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**ASIA CASSAVA RESOURCES HOLDINGS LIMITED**

亞洲木薯資源控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 841 )

**INTERIM RESULTS ANNOUNCEMENT  
FOR SIX MONTHS ENDED 30 SEPTEMBER 2013**

The Board of Directors (the "Board") of Asia Cassava Resources Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2013 together with the comparative figures in 2012.

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

|                                                                              | Notes | Six months ended<br>30 September<br>2013<br>HK\$'000<br>(unaudited) | 2012<br>HK\$'000<br>(unaudited) |
|------------------------------------------------------------------------------|-------|---------------------------------------------------------------------|---------------------------------|
| REVENUE                                                                      | 4     | 2,219,645                                                           | 1,100,509                       |
| Cost of sales                                                                |       | <u>(1,951,802)</u>                                                  | <u>(970,845)</u>                |
| Gross profit                                                                 |       | 267,843                                                             | 129,664                         |
| Other income                                                                 | 4     | 2,760                                                               | 2,231                           |
| Selling and distribution costs                                               |       | (192,293)                                                           | ( 98,042)                       |
| General and administrative expenses                                          |       | (21,447)                                                            | ( 20,244)                       |
| Finance costs                                                                |       | <u>(8,695)</u>                                                      | <u>( 5,612)</u>                 |
| PROFIT BEFORE TAX                                                            | 5     | 48,168                                                              | 7,997                           |
| Income tax expense                                                           | 6     | <u>(5,829)</u>                                                      | <u>( 919)</u>                   |
| PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS<br>OF THE COMPANY               |       | 42,339                                                              | 7,078                           |
| OTHER COMPREHENSIVE INCOME                                                   |       |                                                                     |                                 |
| Exchange differences arising on translation of foreign operations            |       | <u>241</u>                                                          | <u>384</u>                      |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD                                    |       | <u>42,580</u>                                                       | <u>7,462</u>                    |
| EARNINGS PER SHARE ATTRIBUTABLE TO<br>ORDINARY EQUITY HOLDERS OF THE COMPANY | 7     |                                                                     |                                 |
| Basic and diluted (HK cents)                                                 |       | <u>10.6</u>                                                         | <u>1.8</u>                      |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

|                                                | Notes | 30 September<br>2013<br>HK\$'000<br>(unaudited) | 31 March<br>2013<br>HK\$'000<br>(audited) |
|------------------------------------------------|-------|-------------------------------------------------|-------------------------------------------|
| <b>NON-CURRENT ASSETS</b>                      |       |                                                 |                                           |
| Property, plant and equipment                  |       | 80,582                                          | 35,672                                    |
| Investment properties                          |       | 51,910                                          | 51,910                                    |
| Available-for-sale investments                 |       | 9,287                                           | 9,287                                     |
| Prepayments, deposits and other receivables    |       | 11,640                                          | 23,325                                    |
| Total non-current assets                       |       | <u>153,419</u>                                  | <u>120,194</u>                            |
| <b>CURRENT ASSETS</b>                          |       |                                                 |                                           |
| Inventories                                    |       | 174,760                                         | 344,927                                   |
| Trade and bills receivables                    | 8     | 220,012                                         | 198,636                                   |
| Prepayments, deposits and other receivables    |       | 313,162                                         | 146,904                                   |
| Pledged deposits                               |       | 147,364                                         | 128,769                                   |
| Cash and cash equivalents                      |       | 123,394                                         | 138,698                                   |
|                                                |       | <u>978,692</u>                                  | <u>957,934</u>                            |
| Non-current assets classified as held for sale |       | -                                               | 30,615                                    |
| Total current assets                           |       | <u>978,692</u>                                  | <u>988,549</u>                            |
| <b>CURRENT LIABILITIES</b>                     |       |                                                 |                                           |
| Trade and other payables and accruals          | 9     | 62,724                                          | 40,094                                    |
| Interest-bearing bank borrowings               |       | 429,642                                         | 477,313                                   |
| Tax payable                                    |       | 39,791                                          | 33,962                                    |
| Total current liabilities                      |       | <u>532,157</u>                                  | <u>551,369</u>                            |
| <b>NET CURRENT ASSETS</b>                      |       | <u>446,535</u>                                  | <u>437,180</u>                            |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>   |       | <u>599,954</u>                                  | <u>557,374</u>                            |
| <b>NON-CURRENT LIABILITIES</b>                 |       |                                                 |                                           |
| Deferred tax liabilities                       |       | <u>2,383</u>                                    | <u>2,383</u>                              |
| <b>Net assets</b>                              |       | <u><u>597,571</u></u>                           | <u><u>554,991</u></u>                     |
| <b>EQUITY</b>                                  |       |                                                 |                                           |
| Equity attributable to owners of the Company   |       |                                                 |                                           |
| Issued share capital                           |       | 40,000                                          | 40,000                                    |
| Reserves                                       |       | 552,571                                         | 509,991                                   |
| Proposed dividends                             |       | 5,000                                           | 5,000                                     |
| <b>Total equity</b>                            |       | <u><u>597,571</u></u>                           | <u><u>554,991</u></u>                     |

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

|                                                                                                                    | Attributable to owners of the Company |                            |                                                |                                            |                                            |                                        |                                           |                               |                                |                   |                                                     |                          |
|--------------------------------------------------------------------------------------------------------------------|---------------------------------------|----------------------------|------------------------------------------------|--------------------------------------------|--------------------------------------------|----------------------------------------|-------------------------------------------|-------------------------------|--------------------------------|-------------------|-----------------------------------------------------|--------------------------|
|                                                                                                                    | Issued capital<br>HK\$'000            | Share premium*<br>HK\$'000 | Contributed surplus*<br>HK\$'000<br>(note (i)) | Merger reserve*<br>HK\$'000<br>(note (ii)) | Legal reserve*<br>HK\$'000<br>(note (iii)) | Asset revaluation reserve*<br>HK\$'000 | Exchange fluctuation reserve*<br>HK\$'000 | Retained profits*<br>HK\$'000 | Proposed dividends<br>HK\$'000 | Total<br>HK\$'000 | Non-controlling interest<br>HK\$'000<br>(note (iv)) | Total equity<br>HK\$'000 |
| At 1 April 2013                                                                                                    | 40,000                                | 223,709                    | 8,229                                          | (9,773)                                    | 46                                         | 9,507                                  | 3,225                                     | 275,048                       | 5,000                          | 554,991           | -                                                   | 554,991                  |
| Profit for the period                                                                                              | -                                     | -                          | -                                              | -                                          | -                                          | -                                      | -                                         | 42,339                        | -                              | 42,339            | -                                                   | 42,339                   |
| Other comprehensive income for the period:<br>Exchange differences arising on translation<br>of foreign operations | -                                     | -                          | -                                              | -                                          | -                                          | -                                      | 241                                       | -                             | -                              | 241               | -                                                   | 241                      |
| Total comprehensive income for the period                                                                          | -                                     | -                          | -                                              | -                                          | -                                          | -                                      | 241                                       | 42,339                        | -                              | 42,580            | -                                                   | 42,580                   |
| At 30 September 2013                                                                                               | 40,000                                | 223,709                    | 8,229                                          | (9,773)                                    | 46                                         | 9,507                                  | 3,466                                     | 317,387                       | 5,000                          | 597,571           | -                                                   | 597,571                  |

|                                                                                                            | Attributable to owners of the Company |                            |                                                |                                            |                                            |                                        |                                           |                               |                                | Total equity<br>HK\$'000 |
|------------------------------------------------------------------------------------------------------------|---------------------------------------|----------------------------|------------------------------------------------|--------------------------------------------|--------------------------------------------|----------------------------------------|-------------------------------------------|-------------------------------|--------------------------------|--------------------------|
|                                                                                                            | Issued capital<br>HK\$'000            | Share premium*<br>HK\$'000 | Contributed surplus*<br>HK\$'000<br>(note (i)) | Merger reserve*<br>HK\$'000<br>(note (ii)) | Legal reserve*<br>HK\$'000<br>(note (iii)) | Asset revaluation reserve*<br>HK\$'000 | Exchange fluctuation reserve*<br>HK\$'000 | Retained profits*<br>HK\$'000 | Proposed dividends<br>HK\$'000 |                          |
| At 1 April 2012                                                                                            |                                       |                            |                                                |                                            |                                            |                                        |                                           |                               |                                |                          |
| As previously reported                                                                                     | 40,000                                | 223,709                    | 8,229                                          | (9,773)                                    | 46                                         | 9,322                                  | 3,061                                     | 245,305                       | 5,000                          | 524,899                  |
| Prior year adjustment (note (v))                                                                           | -                                     | -                          | -                                              | -                                          | -                                          | -                                      | -                                         | 3,774                         | -                              | 3,774                    |
| As restated                                                                                                | 40,000                                | 223,709                    | 8,229                                          | (9,773)                                    | 46                                         | 9,322                                  | 3,061                                     | 249,079                       | 5,000                          | 528,673                  |
| Profit for the period                                                                                      | -                                     | -                          | -                                              | -                                          | -                                          | -                                      | -                                         | 7,078                         | -                              | 7,078                    |
| Other comprehensive income for the period:<br>Exchange differences on translation<br>of foreign operations | -                                     | -                          | -                                              | -                                          | -                                          | -                                      | 384                                       | -                             | -                              | 384                      |
| Total comprehensive income for the period                                                                  | -                                     | -                          | -                                              | -                                          | -                                          | -                                      | 384                                       | 7,078                         | -                              | 7,462                    |
| 2012 final dividend paid                                                                                   | -                                     | -                          | -                                              | -                                          | -                                          | -                                      | -                                         | -                             | (5,000)                        | ( 5,000)                 |
| At 30 September 2012                                                                                       | <u>40,000</u>                         | <u>223,709</u>             | <u>8,229</u>                                   | <u>(9,773)</u>                             | <u>46</u>                                  | <u>9,322</u>                           | <u>3,445</u>                              | <u>256,157</u>                | <u>-</u>                       | <u>531,135</u>           |

Notes:

- (i) The Group's contributed surplus represents the excess of the nominal value of the shares of the subsidiaries acquired pursuant to a group reorganisation (the "Group Reorganisation") prior to the listing of the Company's shares, over the nominal value of the Company's shares issued in exchange therefor.
- (ii) The merger reserve represents the excess of the consideration paid over the net asset value of the subsidiaries acquired pursuant to the Group Reorganisation in the prior year over the investment cost of these subsidiaries.
- (iii) In accordance with the provisions of the Macau Commercial Code, the Group's subsidiary incorporated in Macau is required to transfer 25% of the annual net profit to the legal reserve before the appropriation of profits to dividends until the reserve equals half of the capital. This reserve is not distributable to the respective shareholders.
- (iv) The Group's non-controlling interest represents 10% of equity interest in subsidiaries, Asiafame Enterprises Limited and Artsun Resources Company Limited, of HK\$10.
- (v) The Group firstly adopted HKAS 12 Amendments *Amendments to HKAS 12 Income Taxes – Deferred Tax: Recovery of Underlying Assets* from the accounting year commencing 1 April 2012. The HKAS 12 Amendments clarify the determination of deferred tax for investment property measured at fair value and introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, the amendments incorporate the requirement previously in HK(SIC)-Int 21 Income Taxes – Recovery of Revalued Non-Depreciable Assets that deferred tax on non-depreciable assets, measured using the revaluation model in HKAS 16, should always be measured on a sale basis. Prior to the adoption of the amendments, deferred tax with respect to the Group's investment properties was provided on the basis that the carrying amount will be recovered through use, and accordingly the profits tax rate had been applied to the calculation of deferred tax arising on the revaluation of the Group's investment properties. Upon the adoption of HKAS 12 Amendments, deferred tax in respect of the Group's investment properties is provided on the presumption that the carrying amount will be recovered through sale. The effects of the above change to the consolidated statement of financial position as at 1 April 2012 are decrease in deferred tax liabilities and total non-current liabilities by approximately HK\$3,774,000 and increase in net assets and reserves by approximately HK\$3,774,000, respectively.

\* These reserve accounts comprise the consolidated reserves of HK\$552,571,000 (2012: HK\$491,135,000) in the consolidated statement of financial position.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

|                                                  | Six months ended<br>30 September |                                 |
|--------------------------------------------------|----------------------------------|---------------------------------|
|                                                  | 2013<br>HK\$'000<br>(Unaudited)  | 2012<br>HK\$'000<br>(Unaudited) |
| NET CASH INFLOW FROM OPERATING ACTIVITIES        | 54,660                           | 43,233                          |
| NET CASH OUTFLOW FROM INVESTING ACTIVITIES       | (22,534)                         | (4,120)                         |
| NET CASH OUTFLOW FROM FINANCING ACTIVITIES       | <u>(47,671)</u>                  | <u>(41,222)</u>                 |
| NET DECREASE IN CASH AND CASH EQUIVALENTS        | (15,545)                         | (2,109)                         |
| Cash and cash equivalents at beginning of period | 138,698                          | 142,810                         |
| Effect of foreign exchange rate changes, net     | <u>241</u>                       | <u>384</u>                      |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD       | <u><u>123,394</u></u>            | <u><u>141,085</u></u>           |

## 1. CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 8 May 2008. The registered office of the Company is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

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

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

## 2.1 ACCOUNTING POLICIES AND BASIS OF PRESENTATION

These interim condensed consolidated financial information have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), and the disclosure requirements set out in Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange. The accounting policies and basis of preparation adopted in the preparation of the interim condensed consolidated financial statements are the same as those used in the annual financial statements for the year ended 31 March 2013, except for the adoption of certain new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include HKASs and Interpretation) for the first time in the current period as disclosed in note 2.2 below.

## 2.2 IMPACT OF NEW AND REVISED HKFRSs

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

|                                              |                                                                                                                          |
|----------------------------------------------|--------------------------------------------------------------------------------------------------------------------------|
| HKFRSs (Amendments)                          | Annual Improvements to HKFRSs 2009-2011 Cycle                                                                            |
| Amendments to HKAS 1 (Revised)               | Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income                               |
| HKFRS 10                                     | Consolidated Financial Statements                                                                                        |
| HKFRS 12                                     | Disclosure of Interests in Other Entities                                                                                |
| HKFRS 13                                     | Fair Value Measurement                                                                                                   |
| HKAS 27 (2011)                               | Separate Financial Statements                                                                                            |
| HKAS 19 (2011)                               | Employee Benefits                                                                                                        |
| Amendments to HKFRS 10, HKFRS11 and HKFRS 12 | Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance |
| Amendments to HKFRS 7                        | Disclosure – Offsetting Financial Assets and Financial Liabilities                                                       |

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

### 3. SEGMENT INFORMATION

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

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

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

Segment assets exclude tax recoverable, cash and cash equivalents, other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, 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<br>sales of dried<br>cassava chips<br>HK\$'000 | Property<br>investment<br>HK\$'000 | Total<br>HK\$'000 |
|-------------------------------------------|----------------------------------------------------------------|------------------------------------|-------------------|
| <b>Six months ended 30 September 2013</b> |                                                                |                                    |                   |
| <b>Segment revenue:</b>                   |                                                                |                                    |                   |
| Sales to external customers               | 2,219,645                                                      | -                                  | 2,219,645         |
| Gross rental income                       | <u>-</u>                                                       | <u>800</u>                         | <u>800</u>        |
| Total                                     | <u>2,219,645</u>                                               | <u>800</u>                         | <u>2,220,445</u>  |
| <b>Segment results</b>                    | <u>54,834</u>                                                  | <u>675</u>                         | 55,509            |
| Interest and unallocated gains            |                                                                |                                    | 1,960             |
| Corporate and other unallocated expenses  |                                                                |                                    | ( 606)            |
| Finance costs                             |                                                                |                                    | ( 8,695)          |
| Profit before tax                         |                                                                |                                    | <u>48,168</u>     |
| <b>Other segment information:</b>         |                                                                |                                    |                   |
| Depreciation                              | 2,697                                                          | -                                  | 2,697             |
| Capital expenditure                       | <u>34,554</u>                                                  | <u>-</u>                           | <u>34,554</u>     |
| <b>Six months ended 30 September 2012</b> |                                                                |                                    |                   |
| <b>Segment revenue:</b>                   |                                                                |                                    |                   |
| Sales to external customers               | 1,100,509                                                      | -                                  | 1,100,509         |
| Gross rental income                       | <u>-</u>                                                       | <u>727</u>                         | <u>727</u>        |
| Total                                     | <u>1,100,509</u>                                               | <u>727</u>                         | <u>1,101,236</u>  |
| <b>Segment results</b>                    | <u>12,218</u>                                                  | <u>675</u>                         | 12,893            |
| Interest and unallocated gains            |                                                                |                                    | 1,504             |
| Corporate and other unallocated expenses  |                                                                |                                    | ( 788)            |
| Finance costs                             |                                                                |                                    | ( 5,612)          |
| Profit before tax                         |                                                                |                                    | <u>7,997</u>      |
| <b>Other segment information:</b>         |                                                                |                                    |                   |
| Depreciation                              | 2,399                                                          | -                                  | 2,399             |
| Capital expenditure                       | <u>4,120</u>                                                   | <u>-</u>                           | <u>4,120</u>      |

3. SEGMENT INFORMATION (continued)

|                                             | Procurement and<br>sales of dried<br>cassava chips<br>HK\$'000 | Property<br>investment<br>HK\$'000 | Total<br>HK\$'000 |
|---------------------------------------------|----------------------------------------------------------------|------------------------------------|-------------------|
| <b>As at 30 September 2013</b>              |                                                                |                                    |                   |
| <b>Segment assets</b>                       | 724,084                                                        | 83,872                             | 807,956           |
| Corporate and other unallocated assets      |                                                                |                                    | <u>324,155</u>    |
| Total assets                                |                                                                |                                    | <u>1,132,111</u>  |
| <b>Segment liabilities</b>                  | 491,222                                                        | 1,052                              | 492,274           |
| Corporate and other unallocated liabilities |                                                                |                                    | <u>42,266</u>     |
| Total liabilities                           |                                                                |                                    | <u>534,540</u>    |
|                                             |                                                                |                                    |                   |
|                                             | Procurement and<br>sales of dried<br>cassava chips<br>HK\$'000 | Property<br>investment<br>HK\$'000 | Total<br>HK\$'000 |
| <b>As at 31 March 2013</b>                  |                                                                |                                    |                   |
| <b>Segment assets</b>                       | 733,427                                                        | 83,776                             | 817,203           |
| Corporate and other unallocated assets      |                                                                |                                    | <u>291,540</u>    |
| Total assets                                |                                                                |                                    | <u>1,108,743</u>  |
| <b>Segment liabilities</b>                  | 516,186                                                        | 1,099                              | 517,285           |
| Corporate and other unallocated liabilities |                                                                |                                    | <u>36,467</u>     |
| Total liabilities                           |                                                                |                                    | <u>553,752</u>    |

Geographical information

(a) Revenue from external customers

|                | Six months ended<br>30 September |                  |
|----------------|----------------------------------|------------------|
|                | 2013<br>HK\$'000                 | 2012<br>HK\$'000 |
| Hong Kong      | 800                              | 727              |
| Mainland China | <u>2,219,645</u>                 | <u>1,100,509</u> |
|                | <u>2,220,445</u>                 | <u>1,101,236</u> |

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

(b) Non-current assets

|                | 30 September<br>2013<br>HK\$'000 | 31 March<br>2013<br>HK\$'000 |
|----------------|----------------------------------|------------------------------|
| Hong Kong      | 89,688                           | 95,464                       |
| Mainland China | 6,749                            | 2,302                        |
| Thailand       | 13,141                           | 13,141                       |
| Unallocated    | <u>34,554</u>                    | <u>-</u>                     |
|                | <u>144,132</u>                   | <u>110,907</u>               |

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

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

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<br>30 September<br>2013<br>HK\$'000 | 2012<br>HK\$'000 |
|------------------------------|------------------------------------------------------|------------------|
| <u>Revenue</u>               |                                                      |                  |
| Sales of dried cassava chips | <u>2,219,645</u>                                     | <u>1,100,509</u> |

An analysis of other income is as follows:

|                      | Six months ended<br>30 September<br>2013<br>HK\$'000 | 2012<br>HK\$'000 |
|----------------------|------------------------------------------------------|------------------|
| <u>Other income</u>  |                                                      |                  |
| Bank interest income | 1,936                                                | 798              |
| Gross rental income  | 800                                                  | 727              |
| Others               | <u>24</u>                                            | <u>706</u>       |
|                      | <u>2,760</u>                                         | <u>2,231</u>     |

## 5. PROFIT BEFORE TAX

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

|                                                                                                          | Six months ended<br>30 September |                  |
|----------------------------------------------------------------------------------------------------------|----------------------------------|------------------|
|                                                                                                          | 2013<br>HK\$'000                 | 2012<br>HK\$'000 |
| Cost of inventories sold                                                                                 | 1,951,802                        | 970,845          |
| Depreciation                                                                                             | 2,697                            | 2,399            |
| Employee benefit expenses (including directors' remuneration):                                           |                                  |                  |
| Wages and salaries                                                                                       | 7,726                            | 7,046            |
| Pension scheme contributions*                                                                            | 434                              | 268              |
|                                                                                                          | <u>8,160</u>                     | <u>7,314</u>     |
| Rental income on investment properties less direct operating<br>expense of HK\$12,000 (2012: HK\$20,000) | (788)                            | ( 707)           |
| Minimum lease payments under operating leases in<br>respect of storage facilities and office premises    | 1,769                            | 1,908            |
| Contingent rent under operating leases in respect of storage facilities                                  | <u>923</u>                       | <u>830</u>       |

## 6. INCOME TAX

Hong Kong profits tax has been provided at the rates of 16.5% (2012: 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<br>30 September |                  |
|---------------------------------|----------------------------------|------------------|
|                                 | 2013<br>HK\$'000                 | 2012<br>HK\$'000 |
| Current – Hong Kong             | <u>5,829</u>                     | <u>919</u>       |
| Total tax charge for the period | <u>5,829</u>                     | <u>919</u>       |

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 2013 attributable to ordinary equity holders of the Company and the weighted average number of 400,000,000 (2012: 400,000,000) ordinary shares in issue during the period.

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 September 2013 and 2012 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those periods.

8. TRADE AND BILLS RECEIVABLES

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

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

|                | 30 September<br>2013<br>HK\$'000 | 31 March<br>2013<br>HK\$'000 |
|----------------|----------------------------------|------------------------------|
| Within 30 days | 192,582                          | 161,619                      |
| 30 - 60 days   | 17,542                           | 37,017                       |
| 61 - 90 days   | -                                | -                            |
| Over 90 days   | <u>9,888</u>                     | <u>-</u>                     |
|                | <u>220,012</u>                   | <u>198,636</u>               |

None of the above trade and bills receivables is either past due or impaired. Trade and bills receivables relate to customers for whom there was no recent history of default.

9. TRADE AND OTHER PAYABLES AND ACCRUALS

|                                        | 30 September<br>2013<br>HK\$'000 | 31 March<br>2013<br>HK\$'000 |
|----------------------------------------|----------------------------------|------------------------------|
| Trade payables                         | 42,472                           | 15,452                       |
| Accrued liabilities and other payables | 19,856                           | 24,201                       |
| Rental deposits received               | <u>396</u>                       | <u>441</u>                   |
|                                        | <u>62,724</u>                    | <u>40,094</u>                |

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<br>2013<br>HK\$'000 | 31 March<br>2013<br>HK\$'000 |
|----------------|----------------------------------|------------------------------|
| Within 1 month | <u>42,472</u>                    | <u>15,452</u>                |

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

## MANAGEMENT DISCUSSION AND ANALYSIS

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

The Group's revenue from procurement and sales of dried cassava chips amounted to approximately HK\$2,219.6 million for the six months ended 30 September 2013 (the "Current Period"), representing an increase of approximately 101.7% from approximately HK\$1,100.5 million for the corresponding period of previous year. The Group had maintained its leading position in the PRC as the largest supplier of imported dried cassava chips for the Current Period, leading to a significant influence over the market.

The Group's profit for the Current Period amounted to approximately HK\$42.3 million, representing a 496% increase from approximately HK\$7.1 million for the corresponding period of previous year.

### *Revenue*

Total Revenue of the Group increased by approximately HK\$1,119.1 million or approximately 101% from approximately HK\$1,100.5 million in the corresponding period of previous year to approximately HK\$2,219.6 million in the Current Period. As explained in the Company's annual report for the year ended 31 March 2013, for the purpose of increasing market share, the Group reached an arrangement with an independent third party in respect of the Group's procurement of dried cassava chips from Thai warehouses (the "Arrangement") in that year. With continuation of the Arrangement, the Group increased the volume of dried cassava chips procured, resulting in the increase in the Group's sales volume and revenue for the Current Period.

### *Gross profit and gross profit margin*

Total cost of sales of the Group increased by approximately HK\$981.0 million, or approximately 101%, from approximately HK\$970.8 million for the corresponding period of the previous year to approximately HK\$1,951.8 million in the Current Period.

Gross profit of the Group increased by approximately HK\$138.1 million, or approximately 106%, from approximately HK\$129.7 million for the corresponding period of previous year to approximately HK\$267.8 million for the Current Period, mainly due to an increase in revenue and an improvement in gross profit margin.

The Group's gross profit margin for the Current Period slightly increased by approximately 0.3 percentage points to approximately 12.1% from approximately 11.8% for the corresponding period of previous year.

### *Selling and distribution costs*

During the Current Period, the selling and distribution expenses of the Group were approximately HK\$192.3 million (2012: approximately HK\$98.0 million), which comprised mainly ocean freight costs of approximately HK\$152.5 million (2012: approximately HK\$74.8 million) and warehouse, handling and inland transportation expenses of approximately HK\$39.8 million (2012: approximately HK\$23.2 million).

The Group's selling and distribution expenses increased mainly due to increase in revenue. The Group's selling and distribution expenses represented 8.7% of the total sales revenue for the Current Period, compared to that of 8.9% for the corresponding period of previous year.

#### *Administrative expenses*

Administrative expenses of the Group increased by approximately HK\$1.2 million from approximately HK\$20.2 million in the corresponding period of previous year to approximately HK\$21.4 million for the Current Period, mainly due to increase in marketing expenses and adjustment of staff costs.

#### *Finance costs*

Finance expenses of the Group increased from approximately HK\$5.6 million for the corresponding period of previous year to approximately HK\$8.7 million for the Current Period due to the increase in the average bank borrowing balance for the Group's operations and the increase in interest rate during the Current Period.

#### *Taxation*

For each of six months ended 30 September 2012 and 2013, the Group's taxations were approximately HK\$0.9 million and HK\$5.8 million, respectively. The effective tax rate of the Group for the Current Period was approximately 12.1% (2012: 11.5%).

#### *Profit for the period*

The Group's profit for the Current Period amounted to approximately HK\$42.3 million (2012: approximately HK\$7.1 million).

#### *Financial resources and liquidity*

As at 30 September 2013, the net assets amounted to approximately HK\$597.6 million, representing an increase of approximately HK\$42.6 million from approximately HK\$555.0 million as at 31 March 2013 due to the profit for the Current Period.

Current assets as at 30 September 2013 amounted to approximately HK\$978.7 million (31 March 2013: HK\$988.5 million), including cash and cash equivalents of approximately HK\$123.4 million (31 March 2013: HK\$138.7 million), trade and bills receivables of approximately HK\$220.0 million (31 March 2013: HK\$198.6 million) pledged deposits of approximately HK\$147.4 million (31 March 2013: HK\$128.8 million) and inventories of approximately HK\$174.8 million (31 March 2013: HK\$344.9 million). As at 30 September 2013, the Group had non-current assets of approximately HK\$153.4 million (31 March 2013: HK\$120.2 million) which represented mainly a vessel purchased for the Group's transportation during the Current Period and the properties located in Hong Kong for office and property investment purposes.

The Group's current liabilities as at 30 September 2013 amounted to approximately HK\$532.2 million (31 March 2013: HK\$551.4 million), which comprised mainly trade and other payables and accruals of approximately HK\$62.7 million (31 March 2013: HK\$40.1 million), tax payable of HK\$39.8 million (31 March 2013: HK\$ 34.0 million) and bank borrowings of approximately HK\$429.6 million (31 March 2013: HK\$477.3 million). The Group's non-current liabilities as at 30 September 2012 included deferred tax liabilities of approximately HK\$2.4 million (31 March 2013: HK\$2.4 million).

The Group expresses its gearing ratio as a percentage of borrowings over total assets. As at 30 September 2013, the Group had a gearing ratio of 38.0% (31 March 2013: 43.0%). Such decrease is mainly due to the increase in profit for the Current Period and the decrease in bank borrowings at end of the Current Period.

The Group's debtor turnover period is 17.2 days as at 30 September 2013, representing a decrease of 2.0 days from 19.2 days as at 31 March 2013. Such decrease is mainly due to the Group's strengthened trade debtor management during the Current Period.

The Group's inventory turnover period is 24.3 days as at 30 September 2013, representing a decrease of 13.7 days from 38.0 days as at 31 March 2013. Such decrease is mainly attributable to the fact that,

pursuant to the Arrangement, the Group was able to take dried cassava chips from the Thai warehouses directly to ports for shipments and hence, it is not necessary for the Group to hold additional inventories for fulfilling orders from customers in coming months prior to the harvest season.

*Employment and remuneration policy*

As at 30 September 2013, the total number of the Group's staff was approximately 70. The total staff costs (including directors' remuneration) amounted to approximately HK\$8.2 million for the six months ended 30 September 2013. 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 and Thailand.

*Charge on group assets*

As at 30 September 2013, the Group's pledged bank deposit, land and buildings and investment properties situated in Hong Kong with aggregate carrying values of HK\$147,400,000 (31 March 2013: HK\$128,769,000), HK\$10,670,000 (31 March 2013: HK\$10,670,000) and HK\$29,210,000 (31 March 2013: HK\$29,210,000), respectively, were pledged to the bankers to secure the banking facilities granted to the Group.

*Foreign currency exposure*

The Group carries on business in Renminbi ("RMB"), United States dollars ("US\$") and Thai Baht and therefore the Group is exposed to foreign currency risk as the values of these currencies fluctuate in the international market. The Group currently does not have a foreign currency hedging policy in respect of foreign currency exposure. However, the directors monitor the related foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

*Contingent liabilities*

As 30 September 2013, the Group did not have any material contingent liabilities.

Event after balance sheet date

On 21 October 2013 (after trading hours), the Company entered into the Placing Agreement with the Placing Agent whereby the Company agreed to place, through the Placing Agent, on a best efforts basis, up to 49,800,000 new Shares to not less than six Placees at a price of HK\$0.685 per Placing Share.

The maximum number of 49,800,000 Placing Shares represent approximately (i) 12.45% of the issued share capital of the Company as at 21 October 2013; and (ii) 11.07% of the issued share capital of the Company as enlarged by the issue of the 49,800,000 Placing Shares.

The Placing was completed on 8 November 2013.

Prospect

During the Current Period, for the purpose of increasing market share, the Group continued to perform the Arrangement in respect of the Group's procurement of dried cassava chips from Thai warehouses, as a supplement to the Group's existing procurement network. Through the Arrangement, the Group increased the volume of dried cassava chips procured, resulting in the increase in the Group's sales volume and revenue for the Current Period.

Subsequent to 30 September 2013, the Arrangement is still in progress and the management believes that the Group is able to continue procuring the dried cassava chips from the Thai warehouses under the Arrangement in the coming months, which is vital to the Group, especially prior to the commencement of the new harvest season. It enables the Group to secure the supply of dried cassava chips in the coming

months.

On 11 July 2013, the Company made an announcement in relation to a disclosable transaction about the agreement for purchase of a vessel at a total cash consideration of US\$4,430,000 (equivalent to approximately HK\$34,554,000) from an independent seller. The consideration for the purchase of the vessel was financed by the internal resources of the Group. As such, the Group restores its ocean transportation ability. Moreover, the Group is able to reduce shipping costs and achieve better efficiency and flexibility in its logistics arrangement and becomes less dependent on its existing carriers which are chartered from other Independent Third Parties.

In addition, the Group's unique and integrated business model combines the procurement, processing, warehousing, logistics and sale of cassava chips. Currently, the Group had set up six procurement and warehouse centres strategically located in Thailand with a total capacity of approximately 230,000 tonnes. Looking ahead, the Group plans to establish more procurement and warehouse centres in Cambodia, Vietnam, Laos and elsewhere in order to replicate the proven business model in Thailand. Riding on our broad procurement channels and network together with the warehouse facilities, optimised logistics capabilities and the widespread sales network in the PRC, the Group will continue to strive to enhance our market coverage and maximise returns for our shareholders.

Use of proceeds from the Company's initial public offering

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

| Planned application of IPO proceeds                                                                                                                                                                                             | Planned use of proceeds in accordance with the Prospectus HK\$'000 | Actual use of proceeds up to 30 September 2013 HK\$'000 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------|---------------------------------------------------------|
| 1. the establishment of warehousing facilities and acquisition of leasing of drying yards in Thailand                                                                                                                           | 39,217                                                             | 33,031                                                  |
| 2. the development of the Group's procurement networks and logistics system beyond Thailand in Southeast Asia including but not limited to Cambodia and Laos                                                                    | 4,073                                                              | 4,073                                                   |
| 3. the expansion of the Group's sales networks by establishing storage facilities and promotion and marketing of the Group's products in the southern, central and south western regions in the Mainland China                  | 7,000                                                              | 1,204                                                   |
| 4. the development and enhancement of sales network and marketing, including promotion and marketing of its Artwell brand dried cassava chips in the Group's existing network in the north-eastern region in the Mainland China | 3,100                                                              | -                                                       |
| 5. additional general working capital of the Group                                                                                                                                                                              | 5,844                                                              | 5,844                                                   |
|                                                                                                                                                                                                                                 | 59,234                                                             | 44,152                                                  |
|                                                                                                                                                                                                                                 |                                                                    |                                                         |

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

## **DIVIDENDS AND CLOSURE OF REGISTER OF MEMBERS**

The Board do not recommends payment of an interim dividend for the six months ended 30 September 2013 and hence, no closure of register of members is necessary.

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

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

## **CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS**

During the six months ended 30 September 2013, 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 2013, 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 2013 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.

By order of the Board  
**Chu Ming Chuan**  
*Chairman*

Hong Kong, 29 November 2013

As at the date of this announcement, the executive directors of the Company are Mr. Chu Ming Chuan, Ms. Liu Yuk Ming and Ms. Lam Ching Fun; the independent non-executive directors of the Company are Mr. Lee Kwan Hung, Professor Fung Kwok Pui and Mr. Yue Man Yiu Matthew.