



**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 2019**



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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  
(Resigned on 30 September 2019)  
Mr. Zhu Tai Yu (Appointed on 30 September 2019)

## AUTHORISED REPRESENTATIVES

Mr. Chu Ming Chuan  
Mr. Shum Shing Kei

## COMPANY SECRETARY

Mr. Shum Shing Kei

## AUDIT COMMITTEE

Mr. Chui Chi Yun Robert (Chairman)  
Mr. Yue Man Yiu, Matthew  
(Resigned on 30 September 2019)  
Professor Fung Kwok Pui  
Mr. Zhu Tai Yu (Appointed on 30 September 2019)

## REMUNERATION COMMITTEE

Mr. Chui Chi Yun Robert (Chairman)  
Professor Fung Kwok Pui  
Mr. Yue Man Yiu Matthew  
(Resigned on 30 September 2019)  
Mr. Zhu Tai Yu (Appointed on 30 September 2019)

## NOMINATION COMMITTEE

Professor Fung Kwok Pui (Chairman)  
Mr. Chui Chi Yun Robert  
Mr. Yue Man Yiu Matthew  
(Resigned on 30 September 2019)  
Mr. Zhu Tai Yu (Appointed on 30 September 2019)

## WEBSITE ADDRESS

[www.asiacassava.com](http://www.asiacassava.com)

## PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited  
Bank of China (Hong Kong) 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 54, 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, 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 2019 (the "Current Period"), as the trade friction between China and the United States contains and leads to the slowdown in the economy and the sluggish markets for various industries in China, the domestic customers' demand in China for dried cassava chips has also decreased accordingly. As a result, the Group's revenue from procurement and sales of dried cassava chips was decreased to approximately HK\$631.2 million for the Current Year, representing a decrease of approximately 19.6% from approximately HK\$785.1 million for the previous year.

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.

As regards the Property located at 338 Queen's Road Central, Sheung Wan, Hong Kong known as "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.

## FINANCIAL REVIEW

### Revenue

The Group's revenue from procurement and sales of dried cassava chips decreased by approximately HK\$153.9 million or approximately 19.6% from approximately HK\$785.1 million in the corresponding period of previous year to approximately HK\$631.2 million for the Current Period. Decrease in the Group's revenue was mainly attributable to the decrease in the Group's sales volume and average selling price of dried cassava chips during the Current Period.

The Group's revenue from hotel operation was remain stable and it recorded approximately HK\$10.4 million for the Current Period (2018: approximately HK\$10.5 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\$122.5 million, or approximately 17.7%, from approximately HK\$693.1 million for the corresponding period of the previous year to approximately HK\$570.6 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 decreased by approximately HK\$31.4 million from approximately HK\$92.0 million for the corresponding period of previous year to approximately HK\$60.6 million for the Current Period, mainly due to decrease in sales and gross profit margin.

## *Management Discussion and Analysis*

The Group's gross profit margin from procurement and sales of dried cassava chips for the Current Period increased to approximately 9.6% from approximately 11.7% for the corresponding period of previous year.

The Group's cost of sales from hotel operation amounted to approximately HK\$3.1 million for the Current Period (2018: approximately HK\$3.5 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 70.2% from approximately 66.7% 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\$48.8 million (2018: approximately HK\$63.7 million), comprised mainly (a) ocean freight costs of approximately HK\$17.7 million (2018: approximately HK\$24.8 million), (b) warehouse, handling and inland transportation expenses of approximately HK\$27.3 million (2018: approximately HK\$35.0 million) and (c) those related to hotel operation of approximately HK\$3.8 million (2018: approximately HK\$3.9 million).

The Group's selling and distribution expenses decreased mainly due to decrease in the Group's sale volume during the Current Period.

The Group's selling and distribution expenses represented 7.6% of the total sales revenue for the Current Period, compared to that of 8.0% for the corresponding period of previous year.

### **General and administrative expenses**

General and administrative expenses of the Group was approximately HK\$25.3 million for the Current Period compared with approximately HK\$26.1 million for the corresponding period of previous year.

### **Finance costs**

Finance expenses of the Group increased from approximately HK\$6.0 million for the corresponding period of previous year to approximately HK\$11.9 million for the Current Period. Increase in finance costs was mainly due to inclusion in the Group's bank loan of HK\$440 million for acquisition of 338 Apartment.

### **Loss for the period**

The Group's loss for the Current Period attributable to the owner of the Company amounted to approximately HK\$8.8 million (2018: profit of approximately HK\$5.0 million).

### **Financial resources and liquidity**

As at 30 September 2019, the net assets amounted to approximately HK\$899.7 million, representing a decrease of approximately HK\$13.4 million from approximately HK\$913.2 million as at 31 March 2019 due to the loss for the Current Period.

Current assets as at 30 September 2019 amounted to approximately HK\$372.2 million (31 March 2019: HK\$792.8 million), including cash and cash equivalents of approximately HK\$141.2 million (31 March 2019: HK\$146.7 million), trade and bills receivables of approximately HK\$22.9 million (31 March 2019: HK\$285.2 million) pledged deposits of HK\$ 10.6 million (31 March 2019: HK\$10.6 million), inventories of approximately HK\$178.2 million (31 March 2019: HK\$328.8 million), financial assets at fair value through profit or loss of approximately HK\$5.7 million (31 March 2019: HK\$7.1 million) and prepayments, deposits and other receivables of HK\$13.5 million (31 March 2019: HK\$14.4 million). As at 30 September 2019, The Group had non-current assets of HK\$1,504.4 million (31 March 2019: HK\$1,539.3 million) which mainly included the investment properties of approximately HK\$1,304.1 million (31 March 2019: HK\$1,304.1 million), property, plant and equipment of approximately HK\$132.3 million (31 March 2019: HK\$166.1 million) and debt and equity investment at fair value through other comprehensive income of HK\$53.1 million in aggregate (31 March 2019: HK\$54.1 million).

## *Management Discussion and Analysis*

The Group's current liabilities amounted to approximately HK\$699.3 million (31 March 2019: HK\$1,144.2 million), which comprised mainly trade and other payables and accruals of approximately HK\$25.6 million (31 March 2019: HK\$26.6 million), tax payable of approximately HK\$51.3 million (31 March 2019: HK\$52.9 million) and bank borrowings of approximately HK\$622.4 million (31 March 2019: HK\$1,064.8 million).

Included in the Group's bank loans was a secured loan of HK\$440,000,000 (31 March 2019: HK\$440,000,000) of which, pursuant to the loan agreement, the principal in the amount of HK\$4,000,000 is repayable with one year from this reporting date and the remaining balance is repayable after one year by instalments. However, as the loan agreement contains a repayment on demand clause, the entire loan was included within current liabilities in accordance with the HKFRSs.

Apart from HK\$440 million mortgage loan for acquisition of 338 Apartment, the remaining bank borrowings was drawn down for procurement of dried cassava chips. As it is not a traditional harvest season for cassava during July – September every year, the bank borrowings as at 30 September 2019 was decreased significantly as compared to 31 March 2019.

The Group's non-current liabilities included deferred tax liabilities of approximately HK\$9.2 million (31 March 2019: HK\$9.2 million) and the amount due to a non-controlling shareholder of approximately HK\$268.4 million (31 March 2019: HK\$265.6 million) for the acquisition and operation of 338 Apartment.

The Group expresses its gearing ratio as a percentage of borrowings over total assets. As at 30 September 2019, the Group had a gearing ratio of 33.2% (31 March 2019: 45.6%) which was mainly due to the decrease in trade-related bank borrowings as at 31 March 2019.

The Group's inventory turnover period is 80.6 days as at 30 September 2019, representing a decrease of 63 days from 143.6 days as at 31 March 2019.

The Group's debtor turnover period is 44 days as at 30 September 2019, representing a decrease of 30 days from 74 days as at 31 March 2019.

### **Employment and remuneration policy**

As at 30 September 2019, the total number of the Group's staff was approximately 250. The total staff costs (including directors' remuneration) amounted to approximately HK\$14.0 million for the six months ended 30 September 2019. 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 2019, the Group's pledged bank deposits, land and buildings, investment properties situated in Hong Kong and bills receivable with aggregate carrying values of HK\$10,605,000 (31 March 2019: HK\$10,605,000), HK\$16,000,000 (31 March 2019: HK\$16,000,000), and HK\$1,240,400,000 (31 March 2019: HK\$1,240,400,000) and nil (31 March 2019: HK\$92,916,000) 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.

## *Management Discussion and Analysis*

### **Material acquisition and disposal**

On 9 August 2019, the Group disposed of the vessel to an independent third party at a cash consideration of US\$3,800,000 (equivalent to approximately HK\$29,640,000). Details had been disclosed in the Company's announcement dated 9 August 2019.

Saved as disclosed above, the Group did not have material acquisition and disposal during the Current Period.

### **Capital commitment**

As 30 September 2019, the Group did not have material capital commitment.

### **Contingent liabilities**

As 30 September 2019, 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 11 procurement facilities and networks in Thailand, Cambodia, Laos and Vietnam of total storage capacity of 600,000 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.

## *Management Discussion and Analysis*

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 2019 and hence, no closure of register of members is necessary.

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 September 2019, 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 2019, 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.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 30 September 2019, 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 2019, 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 2019, 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 2019, 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 2019 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 2018/2019 annual report are set out below:

### **Mr. Yue Man Yiu Matthew ("Mr. Yue")**

Mr. Yue was resigned as an independent non-executive director, chairman of the audit committee and member of the remuneration committee and the nomination committee of the Company with effect from 30 September 2019 as he wishes to dedicate more time to his personal developments.

### **Mr. Chui Chi Yun, Robert ("Mr. Chui")**

Mr. Chui, one of the Company's independent non-executive directors, was appointed as the chairman of the audit committee with effect from 30 September 2019.

### **Mr. Zhu Tai Yu ("Mr. Zhu")**

Mr. Zhu was appointed as an independent non-executive director and member of the remuneration committee, the audit committee and the nomination committee of the Company with effect from on 30 September 2019. The biographical details of Mr. Zhu are set out in the Company's announcement dated 30 September 2019.

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

Six months ended 30 September 2019

	Notes	Six months ended 30 September	
		2019 HK\$'000	2018 HK\$'000
<b>REVENUE</b>	4	<b>644,211</b>	797,162
Cost of sales		<b>(573,743)</b>	(696,577)
Gross profit		<b>70,468</b>	100,585
Other income	4	<b>1,955</b>	866
Selling and distribution costs		<b>(48,765)</b>	(63,679)
General and administrative expenses		<b>(25,300)</b>	(26,130)
Finance costs		<b>(11,868)</b>	(6,036)
<b>PROFIT/(LOSS) BEFORE TAX</b>	5	<b>(13,510)</b>	5,606
Income tax expense	6	<b>1,522</b>	(582)
<b>PROFIT/(LOSS) FOR THE PERIOD</b>		<b>(11,988)</b>	5,024
<b>ATTRIBUTE TO:</b>			
Owners of the Company		<b>(8,770)</b>	5,024
Non-controlling interest		<b>(3,218)</b>	–
		<b>(11,988)</b>	5,024
<b>EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>	7		
Basic and diluted (HK cents)		<b>(1.5)</b>	0.9
<b>PROFIT/(LOSS) FOR THE PERIOD</b>		<b>(11,988)</b>	5,024
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Exchange differences arising on translation of foreign operations		<b>(423)</b>	(336)
Debt investment at fair value through other comprehensive income:			
Change in fair value		<b>(1,028)</b>	–
		<b>(1,451)</b>	(336)
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD</b>		<b>(13,439)</b>	4,688
<b>ATTRIBUTE TO:</b>			
Owners of the Company		<b>(10,221)</b>	4,688
Non-controlling interest		<b>(3,218)</b>	–
		<b>(13,439)</b>	4,688

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2019

	<i>Notes</i>	<b>30 September 2019 HK\$'000 (unaudited)</b>	<b>31 March 2019 HK\$'000 (audited)</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>132,266</b>	166,074
Investment properties		<b>1,304,066</b>	1,304,066
Equity investments at fair value through other comprehensive income	8	<b>40,104</b>	40,104
Debt investments at fair value through other comprehensive income	8	<b>13,010</b>	14,038
Prepaid land lease payments		<b>1,050</b>	1,117
Prepayments, deposits and other receivables		<b>13,390</b>	13,390
Deferred tax assets		<b>535</b>	535
Total non-current assets		<b>1,504,421</b>	1,539,324
<b>CURRENT ASSETS</b>			
Inventories		<b>178,196</b>	328,846
Trade and bills receivables	9	<b>22,931</b>	285,167
Prepayments, deposits and other receivables		<b>13,500</b>	14,422
Financial assets at fair value through profit or loss	10	<b>5,749</b>	7,067
Pledged deposits		<b>10,605</b>	10,605
Cash and cash equivalents		<b>141,189</b>	146,679
Total current assets		<b>372,170</b>	792,786
<b>CURRENT LIABILITIES</b>			
Trade and other payables and accruals	11	<b>25,592</b>	26,571
Interest-bearing bank borrowings	12	<b>622,388</b>	1,064,754
Tax payable		<b>51,297</b>	52,854
Total current liabilities		<b>699,277</b>	1,144,179
<b>NET CURRENT LIABILITIES</b>		<b>(327,107)</b>	(351,393)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,177,314</b>	1,187,931

## Condensed Consolidated Statement of Financial Position

30 September 2019

<i>Notes</i>	<b>30 September 2019 HK\$'000 (unaudited)</b>	<b>31 March 2019 HK\$'000 (audited)</b>
<b>NON-CURRENT LIABILITIES</b>		
Deferred tax liabilities	<b>9,214</b>	9,214
Amount due to non-controlling interest of a subsidiary	<b>268,387</b>	265,565
	<b>277,601</b>	274,779
Net assets	<b>899,713</b>	913,152
<b>EQUITY</b>		
Equity attributable to owners of the Company		
Issued share capital	<b>58,473</b>	58,473
Reserves	<b>806,206</b>	816,427
	<b>864,679</b>	874,900
Non-controlling interest	<b>35,034</b>	38,252
Total equity	<b>899,713</b>	913,152

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Six months ended 30 September 2019

	Attributable to owners of the Company										Non-controlling interest	Total equity
	Issued capital	Share premium*	Contributed surplus*	Merger reserve*	Legal reserve*	Asset revaluation reserve*	Exchange fluctuation reserve*	Retained profits*	Proposed dividends	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2019	58,473	424,931	8,229	(249,726)	46	39,721	(6,248)	599,474	-	874,900	38,252	913,152
Loss for the period	-	-	-	-	-	-	-	(8,770)	-	(8,770)	(3,218)	(11,988)
Other comprehensive loss for the period:												
Change in fair value of debt instrument at fair value through other comprehensive income	-	-	-	-	-	(1,028)	-	-	-	(1,028)	-	(1,028)
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	(423)	-	-	(423)	-	(423)
Total comprehensive loss for the period	-	-	-	-	-	(1,028)	(423)	(8,770)	-	(10,221)	(3,218)	(13,439)
At 30 September 2019	58,473	424,931	8,229	(249,726)	46	38,693	(6,671)	590,704	-	864,679	35,034	899,713

## 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\$806,206,000 (30 September 2018: HK\$792,630,000) in the consolidated statement of financial position.



# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

Six months ended 30 September 2019

	Six months ended 30 September	
	2019 HK\$'000	2018 HK\$'000
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	<b>402,962</b>	589,044
<b>NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES</b>	<b>30,825</b>	(111,376)
<b>NET CASH OUTFLOW FROM FINANCING ACTIVITIES</b>	<b>(439,544)</b>	(521,358)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(5,757)</b>	(43,690)
Cash and cash equivalents at beginning of period	<b>146,679</b>	154,715
Effect of foreign exchange rate changes, net	<b>267</b>	241
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>141,189</b>	111,266

# NOTES TO FINANCIAL STATEMENT

30 September 2019

## 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, P.O. 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 2019, 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

In the current period, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2015–2017 Cycle
HKAS 28 (Amendment)	Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures
HKAS 19 (Amendment)	Employee Benefits – Plan Amendments, Curtailment or Settlement
HKFRS 9 (Amendment)	Financial Instruments – Prepayment Features with Negative Compensation
HKFRS 16	Leases

The adoption of the other new and revised HKFRSs has had no significant financial effect on the unaudited condensed interim financial statements of the Group.

### **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, equity instrument at fair value through other comprehensive income, debt instrument at fair value through other comprehensive income, 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.

## Notes to Financial Statement

30 September 2019

### 3. SEGMENT INFORMATION (Continued)

	Procurement and sales of dried cassava chips HK\$'000	Property investment HK\$'000	Hotel operation HK\$'000	Total HK\$'000
<b>Six months ended 30 September 2019</b>				
<b>Segment revenue:</b>				
Sales to external customers	631,205	-	-	631,205
Gross rental income	-	2,582	-	2,582
Hotel room revenue, food and beverage	-	-	10,424	10,424
Total	631,205	2,582	10,424	644,211
<b>Segment results</b>	<b>(1,045)</b>	<b>(98)</b>	<b>(107)</b>	<b>(1,250)</b>
Interest and unallocated gains				1,955
Corporate and other unallocated expenses				(2,347)
Finance costs				(11,868)
Loss before tax				(13,510)
<b>Other segment information:</b>				
Depreciation	2,874	865	925	4,664
Capital expenditure	-	-	-	-

	Procurement and sales of dried cassava chips HK\$'000	Property investment HK\$'000	Hotel operation HK\$'000	Total HK\$'000
<b>Six months ended 30 September 2018</b>				
<b>Segment revenue:</b>				
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
<b>Segment results</b>	<b>11,538</b>	<b>1,395</b>	<b>(60)</b>	<b>12,873</b>
Interest and unallocated gains				866
Corporate and other unallocated expenses				(2,097)
Finance costs				(6,036)
Profit before tax				5,606
<b>Other segment information:</b>				
Depreciation	3,674	535	1,025	5,234
Capital expenditure	1,376	-	-	1,376

## Notes to Financial Statement

30 September 2019

### 3. SEGMENT INFORMATION (Continued)

	Procurement and sales of dried cassava chips HK\$'000	Property investment HK\$'000	Hotel operation HK\$'000	Total HK\$'000
<b>As at 30 September 2019</b>				
<b>Segment assets</b>	<b>248,846</b>	<b>1,337,716</b>	<b>54,862</b>	<b>1,641,424</b>
Corporate and other unallocated assets				<b>235,167</b>
Total assets				<b>1,876,591</b>
<b>Segment liabilities</b>	<b>182,578</b>	<b>716,037</b>	<b>12,632</b>	<b>911,247</b>
Corporate and other unallocated liabilities				<b>65,631</b>
Total liabilities				<b>976,878</b>

	Procurement and sales of dried cassava chips HK\$'000	Property investment HK\$'000	Hotel operation HK\$'000	Total HK\$'000
<b>As at 31 March 2019</b>				
<b>Segment assets</b>	<b>674,571</b>	<b>1,337,567</b>	<b>55,486</b>	<b>2,067,624</b>
Corporate and other unallocated assets				<b>264,486</b>
Total assets				<b>2,332,110</b>
<b>Segment liabilities</b>	<b>611,492</b>	<b>713,576</b>	<b>12,898</b>	<b>1,337,966</b>
Corporate and other unallocated liabilities				<b>80,992</b>
Total liabilities				<b>1,418,958</b>

## Notes to Financial Statement

30 September 2019

### 3. SEGMENT INFORMATION *(Continued)*

#### Geographical information

##### (a) Revenue from external customers

	Six months ended 30 September	
	2019 HK\$'000	2018 HK\$'000
Hong Kong	2,582	1,545
Mainland China	641,629	795,617
	<b>644,211</b>	797,162

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

##### (b) Non-current assets

	30 September 2019 HK\$'000	31 March 2019 HK\$'000
Hong Kong	1,337,385	1,341,401
Mainland China	65,865	66,080
Thailand	47,522	48,844
Unallocated	–	28,322
	<b>1,450,772</b>	1,484,647

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 2019

### 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 for six months ended 30 September 2018 and 2019 is as follows:

	2019 HK\$'000	2018 HK\$'000
<b>Revenue</b>		
Sales of dried cassava chips	631,205	785,144
Hotel room revenue, food and beverage	10,424	10,473
Gross rental income	2,582	1,545
	<b>644,211</b>	797,162

An analysis of other income for six months ended 30 September 2018 and 2019 is as follows:

	2019 HK\$'000	2018 HK\$'000
<b>Other income</b>		
Bank interest income	1,185	824
Others	770	42
	<b>1,955</b>	866

### 5. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax for six months ended 30 September 2018 and 2019 is arrived at after charging/(crediting):

	2019 HK\$'000	2018 HK\$'000
Cost of inventories sold	570,633	693,084
Depreciation	4,664	5,234
Employee benefit expenses (including directors' remuneration):		
Wages and salaries	13,355	13,160
Pension scheme contributions	681	745
	<b>14,036</b>	13,905
Rental income on investment properties less direct operating expense of HK\$199,000 (2018: HK\$12,000)	<b>(2,383)</b>	(1,533)

## Notes to Financial Statement

30 September 2019

### 6. INCOME TAX

Hong Kong profits tax has been provided at the rates of 16.5% (2018: 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.

	2019 HK\$'000	2018 HK\$'000
Current – Hong Kong	–	582
Over-provision in prior year	(1,522)	–
	<b>(1,522)</b>	582

### 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 2019 and 2018 attributable to ordinary equity holders of the Company and the weighted average number of 584,726,715 (2018: 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 2019 and 2018 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those periods.

### 8. INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 September 2019 HK\$'000	31 March 2019 HK\$'000
Debt investments at fair value through other comprehensive income:		
Listed debt securities	<b>13,010</b>	14,038
Equity investments at fair value through other comprehensive income:		
Changting China Newtown Plaza Development Co., Limited	<b>19,976</b>	19,976
臨沂雅禾新置業有限公司	<b>20,128</b>	20,128
	<b>40,104</b>	40,104

Notes: The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.



## Notes to Financial Statement

30 September 2019

### 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 2019 HK\$'000	31 March 2019 HK\$'000
Within 30 days	18,562	94,546
30 – 60 days	321	172,430
61 – 90 days	1,180	6,501
Over 90 days	2,868	11,690
	<b>22,931</b>	285,167

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 2019 HK\$'000	31 March 2019 HK\$'000
Listed equity securities, at fair value	3,789	4,261
Other unlisted fund investments, at fair value	1,960	2,806
	<b>5,749</b>	7,067

The above equity investments were classified as financial assets at fair value through profit or loss as they were held for trading.

The above unlisted fund investments were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

## Notes to Financial Statement

30 September 2019

### 11. TRADE AND OTHER PAYABLES AND ACCRUALS

	30 September 2019 HK\$'000	31 March 2019 HK\$'000
Trade payables	9,098	12,160
Other payables	8,532	7,672
Contract liabilities	5,427	4,547
Accrued liabilities	862	611
Rental deposits received	1,673	1,581
	<b>25,592</b>	26,571

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 2019 HK\$'000	31 March 2019 HK\$'000
Within 1 month	9,098	12,160

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

### 12. INTEREST-BEARING BANK BORROWINGS

Included in the Group's bank loans was a secured loan of HK\$440,000,000 (31 March 2019: HK\$440,000,000) which, pursuant to the loan agreement, is repayable based on the following time-table:

	30 September 2019 HK\$'000	31 March 2019 HK\$'000
Within 1 year	4,000	4,000
Within the second to fifth years, inclusive	24,000	24,000
After fifth year	412,000	412,000
	<b>440,000</b>	440,000

However, as the loan agreement contains a repayment on demand clause, the loan was included within current interest-bearing bank borrowings and analysed into bank loans repayable within one year or on demand in accordance with the HKFRSs.

### 13. OPERATING LEASE ARRANGEMENTS

#### As lessor

The Group leases its investment properties under operating lease arrangements, with leases negotiated for terms ranging from one to nine 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 2019, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 September 2019 HK\$'000	31 March 2019 HK\$'000
Within one year	20,086	20,772
In the second to fifth years, inclusive	72,000	72,700
Over 5 years	72,000	72,000
	<b>164,086</b>	165,472

### 14. RELATED PARTY TRANSACTIONS

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

	Notes	Six months ended 30 September	
		2019 HK\$'000	2018 HK\$'000
Rental expenses paid to related companies*	(i)	642	487
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.

### 15. APPROVAL OF THE FINANCIAL STATEMENTS

These condensed financial statements were approved and authorised for issue by the board of directors on 29 November 2019.