



ACR

Asia Cassava Resources Holdings Limited
亞洲木薯資源控股有限公司

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

INTERIM REPORT 2016





CONTENTS

2	Corporate Information
3–7	Management Discussion and Analysis
8–10	Supplementary Information
11–26	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
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, leading to a significant influence over the pricing in the market through continuous expansion of procurement networks.

2016 is a challenging year. The global economic growth continued to slow down and the domestic economic growth in the PRC continued to decelerate with significant downward pressure. Moreover, the Renminbi was depreciated against US dollars which had impact on the purchasing power of the customers in general. In addition, the downward adjustment of the national storage price of corn was made by the Chinese government near end of 2015 diminished the price advantage of dried cassava chips over corn, and resulted in a significant decline in revenue and gross profit margin of the sale of dried cassava chips of the Group for the six months ended 30 September 2016 (the "Current Period") as compared with the corresponding period of last year.

REVENUE

The Group's revenue from procurement and sales of dried cassava chips decreased by approximately HK\$978.1 million or approximately 51.0% from approximately HK\$1,918.2 million in the corresponding period of previous year to approximately HK\$940.1 million for the Current Period. It was mainly attributable to the significant downward adjustment of the national storage price of corn made near the end of 2015, which diminished the price advantage of dried cassava chips over corn, and resulting in a significant decline in revenue of the sale of dried cassava chips of the Group during the Current Period.

The Group's revenue from hotel operation amounted to approximately HK\$11.4 million for the Current Period, representing a decrease of approximately 11.6% from approximately HK\$12.9 million for the corresponding period of previous year. During the Current Period, the Group's hotel operation was still 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 carrying out promotions and 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 decreased by approximately HK\$814.9 million, or approximately 49.0%, from approximately HK\$1,664.4 million for the corresponding period of the previous year to approximately HK\$849.5 million in the Current Period, mainly due to the decrease in sales of dried cassava chips and unit costs in the Current Period.

The Group's gross profit from procurement and sales of dried cassava chips decreased by approximately HK\$163.2 million, or approximately 64.3%, from approximately HK\$253.8 million for the corresponding period of previous year to approximately HK\$90.6 million for the Current Period, mainly due to decrease in revenue and decrease in gross profit margin.

The Group's gross profit margin from procurement and sales of dried cassava chips for the Current Period decreased to approximately 9.6% from approximately 13.2% for the corresponding period of previous year. The downward adjustment of the Chinese national storage price of corn made near the end of 2015 diminished the price advantage of dried cassava chips over corn, and resulting in a significant decline in selling price of dried cassava chips of the Group during the Current Period as compared with the corresponding period of last year. In response to this, the Group had made downward adjustment on the costs of dried cassava chips from its suppliers during the

Management Discussion and Analysis

Current Period, but the Group was not able to fully shift the burden of significant decrease in price to its suppliers. Hence, the gross profit margin was decreased.

The Group's cost of sales from hotel operation amounted to approximately HK\$4.9 million for the Current Period (2015: approximately HK\$6.1 million). The Group's gross profit margin from hotel operation for the Current Period increased to approximately 57.0% from approximately 52.7% 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\$64.1 million (2015: approximately HK\$163.8 million), comprised mainly (a) ocean freight costs of approximately HK\$26.3 million (2015: approximately HK\$129.8 million), (b) warehouse, handling and inland transportation expenses of approximately HK\$34.8 million (2015: approximately HK\$31.0 million) and (c) those related to hotel operation of approximately HK\$3.0 million (2015: approximately HK\$3.0 million).

The Group's selling and distribution expenses decreased mainly due to decrease in ocean freight costs which was mainly due to (i) decrease in sales volume of dried cassava chips and (ii) more customers adopted the trading terms of FOB during the Current Period.

The Group's selling and distribution expenses represented 6.7% of the total sales revenue for the Current Period, compared to that of 8.5% for the corresponding period of previous year.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses of the Group was approximately HK\$26.5 million compared with approximately HK\$27.0 million for the Current Period.

FINANCE COSTS

Finance expenses of the Group decreased from approximately HK\$6.7 million for the corresponding period of previous year to approximately HK\$2.8 million for the Current Period. During the Current Period, the Group had sufficient internal working capital for procurement of dried cassava chips and hence, the Group's outstanding bank borrowings were decreased and a significant decrease in finance expenses was resulted.

TAXATION

For each of six months ended 30 September 2016 and 2015, the Group's taxations were approximately HK\$0.7 million and HK\$7.4 million, respectively. The effective tax rate of the Group for the Current Period was approximately 10.8% (2015: 10.9%).

PROFIT FOR THE PERIOD

The Group's profit for the Current Period amounted to approximately HK\$5.9 million (2015: approximately HK\$60.8 million).

FINANCIAL RESOURCES AND LIQUIDITY

As at 30 September 2016, the net assets amounted to approximately HK\$786.8 million, representing an increase of approximately HK\$5.7 million from approximately HK\$781.1 million as at 31 March 2016 due to the profit for the Current Period.

Current assets as at 30 September 2016 amounted to approximately HK\$778.7 million (31 March 2016: HK\$1,071.0 million), including cash and cash equivalents of approximately HK\$112.7 million (31 March 2016: HK\$191.3 million), trade and bills receivables of approximately HK\$366.6 million (31 March 2016: HK\$403.3 million) pledged deposits of HK\$nil (31 March 2016: HK\$10.2 million) and inventories of approximately HK\$264.7 million (31 March 2016: HK\$437.4 million). As at 30 September 2016, the Group had non-current assets of approximately HK\$289.4 million (31 March 2016: HK\$291.5 million) which represented mainly the investments, the hotel, the vessel, and the properties located in Hong Kong for office and property investment purposes.

The Group's current liabilities as at 30 September 2016 amounted to approximately HK\$276.9 million (31 March 2016: HK\$577.1 million), which comprised mainly trade and other payables and accruals of approximately HK\$44.3 million (31 March 2016: HK\$45.9 million), tax payable of HK\$52.1 million (31 March 2016: HK\$49.3 million) and bank borrowings of approximately HK\$180.5 million (31 March 2016: HK\$481.9 million). The Group's non-current liabilities as at 30 September 2016 included deferred tax liabilities of approximately HK\$4.3 million (31 March 2016: HK\$4.3 million).

The Group expresses its gearing ratio as a percentage of borrowings over total assets. As at 30 September 2016, the Group had a gearing ratio of 16.9% (31 March 2016: 35.4%). Such decrease is mainly due to the 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 2016, the total number of the Group's staff was approximately 250. The total staff costs (including directors' remuneration) amounted to approximately HK\$13.6 million for the six months ended 30 September 2016. 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 2016, the Group's pledged bank deposits, land and buildings and investment properties situated in Hong Kong with aggregate carrying values of HK\$nil (31 March 2016: HK\$150,006,000), HK\$12,670,000 (31 March 2016: HK\$12,670,000) and HK\$33,050,000 (31 March 2016: HK\$33,050,000), respectively, were pledged to the bankers to secure the banking facilities granted to the Group. Bills receivable of HK\$32,353,000 as at 30 September 2016 (31 March 2016: HK\$275,098,000) were discounted to the banks with recourse.

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.

ACQUISITION OF PROPERTY AND CAPITAL COMMITMENTS

On 24 August 2016, the Group entered into a provisional sale and purchase agreement in relation to the acquisition of the investment property located in Hong Kong (the “Acquisition”) for a consideration of HK\$24,040,800. As at 30 September 2016, a deposit of HK\$2,404,080 was paid. The remaining balance of HK\$21,636,720 was paid on 11 October 2016 and the Acquisition was completed on the same date.

CONTINGENT LIABILITIES

As 30 September 2016, the Group did not have any material contingent liabilities.

PROSPECT

The Board believes that the Group is still facing challenges ahead. The domestic economic growth in the PRC continued to decelerate with significant downward pressure and the recent depreciation of Renminbi against US dollars has impact on the purchasing power of the PRC customers for dried cassava chips in general. In addition, it expects that the downward-adjusted national storage price of corn continues to have unfavourable impacts on revenue and gross profit margin of the sale of dried cassava chips of the Group in the coming months.

However, in medium to long run, renewable energy is considered a vital resource of energy in the PRC, 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. It is expected that several existing ethanol productions plants will be expanded and the construction of new plants in the PRC will be completed in coming years. 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 15 procurement facilities and networks of total storage capacity of 700,000 tonnes (including 10 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 Group targets to reduce its unit cost of dried cassava chips and increase its gross profit margin with 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. In coming year, the Group intends to set up additional procurement facilities and networks (when appropriate) 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.

Management Discussion and Analysis

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.

As regards the hotel operation, influenced by the slowdown in China's macro-economic growth, the Group not only puts more effort on controlling costs but also continues to allocate resources on promoting wedding and other banquets services, opening new restaurants, and attracting local residents (other than tourists or business travelers) for consumption in hotel so as to broaden income stream and improve the profitability. During the Current Period, the gross profit margin and the operating results of the Group's hotel business were improved. In addition, as the Group has a good reputation in hotel management locally, certain small or medium-sized local hotels has intentions to approach and negotiate with the Group in relation to engaging the Group as their hotel management company. The Group will prudently consider its feasibility for exploring new hotel management income.

Apart from the operation of hotel and the acquisition of investment properties, 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

DIVIDENDS AND CLOSURE OF REGISTER OF MEMBERS

The Board do not recommends payment of an interim dividend for the six months ended 30 September 2016 and hence, no closure of register of members is necessary.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 September 2016, 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 2016, 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.

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 2016. 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 2016, 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%
			360,520,715	61.66%
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 2016, 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 2016, 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 2016, 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 29 November 2016 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.

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

Six months ended 30 September 2016

	Notes	Six months ended 30 September	
		2016 HK\$'000	2015 HK\$'000
REVENUE	4	951,489	1,931,158
Cost of sales		(854,422)	(1,670,468)
Gross profit		97,067	260,690
Other income	4	3,016	4,934
Selling and distribution costs		(64,103)	(163,771)
General and administrative expenses		(26,549)	(26,972)
Finance costs		(2,823)	(6,673)
PROFIT BEFORE TAX	5	6,608	68,208
Income tax expense	6	(714)	(7,432)
PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		5,894	60,776
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences arising on translation of foreign operations		(125)	(285)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		5,769	60,491
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	7		
Basic and diluted (HK cents)		1.0	10.4

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2016

	<i>Notes</i>	30 September 2016 HK\$'000 (unaudited)	31 March 2016 HK\$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		156,496	158,620
Investment properties		65,615	65,615
Prepaid land lease payments		8,821	8,847
Held-to-maturity investments	8	18,798	18,798
Available-for-sale investments	9	30,749	30,749
Prepayments, deposits and other receivables		8,328	8,328
Deferred tax assets		551	551
Total non-current assets		289,358	291,508
CURRENT ASSETS			
Inventories		264,664	437,416
Trade and bills receivables	10	366,567	403,257
Prepayments, deposits and other receivables		31,478	25,907
Financial assets at fair value through profit or loss	11	3,368	2,973
Pledged deposits		–	10,151
Cash and cash equivalents		112,672	191,297
Total current assets		778,749	1,071,001
CURRENT LIABILITIES			
Trade and other payables and accruals	12	44,258	45,883
Interest-bearing bank borrowings		180,537	481,942
Tax payable		52,136	49,277
Total current liabilities		276,931	577,102
NET CURRENT ASSETS		501,818	493,899
TOTAL ASSETS LESS CURRENT LIABILITIES		791,176	785,407
NON-CURRENT LIABILITIES			
Deferred tax liabilities		4,336	4,336
Net assets		786,840	781,071
EQUITY			
Equity attributable to owners of the Company			
Issued share capital		58,473	58,473
Reserves		728,367	722,598
Total equity		786,840	781,071

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Six months ended 30 September 2016

	Attributable to owners of the Company											
	Issued capital	Share premium [†]	Contributed surplus [†]	Merger reserve [†]	Legal reserve [†]	Asset revaluation reserve [†]	Exchange fluctuation reserve [†]	Retained profits [†]	Proposed dividends	Total	Non-controlling interest	Total equity
	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 2016	58,473	424,931	8,229	(249,726)	46	16,955	204	521,959	-	781,071	-	781,071
Profit for the period	-	-	-	-	-	-	-	5,894	-	5,894	-	5,894
Other comprehensive income for the period:												
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	(125)	-	-	(125)	-	(125)
Total comprehensive income for the period	-	-	-	-	-	-	(125)	5,894	-	5,769	-	5,769
At 30 September 2016	58,473	424,931	8,229	(249,726)	46	16,955	79	527,853	-	786,840	-	786,840

	Attributable to owners of the Company											
	Issued capital	Share premium [†]	Contributed surplus [†]	Merger reserve [†]	Legal reserve [†]	Asset revaluation reserve [†]	Exchange fluctuation reserve [†]	Retained profits [†]	Proposed dividends	Total	Non-controlling interest	Total equity
	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	13,983	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

Condensed Consolidated Statement of Changes in Equity (Unaudited)

Six months ended 30 September 2016

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 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\$728,367,000 (30 September 2015: HK\$771,199,000) in the consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

Six months ended 30 September 2016

	Six months ended 30 September	
	2016 HK\$'000	2015 HK\$'000
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	209,282	332,154
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	3,472	132,518
NET CASH OUTFLOW FROM FINANCING ACTIVITIES	(291,254)	(238,980)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(78,500)	225,692
Cash and cash equivalents at beginning of period	191,297	195,530
Effect of foreign exchange rate changes, net	(125)	(285)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	112,672	420,937

NOTES TO FINANCIAL STATEMENT

30 September 2016

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 2016, 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 2.1 below.

2.1 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 HKFRS 10, HKFRS 12 and HKAS 28 (2011)	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27 (2011)	Equity Method in Separate Financial Statements
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs

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 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 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 2016

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 2016				
Segment revenue:				
Sales to external customers	940,129	-	-	940,129
Gross rental income	-	1,061	-	1,061
Hotel room revenue, food and beverage	-	-	11,360	11,360
Total	940,129	1,061	11,360	952,550
Segment results	8,972	459	(4)	9,427
Interest and unallocated gains				1,955
Corporate and other unallocated expenses				(1,951)
Finance costs				(2,823)
Profit before tax				6,608
Other segment information:				
Depreciation	3,064	303	988	4,355
Capital expenditure	2,231	2,404	-	4,635

	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 2016

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 2016				
Segment assets	710,746	86,533	62,930	860,209
Corporate and other unallocated assets				<u>207,898</u>
Total assets				<u><u>1,068,107</u></u>
Segment liabilities	210,273	530	10,244	221,047
Corporate and other unallocated liabilities				<u>60,220</u>
Total liabilities				<u><u>281,267</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 2016				
Segment assets	913,329	86,705	63,633	1,063,667
Corporate and other unallocated assets				<u>298,842</u>
Total assets				<u><u>1,362,509</u></u>
Segment liabilities	513,377	567	10,483	524,427
Corporate and other unallocated liabilities				<u>57,011</u>
Total liabilities				<u><u>581,438</u></u>

3. SEGMENT INFORMATION *(Continued)*

Geographical information

(a) Revenue from external customers

	Six months ended 30 September	
	2016 HK\$'000	2015 HK\$'000
Hong Kong	1,061	1,199
Mainland China	951,489	1,931,158
	952,550	1,932,357

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

(b) Non-current assets

	30 September 2016 HK\$'000	31 March 2016 HK\$'000
Hong Kong	77,608	77,570
Mainland China	84,073	85,114
Thailand	46,392	46,948
Unallocated	31,187	31,778
	239,260	241,410

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 financial instruments and deferred tax assets.

Notes to Financial Statement

30 September 2016

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	
	2016 HK\$'000	2015 HK\$'000
Revenue		
Sales of dried cassava chips	940,129	1,918,236
Hotel room revenue, food and beverage	11,360	12,922
	951,489	1,931,158

An analysis of other income is as follows:

	Six months ended 30 September	
	2016 HK\$'000	2015 HK\$'000
Other income		
Bank interest income	166	3,722
Gross rental income	1,061	1,199
Others	1,789	13
	3,016	4,934

Notes to Financial Statement

30 September 2016

5. PROFIT BEFORE TAX

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

	Six months ended 30 September	
	2016 HK\$'000	2015 HK\$'000
Cost of inventories sold	849,516	1,664,439
Depreciation	4,355	3,593
Employee benefit expenses (including directors' remuneration):		
Wages and salaries	12,867	13,672
Pension scheme contributions	698	730
	13,565	14,402
Rental income on investment properties less direct operating expense of HK\$12,000 (2015: HK\$15,000)	(1,049)	(1,184)
Minimum lease payments under operating leases in respect of storage facilities and office premises	2,430	2,432
Contingent rent under operating leases in respect of storage facilities	1,399	1,465

6. INCOME TAX

Hong Kong profits tax has been provided at the rates of 16.5% (2015: 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	
	2016 HK\$'000	2015 HK\$'000
Current – Hong Kong	714	7,432
Total tax charge for the period	714	7,432

Notes to Financial Statement

30 September 2016

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 2016 attributable to ordinary equity holders of the Company and the weighted average number of 584,726,715 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 2016 and 2015 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those periods.

8. HELD-TO-MATURITY INVESTMENTS

	30 September 2016 HK\$'000	31 March 2016 HK\$'000
Listed bond securities at amortised cost: Listed on the Stock Exchange with fixed coupon interest ranging from 5.25% to 5.375% per annum and maturity dates ranging from 11 May 2018 to 24 November 2018	18,798	18,798

The above investments consist of investments in debt securities which were designated by the Group as held-to-maturity.

9. AVAILABLE-FOR-SALE INVESTMENTS

	30 September 2016 HK\$'000	31 March 2016 HK\$'000
Available-for-sale investments: Unlisted equity investments, at cost	30,749	30,749

The above investments consist of investments in equity securities which were designated by the Group as available-for-sale financial assets and have no fixed maturity date or coupon rate.

As at 30 September 2016, the Group's unlisted equity investments were 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.

Notes to Financial Statement

30 September 2016

10. TRADE AND BILLS RECEIVABLES

It is the Group's policy that all customers who wish to trade with the Group to provide the Group with irrecoverable letters of credit issued by reputable banks, 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.

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 2016 HK\$'000	31 March 2016 HK\$'000
Within 30 days	109,281	78,460
30 – 60 days	160,067	148,346
61 – 90 days	96,881	176,058
Over 90 days	338	393
	366,567	403,257

Bills receivable of HK\$32,353,000 as at 30 September 2016 (31 March 2016: HK\$275,098,000) were discounted to the banks with recourse.

Receivables that were neither past due nor impaired relate to customers for whom there was no recent history of default.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 September 2016 HK\$'000	31 March 2016 HK\$'000
Listed equity securities, at market value	3,368	2,973

The above equity investments at 30 September 2016 were classified as held for trading and were, upon initial recognition, designated by the Group as financial assets at fair value through profit or loss.

Notes to Financial Statement

30 September 2016

12. TRADE AND OTHER PAYABLES AND ACCRUALS

	30 September 2016 HK\$'000	31 March 2016 HK\$'000
Trade payables	27,926	17,455
Other payables	6,419	17,858
Accrued liabilities	8,084	8,916
Rental deposits received	1,829	1,654
	44,258	45,883

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 2016 HK\$'000	31 March 2016 HK\$'000
Within 1 month	27,926	17,455

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

13. 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 2016, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 September 2016 HK\$'000	31 March 2016 HK\$'000
Within one year	1,723	1,443
In the second to fifth years, inclusive	560	909
	2,283	2,352

13. 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 2016, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 September 2016 HK\$'000	31 March 2016 HK\$'000
Within one year	1,958	2,023
In the second to fifth years, inclusive	553	648
	2,511	2,671

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.

14. RELATED PARTY TRANSACTIONS

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

	Notes	Six months ended 30 September	
		2016 HK\$'000	2015 HK\$'000
Rental expenses paid to related companies*	(i)	283	673
Rental expenses paid to a director	(i)	76	83

* 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.

15. APPROVAL OF THE FINANCIAL STATEMENTS

These condensed financial statements were approved and authorised for issue by the board of directors on 29 November 2016.