



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 2018





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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. Chui Chi Yun Robert
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. Chui Chi Yun Robert

REMUNERATION COMMITTEE

Mr. Chui Chi Yun Robert (Chairman)
Professor Fung Kwok Pui
Mr. Yue Man Yiu, Matthew

NOMINATION COMMITTEE

Professor Fung Kwok Pui (Chairman)
Mr. Chui Chi Yun Robert
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
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
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Hong Kong

REGISTERED OFFICE

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Hutchins Drive
P.O. Box 2681
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Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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Houston Centre
63 Mody Road
Tsim Sha Tsui East
Kowloon
Hong Kong

STOCK CODE

841



MANAGEMENT DISCUSSION AND ANALYSIS

During the period, Asia Cassava Resources Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”) was principally engaged in procurement of dried cassava chips in Southeast Asian countries, including Thailand, Cambodia and Vietnam, and sales of dried cassava chips, to customers in the People’s Republic of China (the “PRC”) and Thailand. The Group is continued to be 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.

BUSINESS REVIEW

During the six months ended 30 September 2018 (the “Current Period”), the trade friction between China and the United States appeared and it may have impacts on the economy of the PRC. As a result of the depreciation of the Renminbi against US dollars during the Current Period, the purchasing power of the Group’s customers in the PRC diminishes in general as the Group’s sales of dried cassava chips are denominated in US dollars. In addition, certain customers even sourced domestic stockpiled raw material in the PRC for production. As a result, the Group’s sales quantity of the dried cassava chips was decreased during the Current Period.

As regards the Group’s hotel operation, the revenue generated from hotel room rental and catering from restaurant was stabilised during the Current Period. However, it is still subject to pressure given the slowdown in China’s macro-economic growth and the Group will continue to put efforts on overcoming unfavourable factors and capitalising opportunities, such as putting resources in promoting the birthday party or wedding banquets packages and optimising staff allocation.

In order to broaden the Group’s revenue sources, the Group is exploring investment project with potentials. On 9 May 2018, Profit Sky Corporation Limited (the “Purchaser”), in which the Company holds an indirect 60% equity interest, entered into the Acquisition Agreement with 338 Apartment Holdings (BVI) Limited (the “Vendor”), pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the entire issued share capital (“Sale Shares”) of 338 Apartment (BVI) Limited (“Target Company”) and the loan owing by the Target Company to the Vendor (the “Sale Loan”) as at date of completion of such acquisition in accordance with the terms and conditions of the Acquisition Agreement, which was approved by shareholders of the Company in the general meeting held on 6 September 2018.

The principal asset of the Target Company is the Property located at 338 Queen’s Road Central, Sheung Wan, Hong Kong known as “Queen Central” or “338 Apartment”, which is a commercial building with hotel license. The Consideration for the Acquisition is approximately HK\$1,100 million settled by cash. Such acquisition was completed on 8 October 2018.

FINANCIAL REVIEW

Revenue

The Group's revenue from procurement and sales of dried cassava chips decreased by approximately HK\$55.8 million or approximately 6.6% from approximately HK\$840.9 million in the corresponding period of previous year to approximately HK\$785.1 million for the Current Period. Decrease in the Group's revenue was mainly attributable to the decrease in the Group's sales volume of dried cassava chips during the Current Period.

The Group's revenue from hotel operation was remain stable and it recorded approximately HK\$10.5 million for the Current Period (2017: approximately HK\$11.3 million). The Group intended to continue to 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\$56.0 million, or approximately 7.5%, from approximately HK\$749.1 million for the corresponding period of the previous year to approximately HK\$693.1 million in the Current Period, mainly due to the decrease 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\$0.2 million, or approximately 0.2%, from approximately HK\$91.8 million for the corresponding period of previous year to approximately HK\$92.0 million for the Current Period, mainly due to 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 11.7% from approximately 10.9% for the corresponding period of previous year. During the Current Period, the Group decreased the procurement costs of dried cassava chips in view of the market condition. Hence, it resulted in a slightly increase in average gross profit margin of the sale of dried cassava chips of the Group.

The Group's cost of sales from hotel operation amounted to approximately HK\$3.5 million for the Current Period (2017: approximately HK\$3.9 million) due to its control over the direct costs. The Group's gross profit margin from hotel operation for the Current Period increased to approximately 66.7% from approximately 65.5% 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\$63.7 million (2017: approximately HK\$66.7 million), comprised mainly (a) ocean freight costs of approximately HK\$24.8 million (2017: approximately HK\$26.5 million), (b) warehouse, handling and inland transportation expenses of approximately HK\$35.0 million (2017: approximately HK\$36.4 million) and (c) those related to hotel operation of approximately HK\$3.9 million (2017: approximately HK\$3.8 million).

The Group's selling and distribution expenses decreased mainly due to the net effect of (a) decrease in the Group's sale volume and (b) more promotion expenses incurred for hotel operation during the Current Period.

The Group's selling and distribution expenses represented 8.0% of the total sales revenue for the Current Period, compared to that of 7.8% for the corresponding period of previous year.

General and administrative expenses

General and administrative expenses of the Group was approximately HK\$26.1 million for the Current Period compared with approximately HK\$26.8 million for the corresponding period of previous year.

Finance costs

Finance expenses of the Group increased from approximately HK\$2.6 million for the corresponding period of previous year to approximately HK\$6.0 million for the Current Period. Increase in finance costs was mainly due to increase in the Group's average bank borrowings and interest in bank interest rates.

Taxation

For each of six months ended 30 September 2018 and 2017, the Group's taxations were approximately HK\$0.6 million and HK\$0.8 million, respectively. The effective tax rate of the Group for the Current Period was approximately 10.4% (2017: 10.5%).

Profit for the period

The Group's profit for the Current Period amounted to approximately HK\$5.0 million (2017: approximately HK\$6.4 million).

Financial resources and liquidity

As at 30 September 2018, the net assets amounted to approximately HK\$851.1 million, representing an increase of approximately HK\$4.7 million from approximately HK\$846.4 million as at 31 March 2018 due to the profit for the Current Period.

Current assets as at 30 September 2018 amounted to approximately HK\$737.2 million (31 March 2018: HK\$1,378.8 million), including cash and cash equivalents of approximately HK\$111.3 million (31 March 2018: HK\$154.7 million), trade and bills receivables of approximately HK\$239.8 million (31 March 2018: HK\$370.2 million) pledged deposits of HK\$10.5 million (31 March 2018: HK\$10.4 million) and inventories of approximately HK\$329.9 million (31 March 2018: HK\$797.7 million). As at 30 September 2018, the Group had non-current assets of approximately HK\$441.8 million (31 March 2018: HK\$336.8 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 2018 amounted to approximately HK\$321.4 million (31 March 2018: HK\$862.8 million), which comprised mainly trade and other payables and accruals of approximately HK\$84.8 million (31 March 2018: HK\$61.4 million), tax payable of HK\$55.7 million (31 March 2018: HK\$55.1 million) and bank borrowings of approximately HK\$180.9 million (31 March 2018: HK\$746.2 million). The Group's non-current liabilities as at 30 September 2018 included deferred tax liabilities of approximately HK\$6.5 million (31 March 2018: HK\$6.5 million).

The Group expresses its gearing ratio as a percentage of borrowings over total assets. As at 30 September 2018, the Group had a gearing ratio of 15.3% (31 March 2018: 43.5%). Such decrease is mainly due to the decrease in bank borrowings at end of the Current Period.

The Group's inventory turnover period is 86.4 days as at 30 September 2018, representing a decrease of 25 days from 111.8 days as at 31 March 2018.

The Group's debtor turnover period is 55 days as at 30 September 2018, representing a decrease of 8 days from 63 days as at 31 March 2018.

Employment and remuneration policy

As at 30 September 2018, the total number of the Group's staff was approximately 250. The total staff costs (including directors' remuneration) amounted to approximately HK\$13.9 million for the six months ended 30 September 2018. 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 2018, the Group's pledged bank deposits, land and buildings and investment properties situated in Hong Kong with aggregate carrying values of HK\$10,489,000 (31 March 2018: HK\$10,399,000), HK\$16,000,000 (31 March 2018: HK\$16,000,000), and HK\$39,600,000 (31 March 2018: HK\$39,600,000) 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.

Significant acquisition

During the Current Period, on 9 May 2018, Profit Sky Corporation Limited (the "Purchaser"), in which the Company holds an indirect 60% equity interest, entered into the Acquisition Agreement with 338 Apartment Holdings (BVI) Limited (the "Vendor"), pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the entire issued share capital ("Sale Shares") of 338 Apartment (BVI) Limited ("Target Company") and the loan owing by the Target Company to the Vendor (the "Sale Loan") as at date of completion of such acquisition in accordance with the terms and conditions of the Acquisition Agreement.

Such acquisition was approved by shareholders of the Company in the general meeting held on 6 September 2018.

The principal asset of the Target Company is the Property located at 338 Queen's Road Central, Sheung Wan, Hong Kong known as "Queen Central" or "338 Apartment", which is a commercial building with hotel license. The Consideration for the Acquisition is approximately HK\$1,100 million. As at 30 September 2018, the Group had paid the deposit of HK\$110 million to the Vendor by cash which was accounted for as "Prepayment, deposit and other receivable" under the non-current assets. In addition, such acquisition was completed on 8 October 2018 and the remaining portion of the Consideration had been paid to the Vendor.

Capital commitment

As 30 September 2018, the Group have a capital commitment of HK\$990 million in relation to the above acquisition.

Contingent liabilities

As 30 September 2018, 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 to 10 million tonnes by 2020. 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 in Thailand, Cambodia, Laos and Vietnam of total storage capacity of 700,000 tonnes 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, Laos and Cambodia. In medium and long-run, the Group intends to set up additional procurement facilities and networks (when appropriate) in Thailand, Vietnam, Laos 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.

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. 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.

As regards "Queen Central" or "338 Apartment", a portion of the ground floor of this property is currently leased out to a third party for operation of a chain restaurant while other parts are currently vacant. The Group is currently negotiating with the potential tenants and it is expected that the remaining part of the property will be used as serviced apartments and/or offices.

In addition, the Group will prudently explore 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 2018 and hence, no closure of register of members is necessary.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 September 2018, 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		Total	Percentage of the Company's issued share capital
	Directly beneficially owned	Through controlled corporation		
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 2018, 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 25 to the Company's annual report for the year ended 31 March 2018. 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 2018, 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	<hr/> 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 2018, 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 2018, 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 2018, 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 27 November 2018 and has reviewed with the management the accounting principles and practices adopted by the Group, the interim report and interim financial information of the Group for the Current Period and to give recommendations to the Board.

CHANGE IN DIRECTOR'S INFORMATION

Changes in the information of the director of the Company since the date of the Company's 2017/2018 annual report are set out below:

Mr. Lee Kwan Hung (“Mr. Lee”)

Mr. Lee was resigned as an independent non-executive director, chairman of the remuneration committee and member of the audit committee and the nomination committee of the Company with effect from 13 May 2018 as he wishes to dedicate more time to his personal developments.

Mr. Chui Chi Yun, Robert (“Mr. Chui”)

Mr. Chui was appointed as an independent non-executive director, chairman of the remuneration committee and member of the audit committee and the nomination committee of the Company with effect from 14 August 2018. The biographical details of Mr. Chui are set out in the Company's announcement dated 14 August 2018.

Mr. Yue Man Yiu Matthew (“Mr. Yue”)

Mr. Yue was appointed as an independent non-executive director of Classified Group (Holdings) Limited, (Stock Code: 8232) with effect from 19 October 2018, the shares of which are listed on the GEM Board of the Stock Exchange of Hong Kong Limited.

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

Six months ended 30 September 2018

	Notes	Six months ended 30 September	
		2018 HK\$'000	2017 HK\$'000
REVENUE	4	797,162	852,169
Cost of sales		(696,577)	(753,065)
Gross profit		100,585	99,104
Other income	4	866	4,081
Selling and distribution costs		(63,679)	(66,711)
General and administrative expenses		(26,130)	(26,782)
Finance costs		(6,036)	(2,549)
PROFIT BEFORE TAX	5	5,606	7,143
Income tax expense	6	(582)	(750)
PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		5,024	6,393
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences arising on translation of foreign operations		(336)	651
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		4,688	7,044
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	7		
Basic and diluted (HK cents)		0.9	1.1

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2018

	<i>Notes</i>	30 September 2018 HK\$'000 (unaudited)	31 March 2018 HK\$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		166,719	170,577
Investment properties		102,639	102,639
Prepaid land lease payments		1,226	1,251
Available-for-sale investments	8	47,251	48,386
Prepayments, deposits and other receivables		123,390	13,390
Deferred tax assets		573	573
Total non-current assets		441,798	336,816
CURRENT ASSETS			
Inventories		329,942	797,737
Trade and bills receivables	9	239,757	370,190
Prepayments, deposits and other receivables		41,718	41,405
Financial assets at fair value through profit or loss	10	4,006	4,384
Pledged deposits		10,489	10,399
Cash and cash equivalents		111,266	154,715
Total current assets		737,178	1,378,830
CURRENT LIABILITIES			
Trade and other payables and accruals	11	84,817	61,399
Interest-bearing bank borrowings		180,873	746,231
Tax payable		55,714	55,132
Total current liabilities		321,404	862,762
NET CURRENT ASSETS		415,774	516,068
TOTAL ASSETS LESS CURRENT LIABILITIES		857,572	852,884
NON-CURRENT LIABILITIES			
Deferred tax liabilities		6,469	6,469
Net assets		851,103	846,415
EQUITY			
Equity attributable to owners of the Company			
Issued share capital		58,473	58,473
Reserves		792,630	787,942
Total equity		851,103	846,415

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Six months ended 30 September 2018

	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	interest		
	HK\$'000	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 2018	58,473	424,931	8,229	(249,726)	46	26,460	4,630	573,372	-	846,415	-	-	846,415
Profit for the period	-	-	-	-	-	-	-	5,024	-	5,024	-	-	5,024
Other comprehensive income for the period:													
Exchange differences arising on translation of foreign operations, as restated	-	-	-	-	-	-	(336)	-	-	(336)	-	-	(336)
Total comprehensive income for the period	-	-	-	-	-	-	(336)	5,024	-	4,688	-	-	4,688
At 30 September 2018	58,473	424,931	8,229	(249,726)	46	26,460	4,294	578,396	-	851,103	-	-	851,103

	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	interest		
	HK\$'000	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 2017	58,473	424,931	8,229	(249,726)	46	19,125	(3,682)	539,519	-	796,915	-	-	796,915
Profit for the period	-	-	-	-	-	-	-	6,393	-	6,393	-	-	6,393
Other comprehensive income for the period:													
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	651	-	-	651	-	-	651
Total comprehensive income for the period	-	-	-	-	-	-	651	6,393	-	7,044	-	-	7,044
At 30 September 2017	58,473	424,931	8,229	(249,726)	46	19,125	(3,031)	545,912	-	803,959	-	-	803,959

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 the aggregate of (i) 10% of equity interest in subsidiaries, Asiafame Enterprises Limited and Artsun Resources Company Limited, of HK\$10 and (ii) 40% of equity interest in a subsidiary, Profit Sky Corporation Limited of HK\$4.
- * These reserve accounts comprise the consolidated reserves of HK\$792,630,000 (30 September 2017: HK\$745,486,000) in the consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

Six months ended 30 September 2018

	Six months ended 30 September	
	2018 HK\$000	2017 HK\$000
NET CASH INFLOW FROM OPERATING ACTIVITIES	589,044	226,536
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(111,376)	(1,200)
NET CASH OUTFLOW FROM FINANCING ACTIVITIES	(521,358)	(264,718)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(43,690)	(39,382)
Cash and cash equivalents at beginning of period	154,715	162,406
Effect of foreign exchange rate changes, net	241	651
CASH AND CASH EQUIVALENTS AT END OF PERIOD	111,266	123,675



NOTES TO FINANCIAL STATEMENT

30 September 2018

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 2018, 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.

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers

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, financial assets at fair value through profit or loss, 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.

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 2018				
Segment revenue:				
Sales to external customers	785,144	-	-	785,144
Gross rental income	-	1,545	-	1,545
Hotel room revenue, food and beverage	-	-	10,473	10,473
Total	785,144	1,545	10,473	797,162
Segment results	11,538	1,395	(60)	12,873
Interest and unallocated gains				866
Corporate and other unallocated expenses				(2,097)
Finance costs				(6,036)
Profit before tax				5,606
Other segment information:				
Depreciation	3,674	535	1,025	5,234
Capital expenditure	1,376	-	-	1,376

	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 2017				
Segment revenue:				
Sales to external customers	840,901	-	-	840,901
Gross rental income	-	1,404	-	1,404
Hotel room revenue, food and beverage	-	-	11,268	11,268
Total	840,901	1,404	11,268	853,573
Segment results	8,145	878	21	9,044
Interest and unallocated gains				2,677
Corporate and other unallocated expenses				(2,029)
Finance costs				(2,549)
Profit before tax				7,143
Other segment information:				
Depreciation	3,646	510	950	5,106
Capital expenditure	1,170	-	30	1,200

Notes to Financial Statement

30 September 2018

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 2018				
Segment assets	720,864	132,594	63,654	917,112
Corporate and other unallocated assets				<u>261,864</u>
Total assets				<u><u>1,178,976</u></u>
Segment liabilities	230,867	1,132	10,642	242,641
Corporate and other unallocated liabilities				<u>85,232</u>
Total liabilities				<u><u>327,873</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 2018				
Segment assets	1,257,207	132,550	63,882	1,453,639
Corporate and other unallocated assets				<u>262,007</u>
Total assets				<u><u>1,715,646</u></u>
Segment liabilities	795,955	1,130	10,380	807,465
Corporate and other unallocated liabilities				<u>61,766</u>
Total liabilities				<u><u>869,231</u></u>

3. SEGMENT INFORMATION (Continued)**Geographical information**

(a) Revenue from external customers

	Six months ended 30 September	
	2018 HK\$'000	2017 HK\$'000
Hong Kong	1,545	1,404
Mainland China	795,617	852,169
	797,162	853,573

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

(b) Non-current assets

	30 September 2018 HK\$'000	31 March 2018 HK\$'000
Hong Kong	231,250	122,306
Mainland China	83,201	84,651
Thailand	45,962	46,901
Unallocated	33,561	33,999
	393,974	287,857

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.

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	
	2018 HK\$'000	2017 HK\$'000
Revenue		
Sales of dried cassava chips	785,144	840,901
Hotel room revenue, food and beverage	10,473	11,268
Gross rental income	1,545	–
	797,162	852,169

An analysis of other income is as follows:

	Six months ended 30 September	
	2018 HK\$'000	2017 HK\$'000
Other income		
Bank interest income	824	173
Gross rental income	–	1,404
Logistic service income	–	1,340
Others	42	1,164
	866	4,081

5. PROFIT BEFORE TAX

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

	Six months ended 30 September	
	2018 HK\$'000	2017 HK\$'000
Cost of inventories sold	693,084	749,123
Depreciation	5,234	5,106
Employee benefit expenses (including directors' remuneration):		
Wages and salaries	13,160	13,028
Pension scheme contributions	745	720
	13,905	13,748
Rental income on investment properties less direct operating expense of HK\$12,000 (2017: HK\$12,000)	(1,533)	(1,392)

6. INCOME TAX

Hong Kong profits tax has been provided at the rates of 16.5% (2017: 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	
	2018 HK\$'000	2017 HK\$'000
Current – Hong Kong	582	750
Total tax charge for the period	582	750

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 2018 and 2017 attributable to ordinary equity holders of the Company and the weighted average number of 584,726,715 (2017: 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 2018 and 2017 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those periods.

8. AVAILABLE-FOR-SALE INVESTMENTS

	30 September 2018 HK\$'000	31 March 2018 HK\$'000
At fair value:		
Listed debt securities in Hong Kong	13,536	14,111
At cost:		
Unlisted equity investments, at cost	30,749	30,749
Unlisted fund	10,000	10,000
Less: Impairment on unlisted fund	(7,034)	(6,474)
	33,715	34,275
	47,251	48,386

The above investments consist of investments in debt and equity securities which were designated by the Group as available-for-sale financial assets.

As at 30 September 2018, 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.

9. 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 2018 HK\$'000	31 March 2018 HK\$'000
Within 30 days	194,087	240,248
30 – 60 days	34,601	83,334
61 – 90 days	10,018	43,833
Over 90 days	1,051	2,775
	239,757	370,190

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

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 September 2018 HK\$'000	31 March 2018 HK\$'000
Listed equity securities, at market value	4,006	4,384

The above equity investments at 30 September 2018 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.

11. TRADE AND OTHER PAYABLES AND ACCRUALS

	30 September 2018 HK\$'000	31 March 2018 HK\$'000
Trade payables	17,245	31,478
Other payables	56,841	19,203
Accrued liabilities	9,375	9,555
Rental deposits received	1,356	1,163
	84,817	61,399

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 2018 HK\$'000	31 March 2018 HK\$'000
Within 1 month	17,245	31,478

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

12. 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 2018, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 September 2018 HK\$'000	31 March 2018 HK\$'000
Within one year	2,097	2,721
In the second to fifth years, inclusive	505	1,241
	2,602	3,962

12. 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 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 September 2018 HK\$'000	31 March 2018 HK\$'000
Within one year	2,485	1,825
In the second to fifth years, inclusive	1,790	2,211
	4,275	4,036

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.

13. 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:

		Six months ended 30 September	
	Notes	2018 HK\$'000	2017 HK\$'000
Rental expenses paid to related companies*	(i)	487	281
Rental expenses paid to a director	(i)	79	79

* 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.

14. APPROVAL OF THE FINANCIAL STATEMENTS

These condensed financial statements were approved and authorised for issue by the board of directors on 27 November 2018.