

2015 INTERIM REPORT



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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)



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CORPORATE INFORMATION

DIRECTORS

Executive Directors

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

Independent Non-executive Directors

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

AUTHORISED REPRESENTATIVES

Mr. Chu Ming Chuan
Mr. Shum Shing Kei

COMPANY SECRETARY

Mr. Shum Shing Kei

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

WEBSITE ADDRESS

www.asiacassava.com

PRINCIPAL BANKERS

The 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
P.O. Box 2681
Grand Cayman KY1-1111
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\$1,918.2 million for the six months ended 30 September 2015 (the "Current Period"), representing an increase of approximately 5.8% from approximately HK\$1,812.8 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 pricing in the market through continuous expansion of procurement networks.

The Group's profit for the Current Period amounted to approximately HK\$60.8 million, representing a 3.6% increase from approximately HK\$58.7 million for the corresponding period of previous year.

REVENUE

The Group's revenue from procurement and sales of dried cassava chips increased by approximately HK\$105.4 million or approximately 5.8% from approximately HK\$1,812.8 million in the corresponding period of previous year to approximately HK\$1,918.2 million in the Current Period. The Group increased procurement of dried cassava chips with the Group's self-operated procurement networks during the Current Period, which led to increase its total export volume and revenue for the Current Period as compared with the corresponding period in 2014.

The Group's revenue from hotel operation amounted to approximately HK\$12.9 million for the Current Period, representing a decrease of approximately 15.1% from approximately HK\$15.2 million for the corresponding period of previous year. During the Current Period, the Group's hotel operation was subject to pressure given by the slowdown in China's macro-economic growth. Nevertheless, the Group intended to overcome unfavourable factors and capitalise opportunities, such as putting resources in promoting the wedding banquets packages, optimising staff allocation so as to improve profitability.

GROSS PROFIT AND GROSS PROFIT MARGIN

The Group's cost of sales from procurement and sales of dried cassava chips increased by approximately HK\$90.8 million, or approximately 5.8%, from approximately HK\$1,573.6 million for the corresponding period of the previous year to approximately HK\$1,664.4 million in the Current Period, mainly due to the increase in sales of dried cassava chips in the Current Period.

The Group's gross profit from procurement and sales of dried cassava chips increased by approximately HK\$14.6 million, or approximately 6.1%, from approximately HK\$239.2 million for the corresponding period of previous year to approximately HK\$253.8 million for the Current Period, mainly due to increase in revenue and increase in gross profit margin.

The Group's gross profit margin from procurement and sales of dried cassava chips for the Current Period increased to approximately 13.23% from approximately 13.19% 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.

The Group's cost of sales from hotel operation amounted to approximately HK\$6.1 million for the Current Period (2014: approximately HK\$6.1 million for the corresponding period of previous year). The Group's gross profit margin from hotel operation for the Current Period decreased to approximately 52.7% from approximately 59.9% for the corresponding period of previous year.

SELLING AND DISTRIBUTION COSTS

During the Current Period, the Group's selling and distribution expenses of approximately HK\$163.8 million (2014: approximately HK\$153.9 million), comprised mainly (a) ocean freight costs of approximately HK\$129.8 million (2014: approximately HK\$119.5 million), (b) warehouse, handling and inland transportation expenses of approximately HK\$31.0 million (2014: approximately HK\$30.6 million) and (c) those related to hotel operation of approximately HK\$3.0 million (2014: approximately HK\$3.8 million).

The Group's selling and distribution expenses increased mainly due to increase in ocean freight costs which was increased in line with the increase in revenue generated from the procurement and sales of dried cassava chips during the Current Period.

The Group's selling and distribution expenses represented 8.5% of the total sales revenue for the Current Period, compared to that of 8.4% for the corresponding period of previous year.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses of the Group increased by approximately HK\$0.6 million from approximately HK\$26.4 million in the corresponding period of previous year to approximately HK\$27.0 million for the Current Period, mainly due to inflationary effect on expenses.

FINANCE COSTS

Finance expenses of the Group increased from approximately HK\$4.9 million for the corresponding period of previous year to approximately HK\$6.7 million for the Current Period.

TAXATION

For each of six months ended 30 September 2014 and 2015, the Group's taxations were approximately HK\$7.7 million and HK\$7.4 million, respectively. The effective tax rate of the Group for the Current Period was approximately 10.9% (2014: 11.6%).

PROFIT FOR THE PERIOD

The Group's profit for the Current Period amounted to approximately HK\$60.8 million (2014: approximately HK\$58.7 million).

FINANCIAL RESOURCES AND LIQUIDITY

As at 30 September 2015, the net assets amounted to approximately HK\$861.8 million, representing an increase of approximately HK\$60.5 million from approximately HK\$801.3 million as at 31 March 2015 due to the profit for the Current Period.

Current assets as at 30 September 2015 amounted to approximately HK\$1,041.5 million (31 March 2015: HK\$1,233.9 million), including cash and cash equivalents of approximately HK\$420.9 million (31 March 2015: HK\$195.5 million), trade and bills receivables of approximately HK\$246.8 million (31 March 2015: HK\$132.3 million) pledged deposits of approximately HK\$ 16.1 million (31 March 2015: HK\$150.0 million) and inventories of approximately HK\$315.4 million (31 March 2015: HK\$712.8 million). As at 30 September 2015, the Group had non-current assets of approximately HK\$276.9 million (31 March 2015: HK\$280.4 million) which represented mainly the hotel, the vessel and the properties located in Hong Kong for office and property investment purposes.

Management Discussion and Analysis

The Group's current liabilities as at 30 September 2015 amounted to approximately HK\$452.9 million (31 March 2015: HK\$709.3 million), which comprised mainly trade and other payables and accruals of approximately HK\$31.6 million (31 March 2015: HK\$56.4 million), tax payable of HK\$65.2 million (31 March 2015: HK\$57.8 million) and bank borrowings of approximately HK\$356.1 million (31 March 2015: HK\$595.1 million). The Group's non-current liabilities as at 30 September 2015 included deferred tax liabilities of approximately HK\$3.7 million (31 March 2015: HK\$3.7 million).

The Group expresses its gearing ratio as a percentage of borrowings over total assets. As at 30 September 2015, the Group had a gearing ratio of 27.0% (31 March 2015: 39.3%). 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 2015, the total number of the Group's staff was approximately 250. The total staff costs (including directors' remuneration) amounted to approximately HK\$14.4 million for the six months ended 30 September 2015. 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 2015, the Group's pledged bank deposit, land and buildings and investment properties situated in Hong Kong with aggregate carrying values of HK\$16,107,000 (31 March 2015: HK\$150,006,000), HK\$12,670,000 (31 March 2015: HK\$12,670,000) and HK\$33,050,000 (31 March 2015: HK\$33,050,000), 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 30 September 2015, the Group did not have any material contingent liabilities.

PROSPECT

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 non-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. During the Current Period, a new ethanol fuel production plant (which only uses non-grain as raw materials and the annual production is approximately 100,000 tonnes) commences production. At present 6 ethanol fuel production plants of total ethanol fuel production capacity of approximately 2.3 million tonnes in operation in the PRC, in which 4 production plants are allowed to use grain or non-grain as raw materials and the remaining 2 plants use non-grain only. However, the Group is aware of that the annual production capacity of ethanol fuel in the PRC will increase by approximately 2.3 million tonnes in the coming 2 years, including the planned expansion of the existing ethanol productions plants and the construction of 6 additional ethanol fuel production plants in the PRC. All of these new production plants have to consume cassava as materials and will commence production in the coming two years. In view of the fact that 2.9 tonnes of dried cassava chips are consumed to produce 1 ton of ethanol fuel, we anticipate that the demand of dried cassava chips in the PRC ethanol fuel industry will be growing which is beneficial to the Group's long-term business development.

For procurement, the Group has total 14 procurement facilities and networks of total storage capacity of 660,000 tonnes (including 9 procurement facilities and networks near the riverside or the cassava plantation zone in Thailand, 4 in Cambodia and 1 in Vietnam) which pave the solid foundation for enhancement of the market coverage and maintenance of long-term business development. The effect of economy of scales in relation to the procurement business of dried cassava chips by the Group's procurement networks in Thailand, Vietnam and Cambodia reduces the Group's unit cost of dried cassava chips and increases the Group's gross profit margin. In coming year, the Group intends to set up at least 3 additional procurement facilities and networks with aggregate storage capacity of approximately 150,000 tonnes in Thailand, Vietnam or Cambodia so as to cope with the expected increase in demand of dried cassava chips, to increase the Group's market share and to maintain our leading position in the industry.

For transportation and logistics, the Group owns a vessel of 46,000 tonnes serving the Group to transport dried cassava chips from Thailand to the PRC and it operates 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. Looking ahead, the Group plans to continue establishing more procurement and warehouse centres 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.

Apart from the operation of hotel, the Group will prudently explore other investment project with potentials, but not limiting to property project, in order to broaden the revenue sources and maximize 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	Actual use of proceeds up to 30 September 2015
	HK\$'000	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	7,000
4. the development and enhancement of sales network and marketing, including promotion and marketing of its Artwell brand dried cassava chips in the Group's existing network in the north-eastern region in the Mainland China	3,100	–
5. additional general working capital of the Group	5,844	5,844
	<u>59,234</u>	<u>56,134</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 2015 and hence, no closure of register of members is necessary.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 September 2015, the interests and short positions of the directors in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Long positions in ordinary shares of the Company:

Name of director	Number of shares held, capacity and nature of interest			Percentage of the Company's issued share capital
	Directly beneficially owned	Through controlled corporation	Total	
Mr. Chu Ming Chuan ("Mr. Chu") (note (a))	135,520,715	225,000,000	360,520,715	61.66%

Long positions in shares and underlying shares of associated corporations:

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

Notes:

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

Save as disclosed above, as at 30 September 2015, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

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

Supplementary Information

SHARE OPTION SCHEME

The Company operates a share option scheme (the “Scheme”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Further details of the Scheme are disclosed in note 27 to the Company’s annual report for the year ended 31 March 2015. No share options had been granted under the Scheme since the Scheme became effective.

SUBSTANTIAL SHAREHOLDERS’ INTERESTS IN SHARES AND UNDERLYING SHARES

At 30 September 2015, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name	Note	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company’s issued share capital
<i>Long positions:</i>				
AR Management	(a)	Directly beneficially owned	225,000,000	38.48%
Mr. Chu	(a)	Through a controlled corporation	225,000,000	38.48%
		Directly beneficially owned	135,520,715	23.18%
			<hr/>	
			360,520,715	61.66%
			<hr/>	
Mrs. Chu	(a)	Through a controlled corporation	225,000,000	38.48%

Notes:

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

Save as disclosed above, as at 30 September 2015, no person, other than the directors of the Company, whose interests are set out in the section “Directors’ interests and short positions in shares and underlying shares” above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

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

COMPETING BUSINESS

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

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

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

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the six months ended 30 September 2015, 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 2015, 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 25 November 2015 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.

CHANGES IN DIRECTOR'S INFORMATION

Changes in the information of the directors of the Company since the date of the Company's 2014/2015 annual report are set out below:

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

Mr. Lee has been appointed as an independent non-executive director of China Goldjoy Group Limited. (Code: 1282), a company listed on the main board of the Stock Exchange, with effect from 27 November 2015.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

Six months ended 30 September 2015

	Notes	Six months ended 30 September	
		2015 HK\$'000	2014 HK\$'000 (Restated)
REVENUE	4	1,931,158	1,827,971
Cost of sales		(1,670,468)	(1,579,653)
Gross profit		260,690	248,318
Other income	4	4,934	3,404
Selling and distribution costs		(163,771)	(153,899)
General and administrative expenses		(26,972)	(26,440)
Finance costs		(6,673)	(4,924)
PROFIT BEFORE TAX	5	68,208	66,459
Income tax expense	6	(7,432)	(7,738)
PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		60,776	58,721
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences arising on translation of foreign operations		(285)	175
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		60,491	58,896
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	7		
Basic and diluted (HK cents)		10.4	11.4

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2015

	<i>Notes</i>	30 September 2015 HK\$'000 (unaudited)	31 March 2015 HK\$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		166,202	169,685
Investment properties		59,950	59,950
Available-for-sale investments		30,749	30,749
Prepayments, deposits and other receivables		19,439	19,439
Deferred tax assets		580	580
Total non-current assets		276,920	280,403
CURRENT ASSETS			
Inventories		315,350	712,756
Trade and bills receivables	8	246,786	132,324
Prepayments, deposits and other receivables		42,365	43,276
Pledged deposits		16,107	150,006
Cash and cash equivalents		420,937	195,530
Total current assets		1,041,545	1,233,892
CURRENT LIABILITIES			
Trade and other payables and accruals	9	31,615	56,388
Interest-bearing bank borrowings		356,109	595,089
Tax payable		65,221	57,789
Total current liabilities		452,945	709,266
NET CURRENT ASSETS		588,600	524,626
TOTAL ASSETS LESS CURRENT LIABILITIES		865,520	805,029
NON-CURRENT LIABILITIES			
Deferred tax liabilities		3,688	3,688
Net assets		861,832	801,341
EQUITY			
Equity attributable to owners of the Company			
Issued share capital		58,473	58,473
Reserves		771,199	710,708
Proposed dividends		32,160	32,160
Total equity		861,832	801,341

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Six months ended 30 September 2015

	Attributable to owners of the Company										Non-controlling interest	Total equity
	Issued capital	Share premium*	Contributed surplus*	Merger reserve*	Legal reserve*	Asset revaluation reserve*	Exchange fluctuation reserve*	Retained profits*	Proposed dividends	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(note (i))	(note (ii))	(note (iii))						(note (iv))	
At 1 April 2015	58,473	424,931	8,229	(249,726)	46	13,893	7,899	505,346	32,160	801,341	-	801,341
Profit for the period	-	-	-	-	-	-	-	60,776	-	60,776	-	60,776
Other comprehensive income for the period:												
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	(285)	-	-	(285)	-	(285)
Total comprehensive income for the period	-	-	-	-	-	-	(285)	60,776	-	60,491	-	60,491
At 30 September 2015	58,473	424,931	8,229	(249,726)	46	13,983	7,614	566,122	32,160	861,832	-	861,832

	Attributable to owners of the Company										Non-controlling interest	Total equity
	Issued capital	Share premium*	Contributed surplus*	Merger reserve*	Legal reserve*	Asset revaluation reserve*	Exchange fluctuation reserve*	Retained profits*	Proposed dividends	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(note (i))	(note (ii))	(note (iii))						(note (iv))	
At 1 April 2014												
As previously reported	44,980	252,225	8,229	(9,773)	46	10,948	3,513	369,742	22,490	702,400	-	702,400
Adjusted for common control combinations	-	-	-	-	-	-	1,922	1,330	-	3,252	-	3,252
As restated	44,980	252,225	8,229	(9,773)	46	10,948	5,435	371,072	22,490	705,652	-	705,652
Profit for the period, as restated	-	-	-	-	-	-	-	58,721	-	58,721	-	58,721
Other comprehensive income for the period:												
Exchange differences arising on translation of foreign operations, as restated	-	-	-	-	-	-	175	-	-	175	-	175
Total comprehensive income for the period, as restated	-	-	-	-	-	-	175	58,721	-	58,896	-	58,896
At 30 September 2014, as restated	44,980	252,225	8,229	(9,773)	46	10,948	5,610	429,793	22,490	764,548	-	764,548

Condensed Consolidated Statement of Changes in Equity (Unaudited)

Six months ended 30 September 2015

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 (1) 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 and (2) the difference between the consideration paid and the net assets value of the acquiree arising from the business combination under common control.
 - (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\$771,199,000 (30 September 2014: HK\$697,078,000) in the consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

Six months ended 30 September 2015

	Six months ended 30 September	
	2015 HK\$'000	2014 HK\$'000 (Restated)
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	332,154	(44,298)
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	132,518	(9,427)
NET CASH OUTFLOW FROM FINANCING ACTIVITIES	(238,980)	(3,598)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	225,692	(57,323)
Cash and cash equivalents at beginning of period	195,530	416,277
Effect of foreign exchange rate changes, net	(285)	175
CASH AND CASH EQUIVALENTS AT END OF PERIOD	420,937	359,129

NOTES TO FINANCIAL STATEMENT

30 September 2015

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 and Thailand and the hotel operations in the 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. 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 2015, 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.

2.1 COMMON CONTROL COMBINATIONS

During the year ended 31 March 2015, the Group acquired the entire interest in Oriental Pioneer Limited (“Oriental Pioneer”) and its subsidiary (collectively “Oriental Pioneer Group”) from Mr. Chu, a substantial shareholder of the Group, and the assumption of a loan due to Mr. Chu of HK\$58,446,000, at an aggregate consideration of HK\$298,399,000, of which HK\$112,200,000 would be settled by cash by the Group to Mr. Chu and HK\$186,199,000 would be satisfied by procuring the Company to allot and issue of 134,926,715 shares (the “Consideration Shares”) to Mr. Chu at the price of HK\$1.38 per Consideration Share at the completion date of the acquisition. Further details about the acquisition of interests in Oriental Pioneer Group have been set out in the circular dated 15 September 2014. Such acquisition was approved in the ordinary resolution passed by the shareholders by way of poll in the extraordinary general meeting held on 3 October 2014.

As the Company is ultimately controlled by the aforesaid substantial shareholder, who is also the vendor of Oriental Pioneer Group and a director of the Company, the acquisition was regarded as business combinations under common control. To consistently apply the Group’s accounting policy for common control combination, the acquisition of the Oriental Pioneer Group have been accounted for based on the principles of merger accounting in accordance with Accounting Guideline 5 Merger Accounting for Common Control Combinations (“AG 5”) issued by the HKICPA as if the acquisitions had occurred on the date when the combining entities first came under the control of the substantial shareholder. Accordingly, the assets and liabilities acquired in the common control combinations are stated at their carrying amounts as if they had been held or incurred by the Group from the later of the date on which the combining entities first came under the control of the substantial shareholder or the relevant transactions giving rise to the assets or liabilities arose.

Notes to Financial Statement

30 September 2015

2.1 COMMON CONTROL COMBINATIONS (Continued)

In accordance with AG 5, the comparative amounts of the financial statements of the Group have been restated to include the financial statement items of Oriental Pioneer Group. The effect of the acquisitions on and, hence, the items so restated in the comparative financial statements are summarised below:

- (a) Effect on consolidated profit or loss and other comprehensive income for the six months ended 30 September 2014

	As previously reported HK\$'000	Acquisition of Oriental Pioneer Group HK\$'000	Consolidation adjustments HK\$'000	As restated HK\$'000
REVENUE	1,812,796	15,175	-	1,827,971
Cost of sales	(1,573,635)	(6,018)	-	(1,579,653)
Gross profit	239,161	9,157	-	248,318
Other income	3,284	202	(82)	3,404
Selling and distribution expenses	(150,068)	(3,831)	-	(153,899)
General and administrative expenses	(20,233)	(6,289)	82	(26,440)
Finance costs	(4,793)	(131)	-	(4,924)
PROFIT/(LOSS) BEFORE TAX	67,351	(892)	-	66,459
Income tax expense	(7,738)	-	-	(7,738)
PROFIT/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY	59,613	(892)	-	58,721
OTHER COMPREHENSIVE INCOME/(EXPENSE)				
Other comprehensive income/(expense) to be reclassified to profit or loss in subsequent periods:				
Exchange differences arising on translation of foreign operations	220	(45)	-	175
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD, NET OF TAX	220	(45)	-	175
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	59,833	(937)	-	58,896

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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 HKAS19	<i>Employee Benefits – Defined Benefit Plans Employee Combinations</i>
Amendments to HKFRSs	Annual improvements to HKFRSs 2010-1012 Cycle
Amendments to HKFRSs	Annual improvements to HKFRSs 2011-2013 Cycle

The adoption of the revised standards and new interpretation has 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 procurement and sale of dried cassava chips segment engages in the procurement and sale of dried cassava chips;
- (b) the property investment segment invests in office space and industrial properties for its rental income potential; and
- (c) the hotel operations segment engages in hotel operations in the PRC.

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.

Notes to Financial Statement

30 September 2015

3. SEGMENT INFORMATION (Continued)

	Procurement and sales of dried cassava chips HK\$'000	Property investment HK\$'000	Hotel operation HK\$'000	Total HK\$'000
Six months ended 30 September 2015				
Segment revenue:				
Sales to external customers	1,918,236	-	-	1,918,236
Gross rental income	-	1,199	-	1,199
Hotel room revenue, food and beverage	-	-	12,922	12,922
Total	1,918,236	1,199	12,922	1,932,357
Segment results	71,850	905	(207)	72,548
Interest and unallocated gains				3,722
Corporate and other unallocated expenses				(1,389)
Finance costs				(6,673)
Profit before tax				68,208
Other segment information:				
Depreciation	1,958	130	1,558	3,646
Capital expenditure	1,358	-	23	1,381

Notes to Financial Statement

30 September 2015

3. SEGMENT INFORMATION (Continued)

	Procurement and sales of dried cassava chips HK\$'000	Property investment HK\$'000	Hotel operation 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
Hotel room revenue, food and beverage	–	–	15,175	15,175
Total	1,812,796	804	15,175	1,828,775
Segment results	70,380	650	(761)	70,269
Interest and unallocated gains				2,480
Corporate and other unallocated expenses				(1,366)
Finance costs				(4,924)
Profit before tax				66,459
Other segment information:				
Depreciation	1,965	132	1,527	3,624
Capital expenditure	9,230	–	–	9,230

Notes to Financial Statement

30 September 2015

3. SEGMENT INFORMATION (Continued)

	Procurement and sales of dried cassava chips HK\$'000	Property investment HK\$'000	Hotel operation HK\$'000	Total HK\$'000
As at 30 September 2015				
Segment assets	601,465	95,431	67,934	764,830
Corporate and other unallocated assets				<u>553,635</u>
Total assets				<u><u>1,318,465</u></u>
Segment liabilities	364,479	532	11,388	376,399
Corporate and other unallocated liabilities				<u>80,234</u>
Total liabilities				<u><u>456,633</u></u>
	Procurement and sales of dried cassava chips HK\$'000	Property investment HK\$'000	Hotel operation HK\$'000	Total HK\$'000
As at 31 March 2015				
Segment assets	887,593	95,488	69,087	1,052,168
Corporate and other unallocated assets				<u>462,127</u>
Total assets				<u><u>1,514,295</u></u>
Segment liabilities	626,814	501	12,456	639,771
Corporate and other unallocated liabilities				<u>73,183</u>
Total liabilities				<u><u>712,954</u></u>

Notes to Financial Statement

30 September 2015

3. SEGMENT INFORMATION (Continued)

Geographical information

(a) Revenue from external customers

	Six months ended 30 September	
	2015 HK\$'000	2014 HK\$'000 (Restated)
Hong Kong	1,199	804
Mainland China	1,931,158	1,827,971
	1,932,357	1,828,775

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

(b) Non-current assets

	30 September 2015 HK\$'000	31 March 2015 HK\$'000
Hong Kong	75,362	76,287
Mainland China	90,655	91,766
Thailand	47,542	48,061
Unallocated	32,032	32,960
	245,591	249,074

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 2015

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	
	2015 HK\$'000	2014 HK\$'000
Revenue		
Sales of dried cassava chips	1,918,236	1,812,796
Hotel room revenue, food and beverage	12,922	15,175
	1,931,158	1,827,971

An analysis of other income is as follows:

	Six months ended 30 September	
	2015 HK\$'000	2014 HK\$'000
Other income		
Bank interest income	3,722	2,480
Gross rental income	1,199	804
Others	13	120
	4,934	3,404

Notes to Financial Statement

30 September 2015

5. PROFIT BEFORE TAX

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

	Six months ended 30 September	
	2015 HK\$'000	2014 HK\$'000 (Restated)
Cost of inventories sold	1,664,439	1,573,635
Depreciation	3,593	3,479
Employee benefit expenses (including directors' remuneration):		
Wages and salaries	13,672	13,203
Pension scheme contributions	730	708
	14,402	13,911
Rental income on investment properties less direct operating expense of HK\$15,000 (2014: HK\$12,000)	(1,184)	(792)
Minimum lease payments under operating leases in respect of storage facilities and office premises	2,432	1,876
Contingent rent under operating leases in respect of storage facilities	1,465	1,068

6. INCOME TAX

Hong Kong profits tax has been provided at the rates of 16.5% (2014: 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	
	2015 HK\$'000	2014 HK\$'000
Current – Hong Kong	7,432	7,738
Total tax charge for the period	7,432	7,738

Notes to Financial Statement

30 September 2015

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 2015 attributable to ordinary equity holders of the Company and the weighted average number of 584,726,715 ordinary shares in issue during the period; The earnings per share for the six months ended 30 September 2014 had been restated in accordance with AG5.

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 September 2015 and 2014 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 2015 HK\$'000	31 March 2015 HK\$'000
Within 30 days	245,993	131,574
30 – 60 days	285	276
61 – 90 days	166	151
Over 90 days	342	323
	246,786	132,324

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 2015

9. TRADE AND OTHER PAYABLES AND ACCRUALS

	30 September 2015 HK\$'000	31 March 2015 HK\$'000
Trade payables	–	24,450
Other payables	23,675	24,452
Accrued liabilities	6,874	6,526
Rental deposits received	1,066	960
	31,615	56,388

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 2015 HK\$'000	31 March 2015 HK\$'000
Within 1 month	–	24,450

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 2015, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 September 2015 HK\$'000	31 March 2015 HK\$'000
Within one year	1,223	1,045
In the second to fifth years, inclusive	667	494
	1,890	1,539

Notes to Financial Statement

30 September 2015

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 2015, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 September 2015 HK\$'000	31 March 2015 HK\$'000
Within one year	2,034	2,309
In the second to fifth years, inclusive	1,573	2,494
	3,607	4,803

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.

Notes to Financial Statement

30 September 2015

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	
		2015 HK\$'000	2014 HK\$'000
Rental expenses paid to related companies*	(i)	673	673
Rental expenses paid to a director	(i)	83	83
Management expenses paid to a related company	(ii)	–	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. APPROVAL OF THE FINANCIAL STATEMENTS

These condensed financial statements were approved and authorised for issue by the board of directors on 28 November 2015.