an export executive in the Hong Kong office of a multinational trading group. Ms. Liu is currently a council member of the Shandong Overseas Friendship Association.

**Ms. Lam Ching Fun ("Ms. Lam")**, aged 47, was appointed as an executive Director on 2 July 2008. She joined the Group in 1992 and is currently the general manager of the Group's chartering and logistics department. She is responsible for logistic systems, charter business management, cargo handling arrangement and the Sino-Thai ports coordination. Ms. Lam has over 15 years of experience in logistics operations in the cassava industry. Over the 15 years with the Group, Ms. Lam's responsibilities included overseeing the Group's logistics system and managing the chartering of vessels.

## Independent non-executive Directors

**Professor Fung Kwok Pui ("Professor Fung")**, aged 63, was appointed as an independent non-executive Director on 22 January 2009. He is currently the Professor of Biochemistry at the Chinese University of Hong Kong.

Professor Fung graduated from the Chinese University of Hong Kong in 1973, majoring in Chemistry, and obtained his master degree in Biochemistry in 1975. He later obtained his doctorate degree in Microbiology from the University of Hong Kong in 1978, and has been conducting clinical biochemical research at University of Toronto, Canada for many years.

Professor Fung was a member of the Chinese Medicines Board of the Chinese Medicine Council of Hong Kong from 1999 to 2002, and a member of the Biology and Medicine Panel of the Research Grants Council from 1996 to 2001. He is a member of Grant Review Board of Research Council of Food and Health Bureau at present. He has also been the Hong Kong representative of the Society of Chinese Bioscientists in America for many years, and was presented Distinguished Service Award in 1999.

**Mr. Lee Kwan Hung ("Mr. Lee")**, aged 48, was appointed as an independent non-executive Director, on 22 January 2009. Mr. Lee received his degree of Bachelor of Laws and Postgraduate Certificate in Laws from the University of Hong Kong in 1988 and 1989 respectively. He was then admitted as a solicitor in Hong Kong in 1991 and the United Kingdom in 1997. Mr Lee was a Senior Manager of the Listing Division of The Stock Exchange of Hong Kong Limited ("the Stock Exchange") between 1993-94. Mr. Lee is currently a practising solicitor and an independent non-executive director of Yuexiu REIT Asset Management Limited (being the manager of Yuexiu Real Estate Investment Trust), NetDragon Websoft Inc., Embry Holdings Limited, Futong Technology Development Holdings Limited, Walker Group Holdings Limited, Newton Resources Limited, Tenfu (Cayman) Holdings Company Limited, Far East Holdings International Limited, China BlueChemical Ltd., and Landsea Green Properties Co., Ltd. (formerly known as Shenzhen High-Tech Holdings Limited), the shares of these companies are listed on the Stock Exchange. Mr. Lee was also a non-executive director of GST Holdings Limited and an independent non-executive director of New Universe International Group Limited.

**Mr. Yue Man Yiu Matthew ("Mr. Yue")**, aged 52, was appointed as an independent non-executive Director on 22 January 2009. He holds a Bachelor's degree in business administration from The Chinese University of Hong Kong. Mr. Yue is a fellow member of Association of Chartered Certified Accountants, fellow member of Hong Kong Institute of Certified Public Accountants and member of Hong Kong Securities Institute. Mr. Yue has extensive experience in the financial control, project analysis and management functions. Mr. Yue has been the chief financial officer of Ko Shi Wai Holdings Limited since September 2009. He has been a director of China-Link Capital Management Limited since September 2009 and was the chief financial officer of the same firm from August 2005 to August 2009. Mr. Yue is currently an independent non-executive director of Royale Furniture Holdings Limited and China Suntien Green Energy Corporation Limited, the shares of these companies are listed on The Stock Exchange. Mr. Yue was also an independent non-executive director of China Financial Leasing Group Limited.

## Senior Management

**Ms. Ng Nai Nar**, aged 51, is the head of administration and human resources of the Group and is responsible for the administration and human resources functions of the Group. She has completed DBA (工商管理博士) course at the Shenzhen Research Institution of the Remin University of China (中國人民大學深圳研究院). She also obtained a Master degree in Business Administration and a Bachelor Degree of Science in Applied Computing from the Open University of Hong Kong, Diploma and Higher certificate in Electronic Engineering from the Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University). Mrs. Chu joined the Group in 1985 and has years of company management experience. She is the spouse of Mr. Chu.

**Mr. Shum Shing Kei ("Mr. Shum")**, aged 42, is the chief financial officer and company secretary of the Company. He joined the Group in June 2008 and is responsible for the corporate finance function of the Group and oversees matters related to financial administration of the Group. Mr. Shum obtained a master degree in financial management from the University of London, the United Kingdom in 1998 and a Bachelor (Hon) degree in accountancy from Hong Kong Polytechnics in 1993. Prior to joining to the Group, Mr. Shum has over 14 years' working experience in auditing, accounting and financial management. Mr. Shum had worked for China Data Broadcasting Holdings Limited as qualified accountant and company secretary, the shares of which are listed on the Growth Enterprise Market (the "GEM") operated by the Stock Exchange, and an international accounting firm. Mr. Shum is a fellow member of Hong Kong Institute of Certified Public Accountants.

**Ms. Chu Ling Ling, Miranda ("Ms. Chu")**, aged 61, is a deputy financial controller and is responsible for overall monitoring the accounting department of the Group. She joined the Group in 1997 and has worked for over 10 years in the accounting and financial management division of the Group. Ms. Chu is the elder sister of Mr. Chu.

**Mr. Wong Hoi Pang ("Mr. Wong")**, aged 35, is the deputy group financial controller of the Company. Mr. Wong joined the Group in April 2008 and is responsible for the Group's financial reporting and monitoring of the accounting internal controls. Prior to joining the Group, Mr. Wong has over 6 years' experience in accounting, auditing and financial management. Mr. Wong is a member of the Association of Chartered Certified Accountants.

# Directors and Senior Management

**Mr. Wang Dong Dai (“Mr. Wang”)**, aged 51, is the general manager of Rizhao Yushun, a subsidiary of the Company. Mr. Wang joined the Group in 2001 and is responsible for monitoring the daily management of Rizhao Yushun and supervising the daily operations and coordination of the business of the Group in Mainland China. Prior to this, he had engaged in the financial and business management sectors for about eight years. Mr. Wang graduated from the Shandong University with major in Law.

**Ms. Jiang Ting (“Ms. Jiang”)**, aged 45, is the deputy general manager of Rizhao Yushun, a subsidiary of the Company. She was employed by the Group in 2008 as part of the reorganisation and is responsible for the analysis of cassava market information and customer relationship of the Group in the PRC. Ms. Jiang has over 5 years’ experience in marketing. Ms. Jiang graduated from Weifang Vocational College (濰坊職業大學) with major in international trading.

**Mr. Somchai Ngamkasemsuk (“Mr. Ngamkasemsuk”)**, aged 58, is the assistant general manager of Alush Thailand, a subsidiary of the Company. Mr. Ngamkasemsuk joined the Group in 2004 and is responsible for the warehouse management and quality control and analysis in respect of cassava market in Thailand. Mr. Ngamkasemsuk obtained a bachelor degree in Business Administration from Assumption Business Administration College.

# Report of the Directors

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2014.

## Principal activities

The principal activity of the Company is investment holding. The Group is principally engaged in the procurement of dried cassava chips in Southeast Asian countries and the sale of dried cassava chips in Mainland China and Thailand. The activities of the subsidiaries are set out in note 16 to the financial statements. For the year ended 31 March 2013, the principal activities of the Group also comprised of procurement of thermal coal in Southeast Asian countries and the sale of thermal coal in Mainland China.

## Results and dividends

The Group's profit for the year ended 31 March 2014 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 32 to 91.

The directors recommend the payment of a final dividend of HK5 cents per ordinary share in respect of the year to shareholders on the register of members on 10 October 2014. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the equity section of the statement of financial position.

## 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 | Actual use of proceeds up to 31 March 2014 |
|---|---|---|---|
| | | HK$'000 | HK$'000 |
| 1. | The establishment of warehousing facilities and acquisition or leasing of drying yards in Thailand | 39,217 | 34,116 |
| 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 southwestern regions in Mainland China | 7,000 | 1,204 |
| 4. | The development and enhancement of sales network and marketing, including promotion and marketing of the Group's Artwell brand dried cassava chips in its existing network in the northeastern region in Mainland China | 3,100 | – |
| 5. | Additional general working capital of the Group | 5,844 | 5,844 |
| | | 59,234 | 45,237 |

## Summary financial information

A summary of the results and assets and liabilities of the Group for the last five financial years, as extracted from the Company's published audited financial statements for the years ended 31 March 2010, 2011, 2012, 2013 and 2014, respectively, and restated/reclassified as appropriate, is set out on page 93. This summary does not form part of the audited financial statements.

## Property, plant and equipment and investment properties

Details of movements in the property, plant and equipment, and investment properties of the Group during the year are set out in notes 14 and 15 to the financial statements, respectively. Further details of the Group's investment properties are set out on page 92.

## Share capital

There were no movements in the Company's authorised share capital during the year. Details of movements in the Company's issued share capital during the year are set out in note 26 to the financial statements.

## Pre-emptive rights

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

## Purchase, redemption or sale of listed securities of the Company

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

## Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 28 to the financial statements and in the consolidated statement of changes in equity, respectively.

## Distributable reserves

At 31 March 2014, the Company's reserves available for distribution, calculated in accordance with the provisions of Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to HK$366,156,000 of which HK$22,490,000 has been proposed as a final dividend. In addition, the Company's share premium account and contributed surplus of HK$336,700,000 in aggregate may be distributed in the form of fully paid bonus shares.

## Major customers and suppliers

In the year under review, sales to the Group's five largest customers accounted for 51% (2013: 38%) of the total sales for the year and sales to the largest customer included therein amounted to 20% (2013: 10%). Purchases from the Group's five largest suppliers accounted for less than 69% (2013: 64%) of the total purchases for the year and purchases to the largest supplier included therein amounted to 53% (2013: 45%).

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers.

## Directors

The directors of the Company during the year were:

**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

According to article 84 of the Company's articles of association, Mr. Chu Ming Chuan, Ms. Liu Yuk Ming and Ms. Lam Ching Fun will retire by rotation at the forthcoming annual general meeting and all the retiring directors will be eligible and offer themselves for re-election at the forthcoming annual general meeting.

The Company has received annual confirmations of independence from all the three independent non-executive directors and as at the date of this report still considers them to be independent.

## Directors' and senior management's biographies

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 7 to 10 of the annual report.

## Directors' service contracts

Each of the executive directors of the Company entered into a service contract with the Company for an initial term of three years commencing from 23 March 2009 and may only be terminated in accordance with the provisions of the service contract by either party giving to the other not less than three months' prior notice in writing at end of the initial term or at any time thereafter.

The Company has issued a letter of appointment to each of the independent non-executive directors of the Company for an initial term of one year commencing from 23 March 2014.

## Directors' remuneration

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's board of directors with reference to directors' duties, responsibilities and performance and the results of the Group.

## Directors' interests in contracts

Save as the transactions set out in the section "Continuing connected transactions" and in note 31(a) to the financial statements, no director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries and fellow subsidiaries was a party during the year.

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

At 31 March 2014, 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:

| | Number of shares held, capacity and nature of interest | | | |
|---|---|---|---|---|
| **Name of director** | **Directly beneficially owned** | **Through controlled corporation** | **Total** | **Percentage of the Company's issued share capital** |
| Mr. Chu Ming Chuan ("Mr. Chu") (note (a)) | 594,000 | 225,000,000 | 225,594,000 | 50.15% |

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") | Directly beneficially owned | 97% |
| | AR Management (note (b)) | Deemed interest | 3% |

Notes:

(a) The entire issued share capital of AR management is legally and beneficially owned as to 97% by Mr. Chu and 3% by Ms. Ng Nai Nar ("Mrs. Chu"). 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 the 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 31 March 2014, 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 year 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 and fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

## 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 27 to the financial statements. No share options had been granted under the Scheme since the Scheme became effective.

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

At 31 March 2014, the following interests and short positions 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 |
|---|---|---|---|---|
| *Long positions:* | | | | |
| AR Management | (a) | Directly beneficially owned | 225,000,000 | 50.02% |
| Mr. Chu | | Directly beneficially owned | 594,000 | 0.13% |
| | (a) | Through a controlled corporation | 225,000,000 | 50.02% |
| | | | 225,594,000 | 50.15% |
| Mrs. Chu | (a) | Through a controlled corporation | 225,000,000 | 50.02% |

Note:

(a) The entire issued share capital of AR Management is legally and beneficially owned as to 97% by Mr. Chu and 3% by Mrs. Chu. As spouse, Mr. Chu is deemed to be interested in the shares of AR Management in which Mrs. Chu is interested and Mrs. Chu is also deemed to be interested in the shares of AR Management in which Mr. Chu is interested.

Save as disclosed above, as at 31 March 2014, 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.



## Continuing connected transactions

During the year, the Group had the following continuing connected transactions, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

### (a) Lease from Alther Limited ("Alther") in relation to an office in Hong Kong

On 1 April 2012, Artwell Tapioca Limited ("Artwell Tapioca"), a subsidiary of the Company, and Alther, a company controlled by Mr. Chu, entered into a lease agreement, pursuant to which Alther (as landlord) agreed to lease a property located at Unit 612, 6th Floor, Houston Centre, 63 Mody Road, Tsimshatsui East, Kowloon, Hong Kong with a total gross floor area of approximately 120 sq. meter to Artwell Tapioca (as tenant), for business use for a period of two years from 1 April 2012 to 31 March 2014, at an annual rental of HK$387,900.

### (b) Lease from Rizhao International Hotel Co. Ltd. ("Rizhao Hotel") in relation to an office in Rizhao, the People's Republic of China (the "PRC")

On 28 March 2012, Rizhao Yushun Cassava Co., Ltd. ("Rizhao Yushun"), a subsidiary of the Company, and Rizhao Hotel, a related company controlled by Mr. Chu, entered into a lease agreement, pursuant to which Rizhao Hotel (as landlord) agreed to lease a property located at Eastern portion of 4th Floor, Rizhao Hotel, No. 96 Xing Hai Road, Rizhao City, Shangdong Province, the PRC with a total gross floor area of approximately 56 sq. meter to Rizhao Yushun (as tenant) for office and operational uses for a period of three years from 1 April 2012 to 31 March 2015, at an annual rental of RMB132,000 (equivalent to approximately HK$165,000).

### (c) Lease from Lianyungang Yafa Enterprises Co., Ltd. ("Yafa Enterprise") in relation to an office in Lianyungang, the PRC

On 28 March 2012, Rizhao Yushun and Yafa Enterprise, a company controlled by Mr. Chu, entered into a lease agreement, pursuant to which Yafa Enterprise (as landlord) agreed to lease a property located at Unit 301, West Wing, No. 5 Xixia Road, Lianyungang District, Lianyungang City, Jiangsu Province, the PRC with a total gross floor area of approximately 57 sq. metre to Rizhao Yushun (as tenant) for office and operational uses for a period of three years from 1 April 2012 to 31 March 2015 at an annual rental of RMB42,000 (equivalent to approximately HK$52,000).

### (d) Lease from Mr. Chu in relation to staff quarters in Qingdao, the PRC

On 28 March 2012, Rizhao Yushun and Mr. Chu entered into a lease agreement, pursuant to which Mr. Chu (as landlord) agreed to lease a property located at Unit 3203, 32nd Floor, Block 1, No. 37 Donghai Xi Road, Shinan District, Qingdao City, Shangdong Province, the PRC with a total gross floor area of approximately 114.04 sq. metre to Rizhao Yushun (as tenant) as staff quarters for a period of three years from 1 April 2012 to 31 March 2015, at an annual rental of RMB132,000 (equivalent to approximately HK$165,000).



### (e) Lease from Jinan Yaxin Real Estate Development Co., Limited ("Jinan Yaxin") in relation to an office in Jinan, the PRC

On 31 March 2012, Rizhao Yushun and Jinan Yaxin, a company beneficially owned by Mr. Chu, entered into a lease agreement, pursuant to which Jinan Yaxin (as landlord) agreed to lease a property located at Units 308, 317 & 320, 3/F., 137 Li Shan Road, Li Xia District, Jinan City, Shangdong Province, the PRC with a total gross floor area of approximately 75 sq. metre to Rizhao Yushun (as tenant) for office and operational uses for a period of three years from 1 April 2012 to 31 March 2015, at an annual rental of RMB276,000 (equivalent to approximately HK$332,000).

### (f) Lease from Jinan Yaxin in relation to office equipment and motor vehicles

On 31 March 2012, Rizhao Yushun and Jinan Yaxin entered into a lease agreement, pursuant to which Jinan Yaxin agreed to lease office equipment and motor vehicles to Rizhao Yushun for office and operational uses in the PRC for a period of three years from 1 April 2012 to 31 March 2015, at an annual fee of RMB276,000 (equivalent to approximately HK$332,000).

### (g) Management fee to Jinan Yaxin

On 31 March 2012, Rizhao Yushun and Jinan Yaxin entered into an agreement, pursuant to which Jinan Yaxin agreed to provide human resources support to Rizhao Yushun for operational purposes for a period of three years from 1 April 2012 to 31 March 2015, at an annual management fee of RMB276,000 (equivalent to approximately HK$332,000).

The independent non-executive directors of the Company have reviewed the continuing connected transactions set out above and have confirmed that these continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

In addition to the above, on 26 March 2008, Art Rich International Limited ("Art Rich"), a subsidiary of the Group, entered into a loan agreement and a share pledge agreement with Mr. Aja Saepaan ("Mr. Aja"), whose registered interests in Global Property Connection Co., Ltd. ("Global Property", a subsidiary of the Group) represent 51% of the total issued share capital of Global Property. Art Rich, pursuant to the loan agreement, had lent fund to Mr. Aja. As security for the repayment of his loan owed to Art Rich, Mr. Aja agreed to pledge his shares in Global Property in favour of Art Rich, by virtue of which Art Rich could enforce the share pledge in an event of default in the loan repayment. Further, pursuant to the loan agreement, upon demand of repayment, Art Rich has the right at its sole discretion to demand and effect the transfer of the shares so pledged by Mr. Aja to Art Rich or its designated person at a consideration equal to the loan amount.

Mr. Aja also entered into a letter of undertaking with Art Rich whereby Mr. Aja had undertaken, among other things, to assign and direct all dividends and special distribution paid and payable by Global Property in relation to his registered shares in Global Property, and all distribution of assets made or to be made by Global Property in relation to his registered shares in Global Property, solely to Art Rich.

Mr. Aja also appointed Art Rich as its proxy to receive notice of shareholders' meetings and to vote in all shareholders' meetings of Global Property for any proposed resolution.

Collectively, the loan agreement, the share pledge agreement, the undertaking and the proxy are referred hereinafter as the "Aja-Art Rich Arrangements".

The independent non-executive directors have reviewed the Aja-Art Rich Arrangements and confirmed that the Aja-Art Rich Arrangements have remained unchanged and that no dividends or other distributions have been made by Global Property to Mr. Aja during the year, which is fair and reasonable so far as the Group is concerned and in the interests of the shareholders as a whole.

The Company's independent auditors have reviewed the transactions carried out pursuant to the Aja-Art Rich Arrangements and confirmed that the economic interest generated by Global Property flowed to the Group was in accordance with the criteria and principles set out under the Aja-Art Rich Arrangements and was properly approved by the directors of Global Property and that no dividends or other distributions have been made by Global Property save as to the Group.

## 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, being the latest practicing date prior to 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.

## Non-competition undertaking

Mr. Chu and AR Management, as covenanters (collectively, the "Covenanters"), have entered into a deed of non-competition in favour of the Company on 18 February 2009 (the "Non-competition Deed"), pursuant to which each of the Covenanters has irrevocably and unconditionally undertaken to and covenanted with the Company (for itself and for the benefit of the members of the Group) that during the continuation of the Non-competition Deed that each of the Covenanters shall not, and shall procure each of his/its associates and/or companies controlled by he/it, whether on his/its own account or in conjunction with or on behalf of any person, firm or company and whether directly or indirectly, not to carry on a business which is, to be interested or involved or engaged in or acquire or hold any rights or interest or otherwise involved in (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise), any business which competes or is likely to compete directly or indirectly with the business currently and from time to time engaged by the Group (including but not limited to the import and export, distribution and marketing of cassava and business ancillary to any of the foregoing in each case, to be more particularly described or contemplated herein) in Thailand, Hong Kong, Mainland China, Macau, Cambodia and any other country or jurisdiction to which the Group markets, sells, distributes, supplies or otherwise provides such products and/or in which any member of the Group carries on business mentioned above from time to time.

## Auditors

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

**Chu Ming Chuan**
*Chairman*
Hong Kong
26 June 2014

# Corporate Governance Report

## Corporate governance practices

The Company is committed to pursuing and maintaining good corporate governance practices to protect the interests of the Company's shareholders.

Throughout the year ended 31 March 2014, the Company has adopted the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), save for the deviation from the code provision A.2.1 of the Code.

## Directors' securities transactions

The Company has adopted a code of conduct (the "Model Code") no less strict than the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as the standard for securities transactions by the Directors.

Having made specific enquiry of all Directors, all Directors confirmed that they had complied with the required standard set out in the Model Code during the year ended 31 March 2014.

## Board of directors

The Board is responsible for formulating the overall business strategies, monitoring the performance of the management, and overseeing the internal control of the Group. The management is responsible for the daily operations of the Group.

### 1. Board meetings

During the year ended 31 March 2014 and up to the date of this annual report, the Board of Directors has held four meetings up to the date of this annual report with all existing Directors attended in person or through other electronic means of communications. Notice of at least 14 days has been sent to all Directors for this regular board meeting.

Under provision A.1.1 of the CG Code, the Company will adopt the practice of holding board meetings regularly for at least four times a year at approximately quarterly intervals. Ad-hoc board meetings may also be held in addition to regular meetings when necessary. Notice of at least 14 days will be sent to all Directors of a regular board meeting. Reasonable notices will be given to all Directors for ad-hoc board meetings. Directors may participate either in person or through other electronic means of communications.

The Company has also adopted the practice that enables all Directors the opportunity to include matters in the agenda for regular board meetings. All Directors will be provided in advance with relevant materials relating to the agenda of the board meeting. All Directors, upon reasonable request, will be able to seek independent professional advice in appropriate circumstances, at the Company's expenses, and will be provided sufficient resources to discharge their duties.

Minutes of board meetings and meetings of committees are duly kept by the secretary to the Board and freely available for inspection by the directors. Such meeting minutes recorded opinions and suggestions raised by the directors in the meeting. The final versions of such minutes were sent to directors for signing and confirmation.

Transactions in which directors are deemed to be involved in conflict of interests or deemed to be materially interested in will not be dealt with by written resolution. The relevant director will be allowed to attend the meeting but may not express any opinion and will be required to abstain from voting.

## 2. Composition of the board

The Board currently comprises a combination of executive Director and independent non-executive Directors. In compliance with Rule 3.10(1) of the Listing Rules, the Board has three independent non-executive Directors. The Board considers that all the independent non-executive Directors play an important role in the Board, with their appropriate and extensive academic and professional expertise, to provide the Board with professional advice as well as to protect the interests of shareholders of the Company.

The Company has received a written annual confirmation from each of the independent non-executive Directors of his independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence criteria set out in Rule 3.13 of the Listing Rules.

As at 31 March 2014, the Board was consisted of the following six directors:

*Executive Directors:*
Mr. Chu Ming Chuan *(Chairman)*
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

The biographical details of the Directors and relationship between members of the Board are set out in the Directors and Senior Management section on pages 7 to 10 of this annual report.

### 3. Chairman and chief executive officer

Under provision A.2.1 of the CG Code, the role of the Chairman and the Chief Executive Officer should be performed by separate individuals. Mr. Chu Ming Chuan is the Chairman who provides leadership for the Board. According to A.2.2 and A.2.3 of the CG Code, Mr. Chu Ming Chuan as the Chairman ensures that all directors are properly briefed on issues arising at board meetings, and receive adequate information, both complete and reliable, in a timely manner. The executive Directors of the Company collectively oversee the overall management of the Group in each of their specialised executive fields, which fulfils the function of Chief Executive Officer in substance. Therefore, the Company currently has not appointed its Chief Executive Officer to avoid the duplication of duties.

### 4. Appointments, re-election and removal of directors

All of appointments of Executive Directors are subject to retirement and reelection in accordance with the Articles of Association of the Company.

All of the independent non-executive Directors were appointed for a term of one year from 23 March 2014, and are subject to retirement and reelection in accordance with the Articles of Association of the Company.

## Directors' training and professional development

During the year, the Directors are provided with monthly updates on the Group's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties. In addition, all Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company updates Directors on the latest development regarding the Listing Rules and other applicable regulatory requirements from time to time, to ensure compliance and enhance their awareness of good corporate governance practices.

All Directors have participated in appropriate continuous professional development activities either by attending training courses or by reading materials relevant to the Company's business or to the Directors' duties and responsibilities.

## Directors' and officers' liabilities insurance

The Company has arranged appropriate insurance cover for liabilities in respect of legal actions against Directors and officers of the Company arising out of corporate activities under provision A.1.8 of the CG Code.

## Board committees

The Board has established three board committees, namely Audit Committee, Remuneration Committee, and Nomination Committee.

### 1. Audit committee

The Company has established the Audit Committee on 18 February 2009 in compliance with the Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group. The term of reference of the Audit Committee was published on the Group's website.

The Audit Committee currently has three members, namely Professor Fung Kwok Pui, Mr. Lee Kwan Hung and Mr. Yue Man Yiu Matthew, all being independent non-executive Directors. Mr. Yue Man Yiu Matthew is the chairman of the Audit Committee.

The Audit Committee has held three meetings during the year and up to the date of this annual report with all members of the committee attended. At the meetings, the committee has, inter alia, reviewed the consolidated financial statements of the Group for the six months ended 30 September 2013 and for the two years ended 31 March 2013 and 2014, respectively, together with the Group's accounting policies and practices as well as the effectiveness of the Group's internal control systems.

## 2. Remuneration committee

The Company has established the Remuneration Committee on 18 February 2009 in compliance with the Listing Rules. The primary duties of the Remuneration Committee are, amongst other things, to review and determine the terms of remuneration packages, bonuses and other compensation payable to the Directors and senior management and to make recommendation to the Board on the Group's policy and structure for all remuneration of Directors and senior management. The term of reference of the Remuneration Committee was published on the Group's website.

The Remuneration Committee currently has three members, namely Professor Fung Kwok Pui, Mr. Lee Kwan Hung and Mr. Yue Man Yiu Matthew, all being independent non-executive Directors. Mr. Lee Kwan Hung is the chairman of the Remuneration Committee.

During the year ended 31 March 2014, there was one meeting held by the Remuneration Committee with all members of the committee attended.

## 3. Nomination committee

The Company has established the Nomination Committee on 18 February 2009 in compliance with the Listing Rules. The Nomination Committee is mainly responsible for making recommendations to the Board on the appointment of Directors and succession planning for Directors. The Nomination Committee currently has three members, namely Professor Fung Kwok Pui, Mr. Lee Kwan Hung and Mr. Yue Man Yiu Matthew, all being independent non-executive Directors. Professor Fung Kwok Pui is the chairman of the Nomination Committee. The term of reference of the Nomination Committee was published on the Group's website.

During the year ended 31 March 2014, there was one meeting held by the Nomination Committee with all members of the committee attended.

## Board diversity policy

The Nomination Committee is also responsible to review the Board diversity policy. The Board diversity policy ensures the Nomination Committee nominates and appoints candidates on merit basis to enhance the effectiveness of the Board so to maintain high standards of corporate governance. The Company sees diversity at the Board level as an essential element in maintaining a competitive advantage. The Company aims to ensure that Board appointments will be made on the basis of a range of diversity factors, including gender, age, cultural background, educational background, industry experience and professional experience. Selection of candidates to join the Board will be, in part, dependent on the pool of available candidates with the necessary skills, knowledge and experience. The ultimate decision will be based on merit and the contribution the chosen candidate will bring to the Board, having regard for the benefits of diversity on the Board.

## Corporate governance functions

The Board is responsible for determining the policy for the corporate governance of the Company and performing the corporate governance duties as below:

1. To develop and review the Group's policies and practices on corporate governance and make recommendations;

2. To review and monitor the training and continuous professional development of directors and senior management;

3. To review and monitor the Group's policies and practices on compliance with all legal and regulatory requirements;

4. To develop, review and monitor the code of conduct and compliance manual (if any) applicable to the employees and directors of the Group; and

5. To review the Group's compliance with the Code and disclosure requirements in the Corporate Governance Report.

## Accountability and audit

### Financial reporting

The Directors acknowledge their responsibility to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Group and in presenting the interim and annual financial statements, and announcements to shareholders in a timely manner. The Directors are responsible for ensuring that the Group maintains accounting records which disclose with reasonable accuracy the financial position of the Group and which enable the preparation of financial statements in accordance with the disclosure requirements of the Hong Kong Companies Ordinance ("Companies Ordinance"), the Hong Kong Financial Reporting Standards ("HKFRSs") and all applicable disclosure provisions of the Listing Rules. In preparing the financial statements for the year ended 31 March 2014, the Directors have selected suitable accounting policies and have applied them consistently, adopted appropriate HKFRSs which are pertinent to its operations and relevant to the financial statements, made judgements and estimates that are prudent and reasonable.

The Board is committed to providing a balanced, clear and comprehensible assessment of the financial performance and prospects of the Group in all the disclosures made to the stakeholders and the regulatory authorities.

Timely release of interim and annual results announcements reflects the Board's commitment to provide transparent and up-to-date disclosures of the results of the Group.

The Board, assisted by the Audit Committee, oversees the financial reporting process and the quality of the financial reporting of the Group. The Audit Committee reviews and monitors the integrity of the Group's annual and interim financial statements. It also reviews the appropriateness of the Group's accounting policies and the changes to these policies as well as ensures these financial statements comply with accounting standards and regulatory requirements.

The responsibilities of the external auditors with respect to financial reporting are set out in the Independent Auditors' Report attached to the Company's Annual Report.

For the year ended 31 March 2014, the total fee paid/payable to the external auditors of the Company, Ernst & Young, in respect of audit services is set out below:

| | For the year ended 31 March 2014 HK$'000 |
|---|---|
| **Audit services** | |
| Annual audit services | 1,050 |

The Audit Committee is responsible to recommend to the Board on matters related to the appointment, re-appointment and removal of the external auditors, which is subject to the approval from the Board and the shareholder at the general meetings of the Company.

## Company secretary

Company Secretary: Mr. Shum Shing Kei (fellow member of the Hong Kong Institute of Certified Public Accountants). During the year ended 31 March 2014, Mr. Shum has taken no less than 15 hours of relevant professional trainings to update his skills and knowledge.

## Internal control

The Board is responsible to maintain sound internal control system and review its effectiveness in the Company. The internal control procedures and practices have been designed to safeguard the assets of the Company, ensure maintenance of proper accounting records, and ensure compliance with applicable laws, rules and regulations.

For the year ended 31 March 2014, the Board has conducted annual review of (i) all material controls of the Company, including financial, operational and compliance controls and risk management functions; and (ii) the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programs and budget. Therefore the Board considers that the Company's internal control system is adequate and effective to provide reasonable assurance against misstatements or losses, and is in accordance with the code provisions on internal control of the CG Code.

## Shareholder rights

### General meeting

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. The Chairman of the Board as well as chairmen of the Audit Committee, Remuneration Committee and Nomination Committee, or in their absence, their duly appointed delegates are available to answer questions at the shareholders' meetings. Auditor of the Company is also invited to attend the Company's AGM and is available to assist the directors in addressing queries from shareholders relating to the conduct of the audit and the preparation and contents of the Independent Auditor's Report. Separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors.

Notice of AGM together with related papers are sent to the shareholders at least 20 clear business days before the meeting, setting out details of each proposed resolution, voting procedures and other relevant information. All votes of shareholders at the general meeting will be decided by poll. The Chairman will demand that all resolutions put to the vote at the AGM will be taken by poll and will explain such rights and procedures during the AGM before voting on the resolutions. An independent scrutineer will be appointed to count the votes and the poll results will be posted on the websites of the Company and the Stock Exchange after the AGM.

Shareholders of the Company can make a requisition to convene an extraordinary general meeting ("EGM") pursuant to Article 58 of the Company's Articles of Association. The procedures for the shareholders to convene an EGM are as follows:

1. One or more shareholders ("Requisitionist") holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings shall have the right, by written notice, to require an EGM to be called by the directors for the transaction of any business specified in such requisition.

2. Such requisition shall be made in writing to the directors or the company secretary of the Company at all of the following addresses:

**Head office of the Company**
Address: Room 612-613, 6/F., Houston Centre, 63 Mody Road, Tsim Sha Tsui, Kowloon, Hong Kong
Attention: Company Secretary

**Registered office of the Company**
Address: Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands
Attention: Company Secretary

3. The EGM shall be held within two months after the deposit of such requisition.

4. If the directors fail to proceed to convene such meeting within 21 days of such deposit, the Requisitionist himself may do so in the same manner, and all reasonable expenses incurred by the Requisitionist as a result of the failure of the directors shall be reimbursed to the Requisitionist by the Company.

## Investors relations

The Board and senior management recognize their responsibility to represent the interests of all shareholders and to maximize shareholder's value and have made the following commitments to the Group:

- continuing effort to maintain long-term stability and growth in shareholder value and return on investment;
- responsible planning, establishment and operation of the Group's core businesses;
- responsible management of the Group's investment and business risks; and
- true, fair and detailed disclosure of the financial position and operating performance of the Group.

The Group believes that shareholders' rights should be well respected and protected. The Group endeavors to maintain good communications with shareholders on its performance through interim reports, annual reports, general meetings and public disclosure on the Company's website, so that they may make an informed assessment of their investments and exercise their rights as shareholders. The Group also encourages shareholders' participation through general meetings or other means.

# Independent Auditors' Report

**To the shareholders of Asia Cassava Resources Holdings Limited**
*(Incorporated in the Cayman Islands with limited liability)*

We have audited the consolidated financial statements of Asia Cassava Resources Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 32 to 91, which comprise the consolidated and company statements of financial position as at 31 March 2014, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## Directors' responsibilities for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**Ernst & Young**
*Certified Public Accountants*
Hong Kong
26 June 2014

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 March 2014

| | Notes | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|---|
| REVENUE | 5 | **5,160,358** | 3,913,185 |
| Cost of sales | | **(4,554,476)** | (3,491,526) |
| Gross profit | | **605,882** | 421,659 |
| Other income | 5 | **6,313** | 7,469 |
| Fair value gain on investment properties | 15 | **1,420** | 600 |
| Selling and distribution expenses | | **(404,297)** | (305,671) |
| General and administrative expenses | | **(60,227)** | (43,338) |
| Impairment loss of a vessel | 14 | **–** | (24,782) |
| Other operating expenses, net | | **–** | (5,460) |
| Finance costs | 6 | **(18,228)** | (15,205) |
| PROFIT BEFORE TAX | 7 | **130,863** | 35,272 |
| Income tax expense | 10 | **(14,116)** | (4,659) |
| PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY | 11 | **116,747** | 30,613 |
| OTHER COMPREHENSIVE INCOME | | | |
| Other comprehensive income to be reclassified to profit or loss in subsequent periods: | | | |
| Exchange differences arising on translation of foreign operations | | **288** | 164 |
| Other comprehensive income not to be reclassified to profit or loss in subsequent periods: | | | |
| Gains on property revaluation | | **2,249** | 647 |
| Income tax effect | | **(371)** | (106) |
| | | **1,878** | 541 |
| OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX | | **2,166** | 705 |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | **118,913** | 31,318 |
| EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY | 13 | | |
| Basic and diluted (HK cents) | | **27.82** | 7.65 |

Details of the dividends proposed for the year are disclosed in note 12 to the financial statements.

# Consolidated Statement of Financial Position

31 March 2014

| | Notes | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 14 | **76,687** | 35,672 |
| Investment properties | 15 | **54,680** | 51,910 |
| Available-for-sale investment | 17 | **9,287** | 9,287 |
| Prepayments, deposits and other receivables | 21 | **28,428** | 23,325 |
| Total non-current assets | | **169,082** | 120,194 |
| CURRENT ASSETS | | | |
| Inventories | 19 | **307,382** | 344,927 |
| Trade and bills receivables | 20 | **106,952** | 198,636 |
| Prepayments, deposits and other receivables | 21 | **60,039** | 146,904 |
| Pledged deposits | 22 | **99,402** | 128,769 |
| Cash and cash equivalents | 22 | **413,280** | 138,698 |
| | | **987,055** | 957,934 |
| Non-current asset classified as held for sale | 18 | **–** | 30,615 |
| Total current assets | | **987,055** | 988,549 |
| CURRENT LIABILITIES | | | |
| Trade and other payables and accruals | 23 | **67,559** | 40,094 |
| Interest-bearing bank borrowings | 24 | **332,509** | 477,313 |
| Tax payables | | **50,636** | 33,962 |
| Total current liabilities | | **450,704** | 551,369 |
| NET CURRENT ASSETS | | **536,351** | 437,180 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | **705,433** | 557,374 |
| NON-CURRENT LIABILITY | | | |
| Deferred tax liability | 25 | **3,033** | 2,383 |
| Net assets | | **702,400** | 554,991 |
| EQUITY | | | |
| Equity attributable to owners of the Company | | | |
| Issued capital | 26 | **44,980** | 40,000 |
| Reserves | 28(a) | **634,930** | 509,991 |
| Proposed final dividends | 12 | **22,490** | 5,000 |
| Total equity | | **702,400** | 554,991 |

*Director* *Director*

# Consolidated Statement of Changes in Equity

Year ended 31 March 2014

| | | Attributable to owners of the Company | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Notes | Issued capital HK$'000 | Share premium* HK$'000 | Contributed surplus* HK$'000 (note (i)) | Merger reserve* HK$'000 (note (ii)) | Legal reserve* HK$'000 (note (iii)) | Asset revaluation reserve* HK$'000 | Exchange fluctuation reserve* HK$'000 | Retained profits* HK$'000 | Proposed final dividends HK$'000 | Total HK$'000 | Non-controlling interest HK$'000 (note (iv)) | Total equity HK$'000 |
| At 1 April 2012: | | 40,000 | 223,709 | 8,229 | (9,773) | 46 | 9,322 | 3,061 | 249,079 | 5,000 | 528,673 | – | 528,673 |
| Profit for the year | | – | – | – | – | – | – | – | 30,613 | – | 30,613 | – | 30,613 |
| Other comprehensive income for the year: | | | | | | | | | | | | | |
| Gains on property revaluation, net of tax | | – | – | – | – | – | 541 | – | – | – | 541 | – | 541 |
| Exchange differences on translation of foreign operations | | – | – | – | – | – | – | 164 | – | – | 164 | – | 164 |
| Total comprehensive income for the year | | – | – | – | – | – | 541 | 164 | 30,613 | – | 31,318 | – | 31,318 |
| Transfer | | – | – | – | – | – | (356) | – | 356 | – | – | – | – |
| 2012 final dividend declared | | – | – | – | – | – | – | – | – | (5,000) | (5,000) | – | (5,000) |
| Proposed 2013 final dividend | 12 | – | – | – | – | – | – | – | (5,000) | 5,000 | – | – | – |
| At 31 March 2013 | | 40,000 | 223,709 | 8,229 | (9,773) | 46 | 9,507 | 3,225 | 275,048 | 5,000 | 554,991 | – | 554,991 |

# Consolidated Statement of Changes in Equity

Year ended 31 March 2014

| | | Attributable to owners of the Company | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Notes | Issued capital HK$'000 | Share premium* HK$'000 | Contributed surplus* HK$'000 (note (i)) | Merger reserve* HK$'000 (note (ii)) | Legal reserve* HK$'000 (note (iii)) | Asset revaluation reserve* HK$'000 | Exchange fluctuation reserve* HK$'000 | Retained profits* HK$'000 | Proposed final dividends HK$'000 | Total HK$'000 | Non-controlling interest HK$'000 (note (iv)) | Total equity HK$'000 |
| At 1 April 2013: | | 40,000 | 223,709 | 8,229 | (9,773) | 46 | 9,507 | 3,225 | 275,048 | 5,000 | 554,991 | – | 554,991 |
| Profit for the year | | – | – | – | – | – | – | – | 116,747 | – | 116,747 | – | 116,747 |
| Other comprehensive income for the year: | | | | | | | | | | | | | |
| Gains on property revaluation, net of tax | | – | – | – | – | – | 1,878 | – | – | – | 1,878 | – | 1,878 |
| Exchange differences on translation of foreign operations | | – | – | – | – | – | – | 288 | – | – | 288 | – | 288 |
| Total comprehensive income for the year | | – | – | – | – | – | 1,878 | 288 | 116,747 | – | 118,913 | – | 118,913 |
| Transfer | | – | – | – | – | – | (437) | – | 437 | – | – | – | – |
| 2013 final dividend declared | 12 | – | – | – | – | – | – | – | – | (5,000) | (5,000) | – | (5,000) |
| Issue of shares, net of share issuing costs | 26 | 4,980 | 28,516 | – | – | – | – | – | – | – | 33,496 | – | 33,496 |
| Proposed 2014 final dividend | 12 | – | – | – | – | – | – | – | (22,490) | 22,490 | – | – | – |
| At 31 March 2014 | | 44,980 | 252,225 | 8,229 | (9,773) | 46 | 10,948 | 3,513 | 369,742 | 22,490 | 702,400 | – | 702,400 |

Notes:

(i) The Group's contributed surplus represents the excess of the nominal value of the shares of the subsidiaries acquired pursuant to a group reorganisation (the "Group Reorganisation") prior to the listing of the Company's shares over the nominal value of the Company's shares issued in exchange therefor.

(ii) 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.

(iii) 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.

(iv) The Group's non-controlling interest represents 10% of equity interest in subsidiaries, Asiafame Enterprises Limited and Artsun Resources Company Limited, of HK$10.

* These reserve accounts comprise the consolidated reserves of HK$634,930,000 (2013: HK$509,991,000) in the consolidated statement of financial position.

# Consolidated Statement of Cash Flows

Year ended 31 March 2014

| | Notes | 2014<br>HK$'000 | 2013<br>HK$'000 |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before tax | | **130,863** | 35,272 |
| Adjustments for: | | | |
| Interest income | 5 | **(4,648)** | (2,756) |
| Change in fair value of investment properties | 15 | **(1,420)** | (600) |
| Impairment of items of property, plant and equipment | | **–** | 24,782 |
| Finance costs | 6 | **18,228** | 15,205 |
| Depreciation | 7 | **3,082** | 4,773 |
| | | **146,105** | 76,676 |
| Decrease in inventories | | **37,545** | 37,639 |
| Decrease in trade and bills receivables | | **91,684** | 14,317 |
| Decrease/(increase) in prepayments, deposits and other receivables | | **86,865** | (109,637) |
| Increase/(decrease) in trade and other payables and accruals | | **27,465** | (21,212) |
| Cash generated from/(used in) operations | | **389,664** | (2,217) |
| Interest received | | **4,648** | 5,074 |
| Interest paid | | **(18,228)** | (15,205) |
| Dividend paid | | **(5,000)** | (5,000) |
| Hong Kong profits tax refunded/(paid) | | **(561)** | 331 |
| Overseas taxes refunded/(paid) | | **3,398** | (3,240) |
| Net cash flows from/(used in) operating activities | | **373,921** | (20,257) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchases of items of property, plant and equipment | 14 | **(42,417)** | (13,492) |
| Proceed on disposal of property, plant and equipment | | **30,615** | – |
| Purchase of investment properties | | **(1,350)** | – |
| Purchases of an available-for-sale investment | | **–** | (9,287) |
| Prepayment for acquisition of property, plant and equipment | | **(5,103)** | (10,689) |
| Cash advances to an available-for-sale investment | | **–** | (11,640) |
| Net cash flows used in investing activities | | **(18,255)** | (45,108) |

## Consolidated Statement of Cash Flows

Year ended 31 March 2014

| | Notes | 2014<br>HK$'000 | 2013<br>HK$'000 |
|---|---|---|---|
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| New bank loans | | **2,147,443** | 1,762,069 |
| Repayment of bank loans | | **(2,292,247)** | (1,572,117) |
| Proceed from issue of shares | | **33,496** | – |
| Net cash flows from/(used in) financing activities | | **(111,308)** | 189,952 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | **244,358** | 124,587 |
| Cash and cash equivalents at beginning of year | | **267,467** | 142,810 |
| Effect of foreign exchange rate changes, net | | **857** | 70 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | 22 | **512,682** | 267,467 |
| ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS | | | |
| Cash and bank balances | 22 | **325,073** | 132,328 |
| Non-pledged time deposits with original maturity of less than three months when acquired | 22 | **88,207** | 6,370 |
| Cash and cash equivalents as stated in the consolidated statement of financial position | | **413,280** | 138,698 |
| Time deposits with original maturity of less than three months when acquired, pledged as security for bank loans | 22 | **99,402** | 128,769 |
| Cash and cash equivalents as stated in the consolidated statement of cash flows | | **512,682** | 267,467 |

# Statement of Financial Position

31 March 2014

| | Notes | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| Investments in subsidiaries | 16 | **94,475** | 94,475 |
| CURRENT ASSETS | | | |
| Amounts due from subsidiaries | 16 | **306,599** | 278,976 |
| Prepayments | 21 | **149** | 149 |
| Cash and bank balances | 22 | **436** | 439 |
| Total current assets | | **307,184** | 279,564 |
| CURRENT LIABILITIES | | | |
| Amounts due to subsidiaries | 16 | **20,429** | 20,429 |
| Other payables | 23 | **94** | 94 |
| Total current liabilities | | **20,523** | 20,523 |
| NET CURRENT ASSETS | | **286,661** | 259,041 |
| Net assets | | **381,136** | 353,516 |
| EQUITY | | | |
| Issued capital | 26 | **44,980** | 40,000 |
| Reserves | 28(b) | **313,666** | 308,516 |
| Proposed final dividends | 12 | **22,490** | 5,000 |
| Total equity | | **381,136** | 353,516 |

*Director* *Director*

# Notes to Financial Statements

31 March 2014

## 1. Corporate Information

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 8 May 2008. The registered address of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The head office and principal place of business of the Company is Units 612-3 and 617, Houston Centre, 63 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong.

The shares of the Company have been listed on the Stock Exchange of Hong Kong Limited (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 sale of dried cassava chips in Mainland China and Thailand.

In the opinion of the directors, the immediate and 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 statements 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"), 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 classified as property, plant and equipment, which have been measured at fair value. Non-current assets classified as held for sale are stated at the lower of their carrying amounts and fair values less costs of disposal as further explained in note 2.4. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

### Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2014. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other total comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

## 2.1 Basis of Presentation and Consolidation *(Continued)*

### Basis of consolidation *(Continued)*

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

## 2.2 Changes in accounting Policies 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 Amendments | Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans* |
| HKFRS 7 Amendments | Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities* |
| HKFRS 10 | *Consolidated Financial Statements* |
| HKFRS 11 | *Joint Arrangements* |
| HKFRS 12 | *Disclosure of Interests in Other Entities* |
| HKFRS 10, HKFRS 11 and HKFRS 12 Amendments | Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 *– Transition Guidance* |
| HKFRS 13 | *Fair Value Measurement* |
| HKAS 1 Amendments | Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income* |
| HKAS 19 (2011) | *Employee Benefits* |
| HKAS 27 (2011) | *Separate Financial Statements* |
| HKAS 28 (2011) | *Investments in Associates and Joint Ventures* |
| HKAS 36 Amendments | Amendments to HKAS 36 *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets* (early adopted) |
| HK(IFRIC)-Int 20 | *Stripping Costs in the Production Phase of a Surface Mine* |
| *Annual Improvements 2009-2011 Cycle* | Amendments to a number of HKFRSs issued in June 2012 |

Other than as further explained below regarding the impact of HKFRS 13, and amendments to HKAS 1 and HKAS 36, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

## 2.2 Changes in accounting Policies and Disclosures *(Continued)*

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but rather provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. HKFRS 13 is applied prospectively and the adoption has had no material impact on the Group's fair value measurements. As a result of the guidance in HKFRS 13, the policies for measuring fair value have been amended. Additional disclosures required by HKFRS 13 for the fair value measurements of investment properties and financial instruments are included in notes 15 and 33 to the financial statements.

(b) The HKAS 1 Amendments change the grouping of items presented in other comprehensive income ("OCI"). Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, net gain on hedge of a net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) are presented separately from items which will never be reclassified (for example, actuarial gains and losses on defined benefit plans and the revaluation of land and buildings). The amendments will have affected the presentation only and have had no impact on the financial position or performance of the Group. The consolidated statement of profit or loss and other comprehensive income has been restated to reflect the changes. In addition, the Group has chosen to use the new title "statement of profit or loss and other comprehensive income" as introduced by the amendments in these financial statements.

(c) The HKAS 36 Amendments remove the unintended disclosure requirement made by HKFRS 13 on the recoverable amount of a cash-generating unit which is not impaired. In addition, the amendments require the disclosure of the recoverable amounts for the assets or cash-generating units for which an impairment loss has been recognised or reversed during the reporting period, and expand the disclosure requirements regarding the fair value measurement for these assets or units if their recoverable amounts are based on fair value less costs of disposal. The amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided HKFRS 13 is also applied. The Group has early adopted the amendments in these financial statements. The amendments have had no impact on the financial position or performance of the Group.

## 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 9 | *Financial Instruments*[4] |
| HKFRS 9, HKFRS 7 and HKAS 39 Amendments | *Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39*[4] |
| HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments | Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – *Investment Entities*[1] |
| HKFRS 14 | *Regulatory Deferral Accounts*[3] |
| HKAS 19 Amendments | Amendments to HKAS 19 *Employee Benefits – Defined Benefit Plans: Employee Contributions*[2] |
| HKAS 32 Amendments | Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[1] |
| HKAS 39 Amendments | Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*[1] |
| HK(IFRIC) – Int 21 | *Levies*[1] |
| Annual Improvements 2010 – 2012 Cycle | Amendments to a number of HKFRSs issued in January 2014[2] |
| Annual Improvements 2011 – 2013 Cycle | Amendments to a number of HKFRSs issued in January 2014[2] |

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 Effective for annual periods beginning on or after 1 July 2016
4 No mandatory effective date yet determined but is available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated as at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

## 2.3 Issued But Not Yet Effective Hong Kong Financial Reporting Standards *(Continued)*

In December 2013, the HKICPA added to HKFRS 9 the requirements related to hedge accounting and made some related changes to HKAS 39 and HKFRS 7 which include the corresponding disclosures about risk management activity for applying hedge accounting. The amendments to HKFRS 9 relax the requirements for assessing hedge effectiveness which result in more risk management strategies being eligible for hedge accounting. The amendments also allow greater flexibility on the hedged items and relax the rules on using purchased options and non-derivative financial instruments as hedging instruments. In addition, the amendments to HKFRS 9 allow an entity to apply only the improved accounting for own credit risk-related fair value gains and losses arising on FVO liabilities as introduced in 2010 without applying the other HKFRS 9 requirements at the same time.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on impairment of financial assets continues to apply. The previous mandatory effective date of HKFRS 9 was removed by the HKICPA in December 2013 and a mandatory effective date will be determined after the entire replacement of HKAS 39 is completed. However, the standard is available for application now. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

## 2.4 Summary of Significant Accounting Policies

### Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has right, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current liability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;
(b) rights arising from other contractual arrangements; and
(c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

## 2.4 Summary of Significant Accounting Policies *(Continued)*

### Fair value measurement

The Group measures its investment properties at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

### Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets, deferred tax assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

## 2.4 Summary of Significant Accounting Policies *(Continued)*

### Impairment of non-financial assets *(Continued)*

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

### Related parties

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

(a) the party is a person or a close member of that person's family and that person

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a); and
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

## 2.4 Summary of Significant Accounting Policies *(Continued)*

### Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the cost as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Valuations of land and buildings are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of land and buildings are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to profit or loss. Any subsequent revaluation surplus is credited to profit or loss to the extent of the deficit previously charged. An annual transfer from the asset revaluation reserve to retained profits is made for the difference between the depreciation based on the revalued carrying amount of an asset and the depreciation based on the asset's original cost. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

| | |
|---|---|
| Leasehold land and buildings | 2% to 5% |
| Furniture and fixtures | 10% to $33^1/_3$% |
| Leasehold improvements | Shorter of lease terms and 20% |
| Machinery and equipment | 10% to 25% |
| Motor vehicles | 20% to 25% |
| Vessel | 10% |

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

## 2.4 Summary of Significant Accounting Policies *(Continued)*

### Property, plant and equipment and depreciation *(Continued)*

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

### Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of the retirement or disposal.

### Non-current assets classified as held for sale

Assets are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable.

Assets (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs of disposal. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

### Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases, net of any incentives received from the lessor, are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

## 2.4 Summary of Significant Accounting Policies *(Continued)*

### Investments and other financial assets

*Initial recognition and measurement*

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

*Subsequent measurement*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in profit or loss for loans and in other expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in profit or loss, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in profit or loss as other income.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

## 2.4 Summary of Significant Accounting Policies *(Continued)*

### Investments and other financial assets *(Continued)*

*Subsequent measurement (Continued)*

Available-for-sale financial investments *(continued)*

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

### Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

### Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

## 2.4 Summary of Significant Accounting Policies *(Continued)*

### Impairment of financial assets *(Continued)*

*Financial assets carried at amortised cost*

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to profit or loss.

*Available-for-sale financial investments*

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is removed from other comprehensive income and recognised in profit or loss.

## 2.4 Summary of Significant Accounting Policies *(Continued)*

### Impairment of financial assets *(Continued)*

*Available-for-sale financial investments (continued)*

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss – is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

### Financial liabilities

*Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and interest-bearing borrowings, which are classified as loans and borrowings.

*Subsequent measurement*

Loans and borrowings

After initial recognition, trade and other payables, finance lease payables and interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

## 2.4 Summary of Significant Accounting Policies *(Continued)*

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in-first-out basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

### Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

### Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

## 2.4 Summary of Significant Accounting Policies *(Continued)*

### Income tax *(Continued)*

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

### Revenue recognition

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

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) rental income, on a time proportion basis over the lease terms; and

(c) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of the financial asset.

## 2.4 Summary of Significant Accounting Policies *(Continued)*

### Other employee benefits

*Pension schemes*

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The Group operates a defined contribution scheme for those employees in Thailand who are eligible and have elected to participate in the scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. Contributions are made based on a percentage of the participating employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the schemes. When an employee leaves the scheme prior to his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group may be reduced by the relevant amount of forfeited contributions.

The employees of the Group's subsidiary which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute certain percentage of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

The employees of the Group's subsidiary which operates in Macau are required to participate in a central pension scheme operated by the Macau government. The Group's subsidiary which operates in Macau is required to contribute a fixed amount of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

### Dividends

Final and special dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

## 2.4 Summary of Significant Accounting Policies *(Continued)*

### Borrowing costs

Borrowing costs are recognised as expenses in profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period, and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

## 3. Significant Accounting Judgements and Estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

## 3. Significant Accounting Judgements and Estimates *(Continued)*

### Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

(i) *Operating lease commitments – Group as lessor*

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

(ii) *Classification between investment properties and owner-occupied properties*

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under finance leases, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

(iii) *Impairment of assets*

The Group has to exercise judgement in determining whether an asset is impaired or the event previously causing the asset impairment no longer exists, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could material affect the net present value used in the impairment test.

(iv) *Income taxes and withholding taxes*

The Group is subject to income taxes and withholding taxes in numerous jurisdictions in connection with the Group's sale of dried cassava chips. Judgement is required in determining the Group's provision for income taxes and withholding taxes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact on the income tax in the periods in which such determination is made.

## 3. Significant Accounting Judgements and Estimates *(Continued)*

### Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

*(i)* *Useful lives and residual values of items of property, plant and equipment*

The Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will revise the depreciation charge where useful lives are different to previously estimated, or will write off or write down technically obsolete or non-strategy assets that have been abandoned or sold. The carrying amount of property, plant and equipment of the Group at 31 March 2014 was HK$76,687,000 (2013: HK$35,672,000).

*(ii)* *Estimation of fair value of investment properties and land and buildings*

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The carrying amounts of investment properties and leasehold land and buildings of the Group at 31 March 2014 were HK$54,680,000 (2013: HK$51,910,000) and HK$32,335,000 (2013: HK$30,944,000), respectively. Further details, including the key assumptions used for fair value measurement, are given in note 15 to the financial statements.

## 4. Segment Information

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

(a) the procurement and sale of dried cassava chips segment engages in the procurement and sale of dried cassava chips;

(b) the procurement and sale of thermal coal segment engages in the procurement and sale of thermal coal; and

(c) the property investment segment invests in office space and industrial properties for its rental income potential.

## 4. Segment Information *(Continued)*

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 cash and cash equivalents, pledged deposits, an available-for-sale investment, other unallocated head office and corporate assets as these assets are managed on a group basis.

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

| Year ended 31 March 2014 | Procurement and sale of dried cassava chips HK$'000 | Procurement and sale of thermal coal HK$'000 | Property investment HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| **Segment revenue:** | | | | |
| Sales to external customers | 5,160,358 | – | – | 5,160,358 |
| Gross rental income | – | – | 1,609 | 1,609 |
| Total | 5,160,358 | – | 1,609 | 5,161,967 |
| **Segment results** | 144,484 | – | 2,636 | 147,120 |
| Interest and unallocated gains | | | | 4,704 |
| Corporate and other unallocated expenses | | | | (2,733) |
| Finance costs | | | | (18,228) |
| Profit before tax | | | | 130,863 |
| **Segment assets** | 532,115 | – | 87,583 | 619,698 |
| Corporate and other unallocated assets | | | | 536,439 |
| Total assets | | | | 1,156,137 |
| **Segment liabilities** | 399,697 | – | 277 | 399,974 |
| Corporate and other unallocated liabilities | | | | 53,763 |
| Total liabilities | | | | 453,737 |
| **Other segment information:** | | | | |
| Depreciation | 2,818 | – | 264 | 3,082 |
| Capital expenditure | 41,067 | – | 1,350 | 42,417 |
| Fair value gain on investment properties | – | – | 1,420 | 1,420 |

## 4. Segment Information *(Continued)*

| **Year ended 31 March 2013** | Procurement and sale of dried cassava chips HK$'000 | Procurement and sale of thermal coal HK$'000 | Property investment HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| **Segment revenue:** | | | | |
| Sales to external customers | 3,850,085 | 63,100 | – | 3,913,185 |
| Gross rental income | – | – | 1,487 | 1,487 |
| Total | 3,850,085 | 63,100 | 1,487 | 3,914,672 |
| **Segment results** | 50,323 | (5,755) | 1,744 | 46,312 |
| Interest and unallocated gains | | | | 5,982 |
| Corporate and other unallocated expenses | | | | (1,817) |
| Finance costs | | | | (15,205) |
| Profit before tax | | | | 35,272 |
| **Segment assets** | 733,427 | 247 | 83,776 | 817,450 |
| Corporate and other unallocated assets | | | | 291,293 |
| Total assets | | | | 1,108,743 |
| **Segment liabilities** | 516,186 | 27 | 1,099 | 517,312 |
| Corporate and other unallocated liabilities | | | | 36,440 |
| Total liabilities | | | | 553,752 |
| **Other segment information:** | | | | |
| Impairment losses recognised in profit or loss | 24,782 | – | – | 24,782 |
| Depreciation | 4,030 | – | 743 | 4,773 |
| Capital expenditure | 3,022 | – | 10,470 | 13,492 |
| Fair value gain on investment properties | – | – | 600 | 600 |

## 4. Segment Information *(Continued)*

### Geographical information

(a) *Revenue from external customers*

| | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|
| Hong Kong | 1,609 | 1,487 |
| Mainland China | 4,931,215 | 3,756,497 |
| Thailand | 229,143 | 156,688 |
| | 5,161,967 | 3,914,672 |

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

(b) *Non-current assets*

| | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|
| Hong Kong | 69,316 | 95,464 |
| Mainland China | 31,895 | 2,302 |
| Thailand | 24,747 | 13,141 |
| Unallocated | 33,837 | – |
| | 159,795 | 110,907 |

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

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

### Information about a major customer

Revenue of approximately HK$1,014,795,000 (2013: HK$377,179,000) was derived from sales by the procurement and sale of the dried cassava chips segment to a single customer.

## 5. 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:

| | 2014<br>HK$'000 | 2013<br>HK$'000 |
|---|---|---|
| **Revenue** | | |
| Sales of dried cassava chips | 5,160,358 | 3,850,085 |
| Sales of thermal coal | – | 63,100 |
| | 5,160,358 | 3,913,185 |

An analysis of other income is as follows:

| | 2014<br>HK$'000 | 2013<br>HK$'000 |
|---|---|---|
| **Other income** | | |
| Bank interest income | 4,648 | 2,756 |
| Gross rental income | 1,609 | 1,487 |
| Rental income from a vessel, net of direct operating expenses | – | 943 |
| Other income from insurance claims | – | 2,031 |
| Others | 56 | 252 |
| | 6,313 | 7,469 |

## 6. Finance Costs

An analysis of finance costs is as follows:

| | 2014<br>HK$'000 | 2013<br>HK$'000 |
|---|---|---|
| Interest on bank loans and overdrafts | 18,228 | 15,205 |

## 7. Profit Before Tax

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

| | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|
| Cost of inventories sold | **4,554,476** | 3,491,526 |
| Depreciation (note 14): | **3,082** | 4,773 |
| Auditors' remuneration | **1,228** | 1,103 |
| Employee benefit expenses (including directors' remuneration (note 8)): | | |
| Wages and salaries | **18,408** | 15,526 |
| Pension scheme contributions* | **673** | 879 |
| | **19,081** | 16,405 |
| Rental income on investment properties less direct operating expense of HK$7,000 (2013: HK$5,000) | **(1,602)** | (1,482) |
| Minimum lease payments under operating leases in respect of storage facilities and office premises | **2,872** | 3,347 |
| Contingent rent under operating leases in respect of storage facilities | **5,102** | 5,276 |
| Foreign exchange loss/(gain), net | **754** | (14,252) |

* As at 31 March 2014, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2013: Nil).

## 8. Directors' and Chief Executive's Remuneration

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

| | Group | |
|---|---|---|
| | 2014 HK$'000 | 2013 HK$'000 |
| Fees | **507** | 468 |
| Other emoluments: | | |
| Salaries, allowances and benefits in kind | **2,609** | 1,368 |
| Pension scheme contributions | **45** | 45 |
| | **2,654** | 1,413 |
| | **3,161** | 1,881 |

## 8. Directors' and Chief Executive's Remuneration *(Continued)*

### Year ended 31 March 2014

| | Fees HK$'000 | Salaries, allowances and benefits in kind HK$'000 | Pension scheme contributions HK$'000 | Total remuneration HK$'000 |
|---|---|---|---|---|
| Executive directors: | | | | |
| Chu Ming Chuan | – | 1,625 | 15 | 1,640 |
| Liu Yuk Ming | – | 513 | 15 | 528 |
| Lam Ching Fun | – | 471 | 15 | 486 |
| | – | 2,609 | 45 | 2,654 |
| Independent non-executive directors: | | | | |
| Lee Kwan Hung | 195 | – | – | 195 |
| Yue Man Yiu Matthew | 156 | – | – | 156 |
| Fung Kwok Pui | 156 | – | – | 156 |
| | 507 | – | – | 507 |
| | 507 | 2,609 | 45 | 3,161 |

### Year ended 31 March 2013

| | Fees HK$'000 | Salaries, allowances and benefits in kind HK$'000 | Pension scheme contributions HK$'000 | Total remuneration HK$'000 |
|---|---|---|---|---|
| Executive directors: | | | | |
| Chu Ming Chuan | – | 494 | 15 | 509 |
| Liu Yuk Ming | – | 454 | 15 | 469 |
| Lam Ching Fun | – | 420 | 15 | 435 |
| | – | 1,368 | 45 | 1,413 |
| Independent non-executive directors: | | | | |
| Lee Kwan Hung | 180 | – | – | 180 |
| Yue Man Yiu Matthew | 144 | – | – | 144 |
| Fung Kwok Pui | 144 | – | – | 144 |
| | 468 | – | – | 468 |
| | 468 | 1,368 | 45 | 1,881 |

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2013: Nil).

## 9. Five Highest Paid Employees

The five highest paid employees during the year included two (2013: one) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining three (2013: four) highest paid employees who are neither a director nor the chief executive of the Company are as follows:

| | 2014<br>HK$'000 | 2013<br>HK$'000 |
|---|---|---|
| Salaries, allowances and benefits in kind | 2,277 | 2,625 |
| Pension scheme contributions | 45 | 51 |
| | 2,322 | 2,676 |

The remuneration of non-director and non-chief executive highest paid employees is within the following bands:

| | 2014<br>Number of<br>individuals | 2013<br>Number of<br>individuals |
|---|---|---|
| Nil – HK$1,000,000 | 2 | 3 |
| HK$1,000,001 – HK$1,500,000 | 1 | 1 |
| | 3 | 4 |

## 10. Income Tax

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 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.

| | **2014 HK$'000** | 2013 HK$'000 |
|---|---|---|
| Current – Hong Kong | | |
| Charge for the year | **17,387** | 4,676 |
| Overprovision in prior years | **(4,981)** | – |
| Current – Thailand | **1,431** | – |
| Deferred (note 25) | **279** | (17) |
| Total tax charge for the year | **14,116** | 4,659 |

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the countries/jurisdictions in which the Company and its subsidiaries are domiciled to the tax charge for the year at the Group's effective rate is as follows:

| | **2014 HK$'000** | 2013 HK$'000 |
|---|---|---|
| Profit before tax | **130,863** | 35,272 |
| Tax at the statutory tax rate of 16.5% (2013: 16.5%) | **21,592** | 5,820 |
| Lower tax rates for other countries/jurisdictions | **(679)** | (848) |
| Adjustments in respect of current tax of previous periods | **(4,981)** | – |
| Income not subject to tax | **(10,302)** | (12,338) |
| Expenses not deductible for tax | **7,983** | 9,585 |
| Tax loss not recognised | **785** | 1,635 |
| Tax loss utilised from previous periods | **–** | (105) |
| Others | **(282)** | 910 |
| Income tax expense at the Group's effective tax rate of 10.8% (2013: 13.2%) | **14,116** | 4,659 |

## 11. Profit Attributable to Owners of The Company

The consolidated profit attributable to owners of the Company for the year ended 31 March 2014 includes a profit of HK$29,124,000 (2013: HK$5,090,000) which has been dealt with in the financial statements of the Company (note 28(b)).

## 12. Dividends

| | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|
| Proposed final – HK5 cents (2013: HK1.25 cents) per ordinary share | **22,490** | 5,000 |

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

## 13. Earnings Per Share Attributable to Ordinary Equity Holders of The Company

The calculation of basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 419,647,123 (2013: 400,000,000) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 March 2014 and 2013 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during these years.

## 14. Property, Plant and Equipment

### Group

| | Leasehold land and buildings HK$'000 | Furniture, fixtures and leasehold improvements HK$'000 | Machinery and equipment HK$'000 | Vessel and motor vehicles HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| At 1 April 2013: | | | | | |
| Cost or valuation | 30,944 | 787 | 3,968 | 6,489 | 42,188 |
| Accumulated depreciation | – | (619) | (1,837) | (4,060) | (6,516) |
| Net carrying amount | 30,944 | 168 | 2,131 | 2,429 | 35,672 |
| At 1 April 2013, net of accumulated depreciation | 30,944 | 168 | 2,131 | 2,429 | 35,672 |
| Additions | – | 1,119 | 35 | 41,263 | 42,417 |
| Depreciation provided during the year | (858) | (34) | (681) | (1,509) | (3,082) |
| Revaluation | 2,249 | – | – | – | 2,249 |
| Exchange realignment | – | – | (505) | (64) | (569) |
| At 31 March 2014, net of accumulated depreciation | 32,335 | 1,253 | 980 | 42,119 | 76,687 |
| At 31 March 2014: | | | | | |
| Cost or valuation | 32,335 | 1,906 | 4,003 | 47,752 | 85,996 |
| Accumulated depreciation | – | (653) | (3,023) | (5,633) | (9,309) |
| Net carrying amount | 32,335 | 1,253 | 980 | 42,119 | 76,687 |
| Analysis of cost or valuation: | | | | | |
| At cost | – | 1,906 | 4,003 | 47,752 | 53,661 |
| At 31 March 2014 valuation | 32,335 | – | – | – | 32,335 |
| | 32,335 | 1,906 | 4,003 | 47,752 | 85,996 |

## 14. Property, Plant and Equipment *(Continued)*

### Group *(Continued)*

| | Leasehold land and buildings HK$'000 | Furniture, fixtures and leasehold improvements HK$'000 | Machinery and equipment HK$'000 | Vessel and motor vehicles HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| At 1 April 2012: | | | | | |
| Cost or valuation | 20,570 | 787 | 2,035 | 68,493 | 91,885 |
| Accumulated depreciation | – | (613) | (1,562) | (8,101) | (10,276) |
| Net carrying amount | 20,570 | 174 | 473 | 60,392 | 81,609 |
| At 1 April 2012, net of accumulated depreciation | 20,570 | 174 | 473 | 60,392 | 81,609 |
| Additions | 10,470 | – | 1,933 | 1,089 | 13,492 |
| Impairment | – | – | – | (24,782) | (24,782) |
| Depreciation provided during the year | (743) | (6) | (369) | (3,655) | (4,773) |
| Revaluation | 647 | – | – | – | 647 |
| Non-current assets classified as held for sale (note 18) | – | – | – | (30,615) | (30,615) |
| Exchange realignment | – | – | 94 | – | 94 |
| At 31 March 2013, net of accumulated depreciation | 30,944 | 168 | 2,131 | 2,429 | 35,672 |
| At 31 March 2013: | | | | | |
| Cost or valuation | 30,944 | 787 | 3,968 | 6,489 | 42,188 |
| Accumulated depreciation | – | (619) | (1,837) | (4,060) | (6,516) |
| Net carrying amount | 30,944 | 168 | 2,131 | 2,429 | 35,672 |
| Analysis of cost or valuation: | | | | | |
| At cost | – | 787 | 3,968 | 6,489 | 11,244 |
| At 31 March 2013 valuation | 30,944 | – | – | – | 30,944 |
| | 30,944 | 787 | 3,968 | 6,489 | 42,188 |

On 28 March 2013, the Group announced the decision of its board of directors to disposal of a vessel, Globe Bright (the "Vessel") registered under the name of the Company's subsidiary, Globe Shipping Limited ("Globe Shipping"). The Vessel, with a then carrying amount of HK$55,397,000, was subsequently disposed of at a consideration of US$3,924,995 (equivalent to approximately HK$30,615,000), resulting in an impairment loss of HK$24,782,000. Further details of such impairment are disclosed in note 18 to the financial statements.

## 14. Property, Plant and Equipment *(Continued)*

### Group *(Continued)*

The Group's leasehold land and buildings included in property, plant and equipment consisted of office premises with a net carrying amount of HK$22,810,000 (2013: HK$21,320,000) situated in Hong Kong held under long term leases, office premises with a net carrying amount of HK$2,777,000 (2013: HK$2,876,000) situated in Thailand held under a medium term lease, and staff quarter with a carrying amount of HK$6,748,000 (2013: HK$6,748,000) situated in Mainland China held under a long term lease.

The directors of the Company have determined that the leasehold land and buildings consist of two classes of asset, i.e., commercial and residential, based on the nature, characteristics and risks of each property. The Group's leasehold land and buildings were revalued on 31 March 2014 based on valuations performed by Asset Appraisal Limited, independent professionally qualified valuers, totalling HK$32,335,000 (2013: HK$30,944,000). Each year, the Group's management and the chief financial officer decide, after the approval from the audit committee, to appoint which external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's management and the chief financial officer have discussions with the valuer on the valuation assumptions and valuation results once a year when the valuation is performed for annual financial reporting. The leasehold land and buildings are self-used by the Group.

Had the Group's leasehold land and buildings been carried at historical cost less accumulated depreciation, their carrying amounts would have been approximately HK$18,936,000 (2013: HK$18,603,000).

As at 31 March 2014, the Group's leasehold land and buildings with a carrying value of approximately HK$11,340,000 (2013: HK$10,670,000) were pledged to secure bank loans granted to the Group (note 24(ii)).

### Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's the leasehold land and buildings:

| | Fair value measurement as at 31 March 2014 using | | | |
|---|---|---|---|---|
| **Group** | **Quoted prices in markets (Level 1) HK$'000** | **Significant observable inputs (Level 2) HK$'000** | **Significant unobservable inputs (Level 3) HK$'000** | **Total HK$'000** |
| Recurring fair value measurement for: | | | | |
| Commercial properties | – | – | 25,587 | 25,587 |
| Residential properties | – | – | 6,748 | 6,748 |
| | – | – | 32,335 | 32,335 |

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

## 14. Property, Plant and Equipment *(Continued)*

### Fair value hierarchy *(Continued)*

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

| | **Commercial properties** HK$'000 | **Residential properties** HK$'000 |
|---|---|---|
| Carrying amount at 1 April 2013 | 24,196 | 6,748 |
| Depreciation | (858) | – |
| Revaluation | 2,249 | – |
| Carrying amount at 31 March 2014 | 25,587 | 6,748 |

Below is a summary of the valuation techniques used and the key inputs to the valuation of the leasehold land and buildings:

| | **Valuation technique** | **Significant unobservable inputs** | **Range (weighted average)** |
|---|---|---|---|
| Commercial properties | Direct comparison method | Price per square foot | HK$1,118 to HK$8,500 |
| Residential properties | Direct comparison method | Price per square foot | HK$2,120 |

As at 31 March 2014, the valuations of the leasehold land and buildings were based on direct comparison method by reference to comparable market transactions.

Significant increase (decrease) in price per square foot in isolation would result in significantly higher (lower) fair value of the leasehold land and buildings.

Generally, changes in the assumption made for the price per square foot are accompanied by a directionally opposite change in the capitalisation rate.

## 15. Investment Properties

| **Group** | HK$'000 |
|---|---|
| Carrying amount at 1 April 2012 | 51,310 |
| Net profit on a fair value adjustment | 600 |
| Carrying amount at 31 March 2013 and 1 April 2013 | 51,910 |
| Addition during the year | 1,350 |
| Net profit on a fair value adjustment | 1,420 |
| Carrying amount at 31 March 2014 | 54,680 |

The Group's investment properties are held under the following lease terms:

| | **2014**<br>**HK$'000** | 2013<br>HK$'000 |
|---|---|---|
| Long term leases in Hong Kong | **42,980** | 40,210 |
| Medium term leases in Mainland China | **11,700** | 11,700 |
| | **54,680** | 51,910 |

## 15. Investment Properties *(Continued)*

The Group's investment properties consist of four commercial properties and one parking space in Hong Kong and one industrial property in Mainland China. The directors of the Company have determined that the investment properties consist of two classes of asset, i.e., commercial and industrial, based on the nature, characteristics and risks of each property. The Group's investment properties were revalued on 31 March 2014 based on valuations performed by Asset Appraisal Limited, independent professionally qualified valuers, totalling HK$54,680,000 (2013: HK$51,910,000). Each year, the Group's management and the chief financial officer decide, after the approval from the audit committee, to appoint which external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's management and the chief financial officer have discussions with the valuer on the valuation assumptions and valuation results once a year when the valuation is performed for annual financial reporting. The investment properties are leased to third parties under operating leases, further summary details of which are included in note 30(a) to the financial statements.

At 31 March 2014, the Group's investment properties with a carrying value of HK$30,030,000 (2013: HK$29,210,000) were pledged to secure bank loans granted to the Group (note 24(iii)). Further particulars of the Group's investment properties were set out on page 92.

### Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

| | Fair value measurement as at 31 March 2014 using | | | |
|---|---|---|---|---|
| **Group** | **Quoted prices in markets (Level 1) HK$'000** | **Significant observable inputs (Level 2) HK$'000** | **Significant unobservable inputs (Level 3) HK$'000** | **Total HK$'000** |
| Recurring fair value measurement for: | | | | |
| Commercial properties | – | – | 42,780 | 42,780 |
| Industrial properties | – | – | 11,900 | 11,900 |
| | – | – | 54,680 | 54,680 |

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

## 15. Investment Properties *(Continued)*

### Fair value hierarchy *(Continued)*

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

| | **Commercial properties** HK$'000 | **Industrial properties** HK$'000 |
|---|---|---|
| Carrying amount at 1 April 2013 | 40,210 | 11,700 |
| Additions (from acquisition) | 1,350 | – |
| Net gain from a fair value adjustment recognised in profit or loss | 1,220 | 200 |
| Carrying amount at 31 March 2014 | 42,780 | 11,900 |

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

| | **Valuation technique** | **Significant unobservable inputs** | **Range (weighted average)** |
|---|---|---|---|
| Commercial properties | Direct comparison method | Price per square foot | HK$8,500 to HK$12,000 |
| Industrial properties | Direct comparison method | Price per square foot | HK$598 |

As at 31 March 2014, the valuations of investment properties were based on direct comparison method by reference to comparable market transactions.

Significant increase (decrease) in price per square foot in isolation would result in significantly higher (lower) fair value of the investment properties.

Generally, changes in the assumption made for the price per square foot are accompanied by a directionally opposite change in the capitalisation rate.

## 16. Investments in Subsidiaries

| | **Company** | |
|---|---|---|
| | **2014** **HK$'000** | 2013 HK$'000 |
| Unlisted shares, at cost | **94,475** | 94,475 |

The balances with subsidiaries included in the Company's current assets and current liabilities are unsecured, interest-free and repayable on demand or within one year.

## 16. Investments in Subsidiaries *(Continued)*

Particulars of the principal subsidiaries are as follows:

| Company name | Place of incorporation/ registration and business | Nominal value of issued ordinary/ registered capital | Percentage of equity attributable to the Company | | Principal activities |
|---|---|---|---|---|---|
| | | | Direct | Indirect | |
| Artwell Tapioca Limited# | Hong Kong | HK$10,000 | – | 100 | Trading of dried cassava chips |
| Artsun International Macao Limited# | Macau | MOP100,000 | – | 100 | Trading of dried cassava chips |
| Artwell Tapioca (Vietnam) Company Limited# | Vietnam | US$50,000 | – | 100 | Procurement and sale of dried cassava chips |
| Rizhao Yushun Cassava. Co., Ltd.#* | People's Republic of China/Mainland China | RMB20,127,312 | – | 100 | Trading of dried cassava chips and collection of debts |
| Alush (Thailand) Co., Ltd.# | Thailand | THB15,000,000 | – | 100 | Procurement and sale of dried cassava chips |
| Global Property Connection Co., Ltd.# | Thailand | THB250,000 | – | 100 | Procurement and sale of dried cassava chips |
| Art Ocean Development Limited# | British Virgin Islands/ Hong Kong | US$1 | – | 100 | Holding of trademarks |
| Art Rich International Limited# | British Virgin Islands/ Hong Kong | US$1 | – | 100 | Investment holding |
| All High Holding Limited# | British Virgin Islands/ Hong Kong | US$1 | – | 100 | Investment holding and provision of shipping agency service |

## 16. Investments in Subsidiaries *(Continued)*

Particulars of the principal subsidiaries are as follows: *(Continued)*

| Company name | Place of incorporation/ registration and business | Nominal value of issued ordinary/ registered capital | Percentage of equity attributable to the Company | | Principal activities |
|---|---|---|---|---|---|
| | | | Direct | Indirect | |
| Alternative View Investments Limited# | British Virgin Islands/ Hong Kong | US$100 | 100 | – | Investment holding and property investment |
| Artwell Enterprises Limited# | Hong Kong | HK$15,000,000 | – | 100 | Investment holding, and property investment |
| Art Well Properties Limited | Hong Kong | HK$100 | – | 100 | Property investment |
| Fine Success Enterprise Limited | Hong Kong | HK$10 | – | 100 | Property investment |
| Wide Triumph Investment Limited | Hong Kong | HK$10,000 | – | 100 | Property investment |
| All Praise Limited# | Hong Kong | HK$1 | – | 100 | Tendering of dried cassava chips and property investment |
| Winsure International Investment Limited# | Hong Kong | HK$2 | – | 100 | Tendering of dried cassava chips and property investment |
| Globe Shipping Limited# | Hong Kong | HK$1 | – | 100 | Holding of a vessel |
| Asiafame Enterprises Limited# | Hong Kong | HK$100 | – | 90 | Investment holding |

# Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network

* Rizhao Yushun Cassava. Co., Ltd. is registered as a wholly-foreign-owned enterprise under PRC law

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

## 17. Available-for-sale Investment

| | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|
| Unlisted equity investment, at cost | 9,287 | 9,287 |

The above investment represents an investment in equity securities which was designated as an available-for-sale financial asset and has no fixed maturity date or coupon rate.

As at 31 March 2014, the Group's unlisted equity investment was stated at cost less impairment because the range of reasonable fair value estimates is so significant that the directors are of the opinion that fair value cannot be measured reliably. The Group does not intend to dispose of it in the near future.

## 18. Non-current Asset Classified as Held for Sale

On 28 March 2013, the Group announced the decision of its board of directors to dispose of a vessel, Globe Bright (the "Vessel"), registered under the name of the Company's subsidiary, Globe Shipping Limited ("Globe Shipping"). Globe Shipping has entered into a disposal agreement with the purchaser to dispose of the Vessel for the consideration of US$3,924,995 (equivalent to approximately HK$30,615,000).

The disposal of the Vessel was completed on 22 April 2013. As at 31 March 2013, the Vessel to be disposed of was classified as a non-current asset held for sale.

Details of the Vessel classified as held for sale as at 31 March 2013 were as follows:

| | Vessel HK$'000 |
|---|---|
| Cost | 63,093 |
| Accumulated depreciation and impairment | (32,478) |
| Net carrying amount | 30,615 |

## 19. Inventories

The Group's inventories during the year principally consisted of dried cassava chips held for resale.

## 20. Trade and Bills Receivables

It is the Group's policy that all customers who wish to trade with the Group need 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:

| | Group | |
|---|---|---|
| | **2014** | 2013 |
| | **HK$'000** | HK$'000 |
| Within 30 days | **106,952** | 161,619 |
| 30 to 60 days | **–** | 37,017 |
| | **106,952** | 198,636 |

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.

## 21. Prepayments, Deposits and Other Receivables

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Prepayments | **34,135** | 131,827 | **149** | 149 |
| Deposits and other receivables | **54,332** | 38,402 | **–** | – |
| | **88,467** | 170,229 | **149** | 149 |
| Less: Prepayments classified as non-current assets | **(28,428)** | (23,325) | **–** | – |
| Current portion | **60,039** | 146,904 | **149** | 149 |

## 21. Prepayments, Deposits and Other Receivables *(Continued)*

As at 31 March 2014, an amount due from a director and an advance paid to a related company, Jinan Yaxin Real Estate Development Co., Limited which is beneficially owned by a director, Mr. Chu Ming Chuan, included in prepayments, deposits and other receivables of the Group were HK$500,000 (2013: HK$601,000) and HK$996,000 (2013: HK$1,992,000), respectively, with the maximum amounts outstanding during the year of HK$601,000 and HK$1,992,000, respectively. The amount due from a director and the advance paid to the related company are unsecured, interest-free and have no fixed terms of repayment.

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there is no recent history of default.

## 22. Cash and Cash Equivalents and Pledged Deposits

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | **2014** | 2013 | **2014** | 2013 |
| | Note | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Cash and bank balances | | **325,073** | 132,328 | **436** | 439 |
| Time deposits | | **187,609** | 135,139 | **–** | – |
| | | **512,682** | 267,467 | **436** | 439 |
| Less: Time deposits pledged for bank loans | 24 | **(99,402)** | (128,769) | **–** | – |
| Cash and cash equivalents | | **413,280** | 138,698 | **436** | 439 |

At the end of the reporting period, the cash and cash equivalents of the Group denominated in Renminbi ("RMB") amounted to HK$219,995,000 (2013: HK$163,308,000), out of which an amount of HK$14,630,000 (2013: HK$28,094,000) is not freely convertible into other currencies. The Group is permitted to exchange such amount of RMB for other currencies through banks authorised to conduct foreign exchange business under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

## 23. Trade and Other Payables and Accruals

| | Group | | Company | |
|---|---|---|---|---|
| | **2014 HK$'000** | 2013 HK$'000 | **2014 HK$'000** | 2013 HK$'000 |
| Trade payables | **53,549** | 15,452 | **–** | – |
| Other payables | **8,161** | 18,986 | **94** | 94 |
| Accrued liabilities | **5,391** | 5,215 | **–** | – |
| Rental deposits received | **458** | 441 | **–** | – |
| | **67,559** | 40,094 | **94** | 94 |

Based on the invoice date, the trade payables as at the end of the reporting period are aged within one month (2013: one month). Trade and other payables are non-interest-bearing and have an average term of three months.

## 24. Interest-bearing Bank Borrowings

### Group

| | **Effective interest rate (%)** | **Maturity** | **2014 HK$'000** | Effective interest rate (%) | Maturity | 2013 HK$'000 |
|---|---|---|---|---|---|---|
| Current | | | | | | |
| Bank loans – secured | **1.23 – 1.98** | **On demand** | **332,509** | 1.40 - 2.80 | On demand | 477,313 |

| | Group | |
|---|---|---|
| | **2014 HK$'000** | 2013 HK$'000 |
| Analysed into bank borrowings repayable: | | |
| On demand | **332,509** | 477,313 |

Notes:

The Group's bank borrowings are secured by:

(i) pledge of certain of the Group's time deposits amounting to HK$99,402,000 (2013: HK$128,769,000);

(ii) legal charges over the Group's leasehold land and buildings situated in Hong Kong with a carrying value of HK$11,340,000 (2013: HK$10,670,000) (note 14); and

(iii) legal charges over the Group's investment properties situated in Hong Kong with a carrying value of HK$30,030,000 (2013: HK$29,210,000) (note 15).

## 24. Interest-bearing Bank Borrowings *(Continued)*

The Group's bank borrowings as at the end of the reporting periods are denominated in the following currency:

| | 2014<br>HK$'000 | 2013<br>HK$'000 |
|---|---|---|
| United States dollar | **332,509** | 477,313 |

## 25. Deferred Tax

### Deferred tax liabilities

| Group | Revaluation of properties<br>HK$'000 | Depreciation allowance in excess of related depreciation<br>HK$'000 | Total<br>HK$'000 |
|---|---|---|---|
| At 1 April 2012 | 1,670 | 624 | 2,294 |
| Deferred tax charged to profit or loss during the year (note 10) | (70) | 53 | (17) |
| Deferred tax charged to other comprehensive income during the year | 106 | – | 106 |
| At 31 March 2013 and 1 April 2013 | 1,706 | 677 | 2,383 |
| Deferred tax charged/(credited) to profit or loss during the year (note 10) | (63) | 342 | 279 |
| Deferred tax charged to other comprehensive income during the year | 371 | – | 371 |
| At 31 March 2014 | 2,014 | 1,019 | 3,033 |

The Group has tax losses arising in Hong Kong of HK$10,864,000 (2013: loss of HK$10,443,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

## 25. Deferred Tax *(Continued)*

### Deferred tax liabilities *(Continued)*

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 March 2014, there was no significant unrecognised deferred tax liability (2013: Nil) for taxes that would be payable on the unremitted earnings of the Group's subsidiaries. There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

## 26. Share Capital

| | **2014 HK$'000** | 2013 HK$'000 |
|---|---|---|
| Authorised: | | |
| 2,000,000,000 ordinary shares of HK$0.1 each | **200,000** | 200,000 |
| Issued and fully paid: | | |
| 449,800,000 (2013: 400,000,000) ordinary shares of HK$0.1 each | **44,980** | 40,000 |

During the year, the movement in share capital was as follows:

| | **Number of ordinary shares of HK$0.1 each** | **Nominal value of ordinary shares** HK$'000 |
|---|---|---|
| As at 1 April 2013 | 400,000 | 40,000 |
| Issue of shares | 49,800 | 4,980 |
| As at 31 March 2014 | 449,800 | 44,980 |

Pursuant to the placing agreement dated 21 October 2013 entered into between the Company and Ever-Long Securities Co. Ltd. (the "Placing Agent"), the Placing Agent placed 49,800,000 ordinary shares in the Company to independent third parties at HK$0.685 per share, for a consideration of HK$34,113,000, capitalising a sum of HK$4,980,000 to the share capital account and HK$29,133,000 to the share premium account, respectively.

## 27. 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. Eligible participants of the Scheme included the Company's directors, employees of the Group and other individuals as determined by the directors on the basis of their contribution to the success of the development and growth of the Group. The Scheme became effective on 23 March 2009 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a vesting period of one to three years and ends on a date which is not later than 10 years from the date of offer of the share options or the expiry date of the Scheme, if earlier.

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of a share.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings. No share options have been granted since the adoption of the Scheme.

## 28. Reserves

### (a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 34 to 35 of the financial statements.

### (b) Company

| | Note | Share premium account HK$'000 | Contributed surplus HK$'000 | Proposed dividends HK$'000 | Retained profits HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| At 1 April 2012 | | 223,709 | 84,475 | 5,000 | 242 | 313,426 |
| Profit for the year | | – | – | – | 5,090 | 5,090 |
| 2012 final dividend paid | | – | – | (5,000) | – | (5,000) |
| Proposed 2013 final dividend | 12 | – | – | 5,000 | (5,000) | – |
| At 31 March 2013 and 1 April 2013 | | 223,709 | 84,475 | 5,000 | 332 | 313,516 |
| Issue of shares | | 29,133 | – | – | – | 29,133 |
| Share issue expenses | | (617) | – | – | – | (617) |
| Profit for the year | | – | – | – | 29,124 | 29,124 |
| 2013 final dividend paid | | – | – | (5,000) | – | (5,000) |
| Proposed 2014 final dividend | 12 | – | – | 22,490 | (22,490) | – |
| At 31 March 2014 | | 252,225 | 84,475 | 22,490 | 6,966 | 366,156 |

The Company's contributed surplus represents the excess of the fair value of the net assets of the subsidiaries, acquired by the company pursuant to Group Reorganisation prior to the listing of the Company's shares, over the nominal value of the Company's shares issued in exchange therefor.

Under Companies Law of the Cayman Islands, a company may make distributions to its shareholders out of the contributed surplus in certain circumstances.

## 29. Major Non-cash Transactions

In the prior year, interest income of HK$2,318,000 on acceptance notes, being interest-bearing at an interest rate mutually agreed by both parties, was accrued and unsettled as at the end of the reporting period.

## 30. Operating Lease Arrangements

### (a) As lessor

The Group leases its investment properties (note 15 to the financial statements) 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 2014, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

| | 2014<br>HK$'000 | 2013<br>HK$'000 |
|---|---|---|
| Within one year | 1,576 | 1,090 |
| In the second to fifth years, inclusive | 500 | 665 |
| | 2,076 | 1,755 |

### (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 2014, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

| | 2014<br>HK$'000 | 2013<br>HK$'000 |
|---|---|---|
| Within one year | 7,965 | 3,366 |
| In the second to fifth years, inclusive | 6,123 | 334 |
| | 14,088 | 3,700 |

The operating lease rentals of certain warehouses are based on the higher of a fixed rental and a 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 the 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.

## 31. Related Party Transactions

**(a)** In addition to the transactions detailed elsewhere is this financial statements, the Group had the following material transactions with related parties during the year:

| | Notes | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|---|
| Rental expenses paid to related companies* | (i) | 1,269 | 1,267 |
| Rental expenses paid to a director | (i) | 165 | 163 |
| Management fee paid to a related company* | (ii) | 332 | 332 |

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

Notes:

(i) The rental expenses were determined based on the prevailing market rent.

(ii) The management fee was based on human resources support cost incurred.

**(b)** Details of the Group's balance with a director, Mr. Chu Ming Chuan amounting to HK$500,000 (2013: HK$601,000) were disclosed in note 21 and the balance was unsecured, interest-free and had no fixed terms of repayment.

**(c)** Details of an advance paid to a related company amounting to HK$996,000 (2013: HK$1,992,000) were disclosed in note 21.

**(d)** During the year ended 31 March 2013, the Group acquired a subsidiary, Asiafame Enterprises Limited, from a director at a consideration of HK$90 based on the par value of the share capital of Asiafame Enterprises Limited.

**(e)** Compensation of key management personnel of the Group:

| | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|
| Short term employee benefits | 2,609 | 1,368 |
| Post-employment benefits | 45 | 45 |
| Total compensation paid to key management personnel | 2,654 | 1,413 |

## 31. Related Party Transactions *(Continued)*

### (f) Major and connected transaction

On 28 March 2014, the Group has entered into a sale and purchase agreement pursuant to which, subject to terms and conditions, the Group agreed to acquire from a director of the Company the entire issued share capital of Oriental Pioneer Limited (the "Target Company") at a consideration of HK$224.3 million (equivalent to approximately RMB178 million). Such transaction constituted a major and connected transaction and was not completed as at the date of approval of these financial statements.

## 32. Financial Instruments by Category

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

### Financial assets

**31 March 2014**

| Group | Loans and receivables HK$ | Available-for-sale financial assets HK$ | Total HK$ |
|---|---|---|---|
| Available-for-sale investment | – | 9,287 | 9,287 |
| Trade and bills receivables | 106,952 | – | 106,952 |
| Financial assets included in prepayments, deposits and other receivables | 54,332 | – | 54,332 |
| Pledged deposits | 99,402 | – | 99,402 |
| Cash and cash equivalents | 413,280 | – | 413,280 |
| | 673,966 | 9,287 | 683,253 |

## 32. Financial Instruments by Category *(Continued)*

### Financial assets *(Continued)*

31 March 2013

| Group | Loans and receivables HK$'000 | Available-for-sale financial assets HK$'000 | Total HK$'000 |
|---|---|---|---|
| Available-for-sale investment | – | 9,287 | 9,287 |
| Trade and bills receivables | 198,636 | – | 198,636 |
| Financial assets included in prepayments, deposits and other receivables | 38,402 | – | 38,402 |
| Pledged deposits | 128,769 | – | 128,769 |
| Cash and cash equivalents | 138,698 | – | 138,698 |
| | 504,505 | 9,287 | 513,792 |

**Company**

All of the Company's financial assets as at 31 March 2013 and 2014, including amounts due from subsidiaries and cash and cash equivalents, are categorised as loans and receivables.

### Financial liabilities

All of the Group's and the Company's financial liabilities as at 31 March 2013 and 2014, including amounts due to subsidiaries, trade and other payables and accruals and interest-bearing bank borrowings, are categorised as financial liabilities at amortised cost.

## 33. Fair Value and Fair Value Hierarchy of Financial Instruments

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, financial assets included in trade and bills and other receivables, financial liabilities included in trade and other payables and accruals and interest-bearing bank borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

## 34. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise bank borrowings and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as bills receivable and trade payables, which arise directly from its operations.

It is, and has been throughout the year, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk, interest rate risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below:

### (i) Foreign currency risk

The Group has no significant foreign currency risk because its business is principally conducted in Hong Kong, Thailand and the PRC and most of the transactions are denominated in the entities' functional currencies in respective countries.

### (ii) Credit risk

The Group trades only with creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. All customers who wish to trade with the Group need to provide the Group with irrecoverable letters of credit issued by reputable banks or by cash on delivery. Credit limits are set for individual customers. As such, the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, deposits and other receivables, arises from default of the counterparties, with a maximum exposure equal to the carrying amounts of these instruments.

## 34. Financial Risk Management Objectives and Policies *(Continued)*

### (iii) Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates. The Group has no specific policy to deal with the cash flow interest rate risk. However, management monitors the exposure and will consider appropriate hedging measures in the future should the need arises.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) and the Group's equity.

| | **Increase/ (decrease) interest rate** | **Increase/ (decrease) in profit before tax** | **Increase/ (decrease) in equity*** |
|---|---|---|---|
| | % | HK$'000 | HK$'000 |
| **Year ended 31 March 2014** | | | |
| Hong Kong dollar | 1% | (3,715) | – |
| Hong Kong dollar | (1%) | 3,715 | – |
| **Year ended 31 March 2013** | | | |
| Hong Kong dollar | 1% | (2,677) | – |
| Hong Kong dollar | (1%) | 2,677 | – |

* Excluding retained profits

## 34. Financial Risk Management Objectives and Policies *(Continued)*

### (iv) Liquidity risk

The Group monitors its risk to a shortage of funds by considering the maturity of both its financial assets and projected cash flows from operations. The Group's objective is to maintain a balance between continuity of funding and flexibility through use of bank borrowings to meet its working capital requirements.

The table below summarises the maturity profile of the Group's financial liabilities as at the end of the reporting period based on contractual undiscounted payments.

| **31 March 2014** | **On demand<br>HK$'000** | **Less than<br>3 months<br>HK$'000** | **Total<br>HK$'000** |
|---|---|---|---|
| Interest-bearing bank borrowings | **332,509** | **–** | **332,509** |
| Trade and other payables | **–** | **67,559** | **67,559** |
| | **332,509** | **67,559** | **400,068** |

| 31 March 2013 | On demand<br>HK$'000 | Less than<br>3 months<br>HK$'000 | Total<br>HK$'000 |
|---|---|---|---|
| Interest-bearing bank borrowings | 477,313 | – | 477,313 |
| Trade and other payables | – | 40,094 | 40,094 |
| | 477,313 | 40,094 | 517,407 |

### (v) Capital management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratio in order to support its business. The Group sets the amount of capital in proportion to risk. The Group manages its capital structure and makes adjustment to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, or issue new shares. No changes were made in the objectives or procedures for managing capital during the year.

## 34. Financial Risk Management Objectives and Policies *(Continued)*

### (v) Capital management *(Continued)*

The Group monitors capital on the basis of the net debt-to-equity ratio. The net debt represents interest-bearing bank borrowings, less cash and cash equivalents. The debt-to-equity ratios as at the end of the reporting periods were as follows:

| | **2014**<br>**HK$'000** | 2013<br>HK$'000 |
|---|---|---|
| Interest-bearing bank borrowings | **332,509** | 477,313 |
| Less: Cash and cash equivalents | **(377,042)** | (138,698) |
| Net debt/(cash) | **(44,533)** | 338,615 |
| Total equity | **702,400** | 554,991 |
| Debt-to-equity ratio | **N/A** | 61% |

## 35. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 26 June 2014.

# Particulars of Investment Properties

31 March 2014

| Location | Use | Tenure | Attributable interest of the Group |
|---|---|---|---|
| Unit No. 1 on 7th Floor<br>Houston Centre,<br>63 Mody Road,<br>Kowloon, Hong Kong | Office building | Long term lease | 100% |
| Unit No. 2 on 7th Floor<br>Houston Centre,<br>63 Mody Road,<br>Kowloon, Hong Kong | Office building | Long term lease | 100% |
| Unit 12 on 12th Floor<br>Seapower Tower,<br>Concordia Plaza,<br>No.1 Science Museum Road,<br>Kowloon, Hong Kong | Office building | Medium term lease | 100% |
| Unit 2 on 5th Floor<br>Tower A,<br>Mandarin Plaza,<br>No.14 Science Museum Road,<br>Kowloon, Hong Kong | Office building | Long term lease | 100% |
| Car park space No. LB032,<br>Concordia Plaza,<br>No.1 Science Museum Road,<br>Kowloon | Car park | Medium term lease | 100% |
| A factory complex<br>(exclude Unit 1, 2nd Floor, Block 1)<br>No.22 Dongshen Road,<br>E-gong Ling,<br>Pinghu Town, Longgang District,<br>Shenzhen City,<br>Guangdong Province, the PRC | Industrial building | Medium term lease | 100% |

# Summary of Financial Information

Summary of the published results and assets and liabilities of the Group for the last five financial years, prepared on the basis as set out herein, is set out below.

## Results

| | 2014<br>HK$'000 | 2013<br>HK$'000 | 2012<br>HK$'000 | 2011<br>HK$'000 | 2010<br>HK$'000 |
|---|---|---|---|---|---|
| Revenue | **5,160,358** | 3,913,185 | 1,960,579 | 2,021,862 | 1,997,132 |
| PROFIT BEFORE TAX | **130,863** | 35,272 | 30,208 | 92,512 | 112,329 |
| Tax | **(14,116)** | (4,659) | (4,722) | (8,709) | (10,133) |
| Profit for the year | **116,747** | 30,613 | 25,486 | 83,803 | 102,196 |

## Assets and Liabilities

| | 2014<br>HK$'000 | 2013<br>HK$'000 | 2012<br>HK$'000 | 2011<br>HK$'000 | 2010<br>HK$'000 |
|---|---|---|---|---|---|
| Total assets | **1,156,137** | 1,108,743 | 911,829 | 853,729 | 537,079 |
| Total liabilities | **(453,737)** | (553,752) | (383,156) | (331,797) | (162,787) |
| | **702,400** | 554,991 | 528,673 | 521,932 | 374,292 |

This summary was prepared as if the current structure of the Group had been in existence throughout these financial years and is presented on the basis as set out in note 2.1 to the financial statements. The consolidated results of the Group for the five years ended 31 March 2010, 2011, 2012, 2013 and 2014, and the consolidated assets and liabilities of the Group as at 31 March 2010, 2011, 2012, 2013 and 2014 are those set out in the published audited financial statements.

The summary above does not form part of the audited financial statements.

# 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 Hongkong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Ltd.
Chiyu Banking Corporation Ltd.
Hang Seng Bank Limited
Australia and New Zealand Banking Group Limited
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
Level 22, Hopewell Centre,
183 Queen's Road East,
Wanchai
Hong Kong

## Registered Office

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Kowloon
Hong Kong

## Stock Code

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