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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 INTERIM REPORT





CONTENTS

2	Corporate Information
3-6	Management Discussion and Analysis
7-8	Supplementary Information
9-24	Unaudited Condensed Consolidated Interim Financial Statements and Notes

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

Cricket Square
Hutchins Drive
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Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

STOCK CODE

841

MANAGEMENT DISCUSSION AND ANALYSIS

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

The Group's revenue from procurement and sales of dried cassava chips amounted to approximately HK\$1,812.8 million for the six months ended 30 September 2014 (the "Current Period"), representing a decrease of approximately 18.3% from approximately HK\$2,219.6 million for the corresponding period of previous year. The Group had maintained its leading position in the PRC and is the largest supplier of imported dried cassava chips for the more than ten years in a row, leading to a significant influence over the market.

The Group's profit for the Current Period amounted to approximately HK\$59.6 million, representing a 40.9% increase from approximately HK\$42.3 million for the corresponding period of previous year.

REVENUE

Total Revenue of the Group decreased by approximately HK\$406.8 million or approximately 18.3% from approximately HK\$2,219.6 million in the corresponding period of previous year to approximately HK\$1,812.8 million in the Current Period. The Group has completely fulfilled the arrangement entered into with the independent third party in respect of the procurement of dried cassava chips from the Thai Government's warehouses (the "Arrangement") during the Current Period. Despite the increase in quantity of dried cassava chips procured by the Group's self-operated procurement networks during the Current Period, the Group's total export volume and revenue for the Current Period were still decreased as compared with the corresponding period in 2013.

The Group believe that establishment of additional procurement networks of dried cassava chips, together with its existing procurement networks in Thailand, Vietnam and Cambodia, will help to alleviate the negative effect of the completion of the Arrangement.

GROSS PROFIT AND GROSS PROFIT MARGIN

Total cost of sales of the Group decreased by approximately HK\$378.2 million, or approximately 19.4%, from approximately HK\$1,951.8 million for the corresponding period of the previous year to approximately HK\$1,573.6 million in the Current Period.

Gross profit of the Group decreased by approximately HK\$28.6 million, or approximately 10.7%, from approximately HK\$267.8 million for the corresponding period of previous year to approximately HK\$239.2 million for the Current Period, mainly due to the net effect of decrease in revenue and increase in gross profit margin.

The Group's gross profit margin for the Current Period slightly increased by approximately 1.1 percentage points to approximately 13.2% from approximately 12.1% for the corresponding period of previous year. Decrease in unit cost of dried cassava chips and increase in gross profit margin were resulted from the continuing increase in demand of dried cassava chips from the Group's customers (particularly those engaged in production of ethanol fuel) during the Current Period and the effect of economy of scales in relation to the expansion in operation of the Group's procurement networks for dried cassava chips in Thailand, Vietnam and Cambodia established in recent years, together with the Group's other existing procurement networks in Thailand.

SELLING AND DISTRIBUTION COSTS

During the Current Period, the selling and distribution expenses of the Group were approximately HK\$150.1 million (2013: approximately HK\$192.3 million), which comprised mainly ocean freight costs of approximately HK\$119.5 million (2013: approximately HK\$152.5 million) and warehouse, handling and inland transportation expenses of approximately HK\$30.6 million (2013: approximately HK\$39.8 million).

The Group's selling and distribution expenses decreased mainly due to decrease in revenue. The Group's selling and distribution expenses represented 8.3% of the total sales revenue for the Current Period, compared to that of 8.7% for the corresponding period of previous year.

ADMINISTRATIVE EXPENSES

Administrative expenses of the Group decreased by approximately HK\$1.2 million from approximately HK\$21.4 million in the corresponding period of previous year to approximately HK\$20.2 million for the Current Period, mainly due to decrease in marketing expenses.

FINANCE COSTS

Finance expenses of the Group decreased from approximately HK\$8.7 million for the corresponding period of previous year to approximately HK\$4.8 million for the Current Period. With the Group's improved working capital, the Group reduced draw-down of bank borrowings to procure the dried cassava chips during the Current Period which decreased the finance costs for the Current Period as compared with the corresponding period in 2013.

TAXATION

For each of six months ended 30 September 2013 and 2014, the Group's taxations were approximately HK\$5.8 million and HK\$7.7 million, respectively. The effective tax rate of the Group for the Current Period was approximately 11.5% (2013: 12.1%).

PROFIT FOR THE PERIOD

The Group's profit for the Current Period amounted to approximately HK\$59.6 million (2013: approximately HK\$42.3 million).

FINANCIAL RESOURCES AND LIQUIDITY

As at 30 September 2014, the net assets amounted to approximately HK\$762.2 million, representing an increase of approximately HK\$59.8 million from approximately HK\$702.4 million as at 31 March 2014 due to the profit for the Current Period.

Current assets as at 30 September 2014 amounted to approximately HK\$990.6 million (31 March 2014: HK\$987.1 million), including cash and cash equivalents of approximately HK\$356.2 million (31 March 2014: HK\$413.3 million), trade and bills receivables of approximately HK\$179.9 million (31 March 2014: HK\$107.0 million) pledged deposits of approximately HK\$99.4 million (31 March 2014: HK\$99.4 million) and inventories of approximately HK\$293.7 million (31 March 2014: HK\$307.4 million). As at 30 September 2014, the Group had non-current assets of

Management Discussion and Analysis

approximately HK\$176.2 million (31 March 2014: HK\$169.1 million) which represented mainly a vessel purchased for the Group's transportation and the properties located in Hong Kong for office and property investment purposes.

The Group's current liabilities as at 30 September 2014 amounted to approximately HK\$401.5 million (31 March 2014: HK\$450.7 million), which comprised mainly trade and other payables and accruals of approximately HK\$14.2 million (31 March 2014: HK\$67.6 million), tax payable of HK\$58.4 million (31 March 2014: HK\$ 50.6 million) and bank borrowings of approximately HK\$328.9 million (31 March 2014: HK\$332.5 million). The Group's non-current liabilities as at 30 September 2014 included deferred tax liabilities of approximately HK\$3.0 million (31 March 2014: HK\$3.0 million).

The Group expresses its gearing ratio as a percentage of borrowings over total assets. As at 30 September 2014, the Group had a gearing ratio of 28.2% (31 March 2014: 29.0%). Such decrease is mainly due to the increase in profit for the Current Period and the decrease in bank borrowings at end of the Current Period.

EMPLOYMENT AND REMUNERATION POLICY

As at 30 September 2014, the total number of the Group's staff was approximately 100. The total staff costs (including directors' remuneration) amounted to approximately HK\$8.2 million for the six months ended 30 September 2014. 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 30 September 2014, the Group's pledged bank deposit, land and buildings and investment properties situated in Hong Kong with aggregate carrying values of HK\$99,402,000 (31 March 2014: HK\$99,402,000), HK\$11,340,000 (31 March 2014: HK\$11,340,000) and HK\$30,030,000 (31 March 2014: HK\$30,030,000), 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

As at 30 September 2014, the Group did not have any material contingent liabilities.

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") for a consideration of HK\$224.3 million (equivalent to

Management Discussion and Analysis

approximately RMB178 million) to be settled by cash of HK\$112.2 million and by 134,926,715 ordinary shares in the Company (the “Consideration Shares”). Such transaction constituted a connect transaction which is subject to the shareholders’ approval and the details of the transaction were set out in the Company’s announcement dated 28 March 2014.

Such transaction had been approval by the independent shareholders on the extraordinary general meeting held on 3 October 2014 and it was completed on 8 October 2014. The Consideration Shares were issued on 8 October 2014 and recorded in the Company’s Register of Members on the same date accordingly.

PROSPECT

During the Current Period, 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 “The Mid- and Long-term Development Plan for Renewable Energy” 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 grain feedstock from the current level of 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 tonnes 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.

For procurement, the Group currently has 9 procurement facilities and networks near the cassava plantation zone and ports in Thailand, and the Group will devote to increase and strengthen the procurement facilities and networks and warehouse facilities which play a crucial role in enhancement of the procurement and market coverage and pricing policy determination, and also pave the solid foundation for maintenance of long-term business development. In addition, the Group has established a subsidiary in Vietnam as the first foreign-owned company approved for procuring and directly exporting the dried cassava chips in Vietnam to customers in China. It provides with new supply sources and enhances supplies of dried cassava chips to the Group.

For transportation and logistics, the Group operates a vessel which is serving the Group to transport dried cassava chips. In addition, the Group own 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.

SUPPLEMENTARY INFORMATION

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The proceeds from the Company's issue of new shares at the time of its listing on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 23 March 2009, after deduction of related issuance expenses, amounted to approximately HK\$59,234,000.

Planned application of IPO proceeds	Planned use of proceeds in accordance with the Prospectus HK\$'000	Actual use of proceeds up to 30 September 2014 HK\$'000
1. the establishment of warehousing facilities and acquisition of leasing of drying yards in Thailand	39,217	39,217
2. the development of the Group's procurement networks and logistics system beyond Thailand in Southeast Asia including but not limited to Cambodia and Laos	4,073	4,073
3. the expansion of the Group's sales networks by establishing storage facilities and promotion and marketing of the Group's products in the southern, central and south western regions in the Mainland China	7,000	1,204
4. the development and enhancement of sales network and marketing, including promotion and marketing of its Artwell brand dried cassava chips in the Group's existing network in the north-eastern region in the Mainland China	3,100	–
5. additional general working capital of the Group	5,844	5,844
	<u>59,234</u>	<u>50,338</u>

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

DIVIDENDS AND CLOSURE OF REGISTER OF MEMBERS

The Board do not recommends payment of an interim dividend for the six months ended 30 September 2014 and hence, no closure of register of members is necessary.

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

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

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the six months ended 30 September 2014, the Company had adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Appendix 10 to the Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange. The Company also had made specific enquiry of all directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by directors.

CORPORATE GOVERNANCE

To the knowledge of the Board, the Company has complied with all the code provisions in the Code on Corporate Governance Practices (“CG Code”) as set out in Appendix 14 to the Listing Rules for the six months ended 30 September 2014, save for the deviation from the code provision A.2.1 of the CG Code.

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 of the Board 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.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors of the Company. The Audit Committee held a meeting on 28 November 2014 and has reviewed with the management the accounting principles and practices adopted by the Group, the interim report and interim financial information of the Group for the Current Period and to give recommendations to the Board.

CHANGE IN DIRECTOR'S INFORMATION

Changes in the information of the director of the Company since the date of the Company's 2013/2014 annual report are set out below:

Mr. Lee Kwan Hung (“Mr. Lee”)

Mr Lee was resigned as an independent non-executive director of (i) Yuexiu REIT Asset Management Limited (being the manager of Yuexiu Real Estate Investment Trust (Stock code: 405)) with effective from 7 October 2014 and (ii) Far East Holdings International Limited (Stock code: 36) with effective from 12 November 2014, respectively; the shares of which are listed on the Main Board of the Stock Exchange of Hong Kong Limited.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Six months ended 30 September 2014

	Notes	Six months ended 30 September	
		2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
REVENUE	4	1,812,796	2,219,645
Cost of sales		(1,573,635)	(1,951,802)
Gross profit		239,161	267,843
Other income	4	3,284	2,760
Selling and distribution costs		(150,068)	(192,293)
General and administrative expenses		(20,233)	(21,447)
Finance costs		(4,793)	(8,695)
PROFIT BEFORE TAX	5	67,351	48,168
Income tax expense	6	(7,738)	(5,829)
PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		59,613	42,339
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences arising on translation of foreign operations		220	241
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		59,833	42,580
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	7		
Basic and diluted (HK cents)		13.3	10.6

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2014

	<i>Notes</i>	30 September 2014 HK\$'000 (unaudited)	31 March 2014 HK\$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		83,820	76,687
Investment properties		54,680	54,680
Available-for-sale investments		9,287	9,287
Prepayments, deposits and other receivables		28,428	28,428
Total non-current assets		176,215	169,082
CURRENT ASSETS			
Inventories		293,667	307,382
Trade and bills receivables	8	179,913	106,952
Prepayments, deposits and other receivables		61,396	60,039
Pledged deposits		99,402	99,402
Cash and cash equivalents		356,190	413,280
Total current assets		990,568	987,055
CURRENT LIABILITIES			
Trade and other payables and accruals	9	14,232	67,559
Interest-bearing bank borrowings		328,911	332,509
Tax payable		58,374	50,636
Total current liabilities		401,517	450,704
NET CURRENT ASSETS		589,051	536,351
TOTAL ASSETS LESS CURRENT LIABILITIES		765,266	705,433
NON-CURRENT LIABILITIES			
Deferred tax liabilities		3,033	3,033
Net assets		762,233	702,400
EQUITY			
Equity attributable to owners of the Company			
Issued share capital		44,980	44,980
Reserves		694,763	634,930
Proposed dividends		22,490	22,490
Total equity		762,233	702,400

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Six months ended 30 September 2014

	Attributable to owners of the Company											Non-controlling interest HK\$'000 (note (iv))	Total equity HK\$'000
	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 dividends HK\$'000	Total HK\$'000			
At 1 April 2014	44,980	252,225	8,229	(9,773)	46	10,948	3,513	369,742	22,490	702,400	-	702,400	
Profit for the period	-	-	-	-	-	-	-	59,613	-	59,613	-	59,613	
Other comprehensive income for the period:													
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	220	-	-	220	-	220	
Total comprehensive income for the period	-	-	-	-	-	-	220	59,613	-	59,833	-	59,833	
At 30 September 2014	44,980	252,225	8,229	(9,773)	46	10,948	3,733	429,355	22,490	762,233	-	762,233	

	Attributable to owners of the Company											Non-controlling interest HK\$'000 (note (iv))	Total equity HK\$'000
	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 dividends HK\$'000	Total 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 period	-	-	-	-	-	-	-	42,339	-	42,339	-	42,339	
Other comprehensive income for the period:													
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	241	-	-	241	-	241	
Total comprehensive income for the period	-	-	-	-	-	-	241	42,339	-	42,580	-	42,580	
At 30 September 2013	40,000	223,709	8,229	(9,773)	46	9,507	3,466	317,387	5,000	597,571	-	597,571	

Condensed Consolidated Statement of Changes in Equity (Unaudited)

Six months ended 30 September 2014

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\$694,763,000 (2013: HK\$552,571,000) in the consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Six months ended 30 September 2014

	Six months ended 30 September	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	(44,482)	54,660
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(9,230)	(22,534)
NET CASH OUTFLOW FROM FINANCING ACTIVITIES	(3,598)	(47,671)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(57,310)	(15,545)
Cash and cash equivalents at beginning of period	413,280	138,698
Effect of foreign exchange rate changes, net	220	241
CASH AND CASH EQUIVALENTS AT END OF PERIOD	356,190	123,394

NOTES TO FINANCIAL STATEMENT

30 September 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 office of the Company is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

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

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

2.1 ACCOUNTING POLICIES AND BASIS OF PRESENTATION

These interim condensed consolidated financial information have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), and the disclosure requirements set out in Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange. The accounting policies and basis of preparation adopted in the preparation of the interim condensed consolidated financial statements are the same as those used in the annual financial statements for the year ended 31 March 2014, except for the adoption of certain new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include HKASs and Interpretation) for the first time in the current period as disclosed in note 2.2 below.

2.2 IMPACT OF NEW AND REVISED HKFRSs

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

Amendments to HKAS 32	Financial Instruments: Presentation – Offsetting financial assets and financial liabilities
Amendments to HKAS 36	Impairment of Assets: Recoverable amount disclosures for non-financial assets
Amendments to HKAS 39	Financial Instruments: Recognition and measurement – Novation of derivatives and continuation of hedge accounting
Amendments to HKFRS 10, HKFRS12 HKFRS 27 (2011)	Investment Entities
HK(IFRIC) – Int 21	Levies

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

3. SEGMENT INFORMATION

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

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

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

Segment assets exclude cash and cash equivalents, pledged deposits, available-for-sales 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 assets as these liabilities are managed on a group basis.

	Procurement and sales of dried cassava chips HK\$'000	Property investment HK\$'000	Total HK\$'000
Six months ended 30 September 2014			
Segment revenue:			
Sales to external customers	1,812,796	–	1,812,796
Gross rental income	–	804	804
Total	1,812,796	804	1,813,600
Segment results	70,380	650	71,030
Interest and unallocated gains			2,480
Corporate and other unallocated expenses			(1,366)
Finance costs			(4,793)
Profit before tax			67,351
Other segment information:			
Depreciation	1,965	132	2,097
Capital expenditure	9,230	–	9,230

Notes to Financial Statement

30 September 2014

3. SEGMENT INFORMATION (Continued)

	Procurement and sales of dried cassava chips HK\$'000	Property investment HK\$'000	Total HK\$'000
Six months ended 30 September 2013			
Segment revenue:			
Sales to external customers	2,219,645	–	2,219,645
Gross rental income	–	800	800
Total	<u>2,219,645</u>	<u>800</u>	<u>2,220,445</u>
Segment results	<u>54,834</u>	<u>675</u>	<u>55,509</u>
Interest and unallocated gains			1,960
Corporate and other unallocated expenses			(606)
Finance costs			<u>(8,695)</u>
Profit before tax			<u>48,168</u>
Other segment information:			
Depreciation	2,697	–	2,697
Capital expenditure	<u>34,554</u>	<u>–</u>	<u>34,554</u>

Notes to Financial Statement

30 September 2014

3. SEGMENT INFORMATION (Continued)

	Procurement and sales of dried cassava chips HK\$'000	Property investment HK\$'000	Total HK\$'000
As at 30 September 2014			
Segment assets	599,983	87,451	687,434
Corporate and other unallocated assets			479,349
Total assets			1,166,783
Segment liabilities	342,767	282	343,049
Corporate and other unallocated liabilities			61,501
Total liabilities			404,550
As at 31 March 2014			
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

Notes to Financial Statement

30 September 2014

3. SEGMENT INFORMATION (Continued)

Geographical information

(a) Revenue from external customers

	Six months ended 30 September	
	2014 HK\$'000	2013 HK\$'000
Hong Kong	804	800
Mainland China	1,812,796	2,219,645
	1,813,600	2,220,445

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

(b) Non-current assets

	30 September 2014 HK\$'000	31 March 2014 HK\$'000
Hong Kong	68,867	69,316
Mainland China	31,895	31,895
Thailand	33,071	24,747
Unallocated	33,095	33,837
	166,928	159,795

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

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

Notes to Financial Statement

30 September 2014

4. REVENUE AND OTHER INCOME

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

An analysis of revenue is as follows:

	Six months ended 30 September	
	2014 HK\$'000	2013 HK\$'000
Revenue		
Sales of dried cassava chips	1,812,796	2,219,645

An analysis of other income is as follows:

	Six months ended 30 September	
	2014 HK\$'000	2013 HK\$'000
Other income		
Bank interest income	2,480	1,936
Gross rental income	804	800
Others	-	24
	3,284	2,760

Notes to Financial Statement

30 September 2014

5. PROFIT BEFORE TAX

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

	Six months ended 30 September	
	2014 HK\$'000	2013 HK\$'000
Cost of inventories sold	1,573,635	1,951,802
Depreciation	2,097	2,697
Employee benefit expenses (including directors' remuneration):		
Wages and salaries	8,233	7,726
Pension scheme contributions	478	434
	8,711	8,160
Rental income on investment properties less direct operating expense of HK\$12,000 (2013: HK\$12,000)	(792)	(788)
Minimum lease payments under operating leases in respect of storage facilities and office premises	1,876	1,769
Contingent rent under operating leases in respect of storage facilities	1,068	923

6. INCOME TAX

Hong Kong profits tax has been provided at the rates of 16.5% (2013: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	Six months ended 30 September	
	2014 HK\$'000	2013 HK\$'000
Current – Hong Kong	7,738	5,829
Total tax charge for the period	7,738	5,829

Notes to Financial Statement

30 September 2014

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

The calculation of basic earnings per share amounts is based on the profit for the six months ended 30 September 2014 attributable to ordinary equity holders of the Company and the weighted average number of 449,800,000 (2013: 400,000,000) ordinary shares in issue during the period.

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 September 2014 and 2013 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those periods.

8. TRADE AND BILLS RECEIVABLES

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

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

	30 September 2014 HK\$'000	31 March 2014 HK\$'000
Within 30 days	179,913	106,952

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.

Notes to Financial Statement

30 September 2014

9. TRADE AND OTHER PAYABLES AND ACCRUALS

	30 September 2014 HK\$'000	31 March 2014 HK\$'000
Trade payables	–	53,549
Other payables	7,980	8,161
Accrued liabilities and other payables	5,856	5,391
Rental deposits received	396	458
	14,232	67,559

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

	30 September 2014 HK\$'000	31 March 2014 HK\$'000
Within 1 month	–	53,549

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

10. OPERATING LEASE ARRANGEMENTS

(a) As lessor

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

At 30 September 2014, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 September 2014 HK\$'000	31 March 2014 HK\$'000
Within one year	1,293	1,576
In the second to fifth years, inclusive	27	500
	1,320	2,076

Notes to Financial Statement

30 September 2014

10. OPERATING LEASE ARRANGEMENTS (Continued)

(b) As lessee

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

At 30 September 2014, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 September 2014 HK\$'000	31 March 2014 HK\$'000
Within one year	3,503	7,965
In the second to fifth years, inclusive	1,100	6,123
	4,603	14,088

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

11. COMMITMENTS

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

12. RELATED PARTY TRANSACTIONS

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

	Notes	Six months ended 30 September	
		2014 HK\$'000	2013 HK\$'000
Rental expenses paid to related companies*	(i)	673	636
Rental expenses paid to a director	(i)	83	83
Management expenses paid to a related company	(ii)	166	166

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

Notes:

- (i) The rental expenses were determined based on prevailing market rent.
(ii) The management expenses were determined based on mutual agreement.

13. EVENT AFTER THE STATEMENT OF FINANCIAL POSITION DATE

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) to be settled by cash of HK\$112.2 million and by 134,926,715 ordinary shares in the Company (the "Consideration Shares"). Such transaction constituted a connect transaction which is subject to the shareholders' approval and the details of the transaction were set out in the Company's announcement dated 28 March 2014.

Such transaction had been approval by the independent shareholders on the extraordinary general meeting held on 3 October 2014 and it was completed on 8 October 2014. The Consideration Shares were issued on 8 October 2014 and recorded in the Company's Register of Members on the same date accordingly.

14. APPROVAL OF THE FINANCIAL STATEMENTS

These condensed financial statements were approved and authorised for issue by the board of directors on 28 November 2014.