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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）

2018 ANNUAL RESULTS ANNOUNCEMENT

HIGHLIGHTS

- 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 People's Republic of China (the "PRC")
- Revenue amounted to approximately HK$2,268.9 million, representing an increase of approximately 14.1% over the previous year
- Profit for the year amounted to approximately HK$33.2 million
- The Directors do not recommend the final dividend for the year

The Board of Directors (the "Board") of Asia Cassava Resources Holdings Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2018 together with the comparative figures in 2017, which have been reviewed by audit committee.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
Year ended 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
REVENUE	4	2,268,949	1,988,738
Cost of sales		(2,016,851)	(1,759,637)
Gross profit		252,098	229,101
Other income	4	12,744	5,458
Fair value gain on investment properties, net		10,276	2
Other operating expenses		(6,474)	-
Selling and distribution expenses		(180,366)	(149,984)
General and administrative expenses		(50,596)	(60,646)
Finance costs	5	(5,251)	(3,774)
PROFIT BEFORE TAX	6	32,431	20,157
Income tax credit/(expense)	7	724	(3,099)
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		33,155	17,058
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		8,312	(3,886)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Gains on property revaluation		9,621	3,221
Income tax effect		(1,588)	(549)
		8,033	2,672
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		16,345	(1,214)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		49,500	15,844

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (continued)
Year ended 31 March 2018

	Note	2018 HK$'000	2017 HK$'000
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	8		
Basic and diluted		HK5.67 cents	HK2.92 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		170,577	161,084
Investment properties		102,639	91,838
Prepaid land lease payments		1,251	1,172
Available-for-sale investments	9	48,386	30,749
Prepayments, deposits and other receivables		13,390	8,328
Deferred tax assets		573	517
Total non-current assets		336,816	293,688
CURRENT ASSETS			
Inventories		797,737	437,678
Trade and bills receivables	10	370,190	417,202
Prepayments, deposits and other receivables		41,405	34,185
Financial assets at fair value through profit or loss	11	4,384	3,553
Pledged deposits		10,399	10,151
Cash and cash equivalents		154,715	162,406
Total current assets		1,378,830	1,065,175
CURRENT LIABILITIES			
Trade and other payables and accruals	12	61,399	38,591
Interest-bearing bank borrowings		746,231	470,560
Tax payables		55,132	47,996
Total current liabilities		862,762	557,147
NET CURRENT ASSETS		516,068	508,028
TOTAL ASSETS LESS CURRENT LIABILITIES		852,884	801,716
NON-CURRENT LIABILITY			
Deferred tax liability		6,469	4,801
Net assets		846,415	796,915

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

31 March 2018

	2018 HK$'000	2017 HK$'000
EQUITY		
Equity attributable to owners of the Company		
Share capital	58,473	58,473
Reserves	787,942	738,442
Total equity	846,415	796,915

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2018

	Attributable to owners of the Company										
	Share capital HK$'000	Share premium* HK$'000	Contributed surplus* HK$'000 (note (i))	Merger reserve* HK$'000 (note (ii))	Legal reserve* HK$'000 (note (iii))	Asset revaluation reserve* HK$'000	Exchange fluctuation reserve* HK$'000	Retained profits* HK$'000	Total HK$'000	Non-controlling interest HK$'000 (note (iv))	Total equity HK$'000
At 1 April 2016	58,473	424,931	8,229	(249,726)	46	16,955	204	521,959	781,071	-	781,071
Profit for the year	-	-	-	-	-	-	-	17,058	17,058	-	17,058
Other comprehensive income/(loss) for the year:											
Gains on property revaluation, net of tax	-	-	-	-	-	2,672	-	-	2,672	-	2,672
Exchange differences related to foreign operations	-	-	-	-	-	-	(3,886)	-	(3,886)	-	(3,886)
Total comprehensive income/(loss) for the year	-	-	-	-	-	2,672	(3,886)	17,058	15,844	-	15,844
Transfer	-	-	-	-	-	(502)	-	502	-	-	-
At 31 March 2017	58,473	424,931	8,229	(249,726)	46	19,125	(3,682)	539,519	796,915	-	796,915

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2018

	Attributable to owners of the Company										
	Share capital HK$'000	Share premium* HK$'000	Contributed surplus* HK$'000 (note (i))	Merger reserve* HK$'000 (note (ii))	Legal reserve* HK$'000 (note (iii))	Asset revaluation reserve* HK$'000	Exchange fluctuation reserve* HK$'000	Retained profits* HK$'000	Total HK$'000	Non-controlling interest HK$'000 (note (iv))	Total equity HK$'000
At 1 April 2017	58,473	424,931	8,229	(249,726)	46	19,125	(3,682)	539,519	796,915	-	796,915
Profit for the year	-	-	-	-	-	-	-	33,155	33,155	-	33,155
Other comprehensive income for the year:											
Gains on property revaluation, net of tax	-	-	-	-	-	8,033	-	-	8,033	-	8,033
Exchange differences related to foreign operations	-	-	-	-	-	-	8,312	-	8,312	-	8,312
Total comprehensive income for the year	-	-	-	-	-	8,033	8,312	33,155	49,500	-	49,500
Transfer	-	-	-	-	-	(698)	-	698	-	-	-
At 31 March 2018	58,473	424,931	8,229	(249,726)	46	26,460	4,630	573,372	846,415	-	846,415

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

Year ended 31 March 2018

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 asset value of the acquiree arising from the business combinations under common control.

(iii) In accordance with the provisions of the Macau Commercial Code, the Group's subsidiary incorporated in Macau is required to transfer 25% of the annual net profit to the legal reserve before the appropriation of profits to dividends until the reserve equals half of the capital. This reserve is not distributable to the respective shareholders.

(iv) The Group's non-controlling interest represents 10% of equity interests in subsidiaries, Asiafame Enterprises Limited and Artsun Resources Company Limited, of HK$10.

* These reserve accounts comprise the consolidated reserves of HK$787,942,000 (2017: HK$738,442,000) in the consolidated statement of financial position.

1. CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 8 May 2008. The registered address of the Company is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The head office and principal place of business of the Company is located at Units 612-3 and 617, Houston Centre, 63 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong.

The shares of the Company have been listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 23 March 2009.

The principal activities of the Group are the procurement of dried cassava chips in Southeast Asian countries and the sale of dried cassava chips in Mainland China and Thailand and hotel operations in the Mainland China.

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

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, land and buildings classified as property, plant and equipment, certain available-for-sale investments and financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

<u>Basis of consolidation</u>

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;
(b) rights arising from other contractual arrangements; and
(c) the Group's voting rights and potential voting rights.

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other total comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards for the first time for the current year's financial statements.

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12 included in *Annual Improvements to HKFRSs 2014-2016 Cycle*	*Disclosure Interests in Other Entities: Clarification of the Scope of HKFRS 12*

None of the above amendments to HKFRSs has had a significant financial effect on these financial statements.

3. SEGMENT INFORMATION

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

(a) the procurement and sale of dried cassava chips segment engages in the procurement and sale of dried cassava chips;

(b) the property investment segment invests in office space and industrial properties for its rental income potential; and

(c) the hotel operations segment engages in hotel operations in the PRC.

Management monitors the results of its operating segments separately for the purpose of making decisions about resource 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, other operating expenses, finance costs, as well as other head office and corporate expenses are excluded from such measurement.

Segment assets exclude cash and cash equivalents, pledged deposits, available-for-sale investments, 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 payables, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

3. SEGMENT INFORMATION (continued)

Year ended 31 March 2018	Procurement and sale of dried cassava chips HK$'000	Property investment HK$'000	Hotel operations HK$'000	Total HK$'000
Segment revenue:				
Sales to external customers	2,244,607	-	-	2,244,607
Hotel room revenue, food and beverage	-	-	21,517	21,517
Gross rental income	-	2,825	-	2,825
Total	2,244,607	2,825	21,517	2,268,949
Segment results	26,656	9,221	(1,749)	34,128
Interest and unallocated gains				12,744
Corporate and other unallocated expenses				(9,190)
Finance costs				(5,251)
Profit before tax				32,431
Segment assets	1,257,207	132,550	63,882	1,453,639
Corporate and other unallocated assets				262,007
Total assets				1,715,646
Segment liabilities	795,955	1,130	10,380	807,465
Corporate and other unallocated liabilities				61,766
Total liabilities				869,231
Other segment information:				
Depreciation	7,141	1,062	2,044	10,247
Capital expenditure	980	-	-	980
Fair value gain on investment properties	-	10,276	-	10,276

3. SEGMENT INFORMATION (continued)

Year ended 31 March 2017	Procurement and sale of dried cassava chips HK$'000	Property investment HK$'000	Hotel operations HK$'000	Total HK$'000
Segment revenue:				
Sales to external customers	1,966,320	-	-	1,966,320
Hotel room revenue, food and beverage	-	-	19,803	19,803
Gross rental income	-	2,615	-	2,615
Total	1,966,320	2,615	19,803	1,988,738
Segment results	25,851	710	(449)	26,112
Interest and unallocated gains				5,961
Corporate and other unallocated expenses				(8,142)
Finance costs				(3,774)
Profit before tax				20,157
Segment assets	931,690	116,575	58,182	1,106,447
Corporate and other unallocated assets				252,416
Total assets				1,358,863
Segment liabilities	495,158	804	8,396	504,358
Corporate and other unallocated liabilities				57,590
Total liabilities				561,948
Other segment information:				
Depreciation	5,139	1,019	1,828	7,986
Capital expenditure	2,736	26,099	-	28,835
Fair value gain on investment properties	-	2	-	2

3. SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	2018 HK$'000	2017 HK$'000
Mainland China	2,266,035	1,986,086
Hong Kong	2,825	2,384
Thailand	89	268
	2,268,949	1,988,738

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

(b) Non-current assets

	2018 HK$'000	2017 HK$'000
Hong Kong	122,306	103,266
Mainland China	84,651	78,872
Thailand	46,901	45,017
Unallocated	33,999	35,267
	287,857	262,422

The vessel (included in property, plant and equipment) was primarily utilised across geographical markets for shipment of dried cassava chips throughout the world. Accordingly, it was impractical to present the location of the vessel in terms of geographical area and thus the vessel is presented as an unallocated non-current asset.

The information of the remaining non-current assets above is based on the locations of assets and excludes financial instruments and deferred tax assets.

Information about major customers

For the year ended 31 March 2018, revenue from a customer of the procurement and sale of dried cassava chips segment, amounting to HK$370,879,000, had individually accounted for over 10% of the Group’s total revenue.

For the year ended 31 March 2017, revenue from a customer of the procurement and sale of dried cassava chips segment, amounting to HK$271,502,000, had individually accounted for over 10% of the Group’s total revenue.

4. REVENUE AND OTHER INCOME

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts, rental income and hotel service income.

An analysis of revenue is as follows:

	2018 HK$'000	2017 HK$'000
Revenue		
Sales of dried cassava chips	2,244,607	1,966,320
Hotel room revenue, food and beverage	21,517	19,803
Gross rental income	2,825	2,615
	2,268,949	1,988,738

An analysis of other income is as follows:

	2018 HK$'000	2017 HK$'000
Other income		
Logistic service income	10,209	3,077
Bank interest income	660	1,902
Others	1,875	479
	12,744	5,458

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2018 HK$'000	2017 HK$'000
Interest on bank loans and overdrafts	5,251	3,774

6. PROFIT BEFORE TAX

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

	2018 HK$'000	2017 HK$'000
Cost of inventories sold	2,016,851	1,759,637
Amortisation of prepaid land lease payments	45	46
Depreciation	10,247	7,986
Auditor's remuneration	1,405	1,325
Employee benefit expenses (including directors' remuneration):		
Wages and salaries	27,683	25,057
Pension scheme contributions*	1,632	1,219
	29,315	26,276
Rental income on investment properties less direct operating expense of HK$3,000 (2017: HK$3,000)	(2,825)	(2,612)
Minimum lease payments under operating leases in respect of storage facilities and office premises	5,484	2,295
Contingent rent under operating leases in respect of storage facilities	7,876	6,517
Foreign exchange loss/(gain), net	(14,609)	2,507
Fair value gain on financial assets at fair value through profit or loss	(710)	(503)

* As at 31 March 2018, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2017: Nil).

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	2018 HK$'000	2017 HK$'000
Current - Hong Kong		
Charge for the year	5,583	819
Overprovision in prior years	(6,406)	(5,527)
Current – PRC	19	41
Current – Thailand	-	7,850
Deferred	80	(84)
Total tax charge/(credit) for the year	(724)	3,099

8. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the year attributable to owners of the Company, and the weighted average number of ordinary shares of 584,726,715 (2017: 584,726,715) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 March 2018 and 2017 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during these years.

9. AVAILABLE-FOR-SALE INVESTMENTS

	2018 HK$'000	2017 HK$'000
At fair value:		
Listed debt securities in Hong Kong	14,111	-
At cost:		
Unlisted equity investments	30,749	30,749
Unlisted fund	10,000	-
Less: Impairment on unlisted fund	(6,474)	-
	34,275	30,749
	48,386	30,749

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

As at 31 March 2018, the Group's unlisted investments were stated at cost less impairment because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair value cannot be measured reliably. The Group does not intend to dispose of them in the near future.

Impairment of HK$6,474,000 has been made as the investment of the unlisted fund exceeded the fund's net asset value as at 31 March 2018. The impairment loss has been recognised in profit or loss for the year. The provision for impairment in respect of the unlisted fund at the end of the reporting period was determined on the basis of the amounts recoverable from the fund with reference to the fair value of the underlying assets held by the fund.

10. TRADE AND BILLS RECEIVABLES

	2018	2017
	HK$'000	HK$'000
Trade and bills receivables	355,055	395,863
Bills receivables discounted to the banks with recourse	19,633	25,398
	374,688	421,261
Impairment	(4,498)	(4,059)
	370,190	417,202

It is the Group's policy that the customers who wish to trade with the Group normally need to provide the Group with irrecoverable letters of credit issued by reputable banks, with terms within 90 days to 180 days at sight, on credit with credit period for one to three months 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. At 31 March 2018, the Group has certain concentration of credit risk that may arise from the exposure to three customers (2017: three) and the largest customer which accounted for 67% (2017: 67%) and 33% (2017: 26%) of the Group’s total trade and bills receivables, respectively.

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

	2018	2017
	HK$'000	HK$'000
Within 30 days	240,248	210,008
30 to 60 days	83,334	141,249
61 to 90 days	43,833	65,945
Over 90 days	2,775	-
	370,190	417,202

Bills receivables of HK$19,633,000 as at 31 March 2018 (2017: HK$25,398,000) were discounted to the banks with recourse.

The movements in provision for impairment of trade receivables are as follows:

	2018	2017
	HK$'000	HK$'000
At beginning of year	4,059	4,325
Exchange realignment	439	(266)
At end of year	4,498	4,059

10. TRADE AND BILLS RECEIVABLES (continued)

Included in the above provision for impairment of trade receivables is a provision of HK$4,498,000 (2017: HK$4,059,000) for individually impaired trade receivables with a carrying amount before provision of HK$4,498,000 (2017: HK$4,059,000).

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default in interest and/or principal payments and only a portion of the receivables is expected to be recovered.

The ageing analysis of the trade and bills receivables that are not individually nor collectively considered to be impaired is as follows:

	2018 HK$'000	2017 HK$'000
Neither past due nor impaired	367,415	417,202
Less than 3 months past due	2,775	-
	370,190	417,202

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

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 HK$'000	2017 HK$'000
Listed equity securities, at market value	4,384	3,553

The above equity investments at 31 March 2018 were classified as held for trading and were, upon initial recognition, designated by the Group as financial assets at fair value through profit or loss.

12. TRADE AND OTHER PAYABLES AND ACCRUALS

	2018 HK$'000	2017 HK$'000
Trade payables	31,478	10,451
Other payables	19,172	15,703
Accrued liabilities	9,555	9,602
Due to a director	31	966
Rental deposits received	1,163	1,869
	61,399	38,591

Based on the invoice date, the trade payables as at the end of the reporting period would mature within one month (2017: one month). Trade and other payables are non-interest-bearing and have an average term of three months.

13. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties under operating lease arrangements, with leases negotiated for terms ranging from one to three years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 March 2018, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2018 HK$'000	2017 HK$'000
Within one year	2,721	2,173
In the second to fifth years, inclusive	1,241	837
	3,962	3,010

13. OPERATING LEASE ARRANGEMENTS (continued)

(b) As lessee

The Group leases certain of its office properties and warehouses under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to three years.

At 31 March 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018 HK$'000	2017 HK$'000
Within one year	1,825	1,659
In the second to fifth years, inclusive	2,211	123
	4,036	1,782

The operating lease rentals of certain warehouses are based on the higher of a fixed rental and a contingent rent based on the volume of inventories handled in the warehouses pursuant to the terms and conditions as set out in the respective rental agreements. As the future handling volume of the warehouses could not be estimated reliably, the relevant contingent rent has not been included above and only the minimum lease commitment has been included in the above table.

14. SUBSEQUENT EVENT

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

Details of which are set out in the Company's announcement dated 14 May 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

During the year ended 31 March 2018 (the "Current Year"), 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 Current Year, the demands for edible alcohol and ethanol fuel in the PRC was increased, which is conducive to the Group's sales of dried cassava chips. In addition, the average selling price of dried cassava chips achieved by the Group was increased as well. As a result, the Group's revenue from procurement and sales of dried cassava chips amounted to approximately HK$2,244.6 million for the Current Year, representing an increase of approximately 14.2% from approximately HK$1,966.3 million for the previous year. Moreover, the Group had maintained its leading position in the PRC and is the largest supplier of imported dried cassava chips for more than ten years.

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

In order to broaden the Group's revenue sources, the Group is exploring investment project with potentials. Subsequent to the end of the reporting period, on 9 May 2018, Profit Sky Corporation Limited (the "Purchaser"), in which the Company holds an indirect 60% equity interest, entered into the Acquisition Agreement with 338 Apartment Holdings (BVI) Limited (the "Vendor"), pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the entire issued share capital ("Sale Shares") of 338 Apartment (BVI) Limited ("Target Company") and the loan owing by the Target Company to the Vendor (the "Sale Loan") as at date of completion of such acquisition in accordance with the terms and conditions of the Acquisition Agreement (the "Completion Date"), which is subject to the approval of shareholders of the Company.

The principal asset of the Target Company is the Property located at 338 Queen's Road Central, Sheung Wan, Hong Kong known as "Queen Central" or "338 Apartment", which is a commercial building with hotel license. The Consideration for the Acquisition is HK$1,100,000,000, subject to upward or downward adjustment if the Net Asset Value of the Target Company as at close of business on the Completion Date is positive or negative respectively. The Consideration is to be settled in cash by stages.

Financial Review

Revenue
The Group's revenue from procurement and sales of dried cassava chips increased by approximately HK$278.3 million or approximately 14.2% from approximately HK$1,966.3 million for the previous year to approximately HK$2,244.6 million for the Current Year. Increase in the Group's revenue was mainly attributable to (i) the increase in average selling price of dried cassava chips by approximately 8.2% and (ii) the increase in sales volume by approximately 5.4% during the Current Year.

The Group’s revenue from hotel operation amounted to approximately HK$21.5 million for the Current Year, representing an increase of approximately 8.6% from approximately HK$19.8 million for the previous year. During the Current Year, the Group’s hotel operation was still subject to pressure given the slowdown in China’s macro-economic growth. Nevertheless, the Group continues 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.

Gross profit and gross profit margin

The Group’s cost of sales from procurement and sales of dried cassava chips increased by approximately HK$257.9 million, or approximately 14.7%, from approximately HK$1,751.3 million for the previous year to approximately HK$2,009.2 million for the Current Year, mainly due to (i) the increase in sales quantity of dried cassava chips and (ii) the increase in unit cost of dried cassava chips procured in the Current Year.

The Group’s gross profit from procurement and sales of dried cassava chips increased by approximately HK$20.4 million from approximately HK$215.0 million for the previous year to approximately HK$235.4 million for the Current Year, mainly due to the increase in revenue.

The Group's gross profit margin from procurement and sales of dried cassava chips for the Current Year was stable compared with the previous year.

The Group’s cost of sales from hotel operation decreased to approximately HK$7.7 million for the Current Year from approximately HK$8.3 million for the previous year. The Group's gross profit margin from hotel operation for the Current Year increased to approximately 64.2% from approximately 58.0% for the previous year.

Other operating expenses

During the year, an impairment of HK$6,474,000 has been made as the investment of the unlisted fund exceeded its net asset value as at 31 March 2018.

Selling and distribution costs

During the Current Year, the Group’s selling and distribution expenses of approximately HK$180.4 million (2017: approximately HK$150.0 million) comprised mainly (a) ocean freight costs of approximately HK$86.7 million (2017: approximately HK$63.3 million), (b) warehouse, handling and inland transportation expenses of approximately HK$86.2 million (2017: approximately HK$81.7 million) and (c) those related to hotel operation of approximately HK$7.5 million (2017: approximately HK$5.0 million).

The Group’s selling and distribution expenses increased mainly due to increase in unit average cost of ocean transportation during the Current Year.

The Group’s selling and distribution expenses represented 7.9% of the total sales revenue for the Current Year, compared to that of 7.5% for the corresponding period of the previous year.

General and administrative expenses

General and administrative expenses of the Group decreased by approximately HK$10.0 million from approximately HK$60.6 million in the previous year to approximately HK$50.6 million in the Current Year, mainly due to the net effect of increase in staff cost and net exchange gains.

Finance costs

Finance expenses of the Group increased from approximately HK$3.8 million for the previous year to approximately HK$5.3 million for the Current Year. With the increase in inventories level and average cost of dried cassava chips during the Current Year, the Group increase drawing down the trade loan facilities granted by the banks for procurement of dried cassava chips during the Current Year as compared with the previous year. Hence, it resulted in an increase in bank borrowings and an increase in finance costs during the Current Year.

Profit for the year

The Group's profit for the Current Year amounted to approximately HK$33.2 million (2017: approximately HK$17.1 million).

Financial resources and liquidity

As at 31 March 2018, the net assets amounted to approximately HK$846.4 million, representing an increase of approximately HK$49.5 million from approximately HK$796.9 million as at 31 March 2017 which was mainly due to the profit and other comprehensive income for the Current Year.

Current assets amounted to approximately HK$1,378.8 million (2017: HK$1,065.2 million), including cash and cash equivalents of approximately HK$154.7 million (2017: HK$162.4 million), pledged deposits of HK$10.4 million (2017: HK$10.2 million), trade and bills receivables of approximately HK$370.2 million (2017: HK$417.2 million), inventories of approximately HK$797.7 million (2017: HK$437.7 million), financial assets at fair value through profit or loss of approximately HK$4.4 million (2017: HK$3.6 million), and prepayments, deposits and other receivables of HK$41.4 million (2017: HK$34.2 million). The Group had non-current assets of HK$336.8 million (2017: HK$293.7 million).

The Group's current liabilities amounted to approximately HK$862.8 million (2017: HK$557.1 million), which comprised mainly trade and other payables and accruals of approximately HK$61.4 million (2017: HK$38.6 million), tax payable of approximately HK$55.1 million (2017: HK$48.0 million) and bank borrowings of approximately HK$746.2 million (2017: HK$470.6 million). The Group's non-current liabilities included deferred tax liabilities of approximately HK$6.5 million (2017: HK$4.8 million).

The Group expresses its gearing ratio as a percentage of borrowings over total assets. As at 31 March 2018, the Group had a gearing ratio of 43.5% (2017: 34.6%). The increase in bank borrowings as at 31 March 2018 was mainly due to increase in trade-financing bank loans drawn down for purchase of inventories at end of the Current Year.

The Group's inventory turnover period is 111.8 days as at 31 March 2018, representing an increase of 21 days from 90.8 days as at 31 March 2017. The Group possess pre-requisites with its owned warehouses to store additional dried cassava chips during the harvest period and sell dried cassava chips in non-harvest season so as to maximize the Group's profit.

The Group's debtor turnover period is 63 days as at 31 March 2018, representing a decrease of 12 days from 75 days as at 31 March 2017.

Employment and remuneration policy

As at 31 March 2018, the total number of the Group's staff was approximately 250. The total staff costs (including directors' remuneration) amounted to approximately HK$29.3 million for the Current Year. 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 31 March 2018, the Group's time deposit, land and buildings, investment properties situated in Hong Kong and bills receivables with aggregate carrying values of HK$10,399,000 (2017: HK$10,151,000), HK$16,000,000 (2017: HK$13,340,000), HK$39,600,000 (2017: HK$34,370,000) and HK$19,633,000 (2017: HK$25,398,000), respectively, were pledged to the bankers to secure the Group's bank borrowings. Bills receivables of HK$19,633,000 as at 31 March 2018 (2017: HK$25,398,000) were discounted to the banks with recourse.

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

Contingent liabilities
As 31 March 2018, the Group did not have any material contingent liabilities.

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

Completion shall take place on 8 October 2018 or such other date as the Vendor and the Purchaser may agree in writing.

The principal asset of the Target Company is the Property located at 338 Queen's Road Central, Sheung Wan, Hong Kong known as "Queen Central" or "338 Apartment", which is a commercial building with hotel license. A portion of the ground floor of the Property is currently leased out to a third party for operation of a chain restaurant while other parts of the Property are currently vacant. It is expected that the remaining part of the Property will be used as serviced apartments and/or offices after Completion.

The Consideration for the Acquisition is HK$1,100,000,000, subject to upward or downward adjustment if the Net Asset Value of the Target Company as at close of business on the Completion Date is positive or negative respectively. The Consideration is to be settled in cash by stages.

As such acquisition constitutes a very substantial acquisition on the part of the Company under the Listing Rules it is subject to the reporting, announcement, circular and the Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Prospect

In the PRC, renewable energy is considered a vital resource of energy, playing an important role in the aspects such as satisfying national energy safety and demand, and reducing environmental pollution. The PRC's policy of "non-competition for grain with people and non-competition for harvest land with grain" stipulates that grains such as corn should be used with priority for animal feeds and food so as to guarantee the national food safety. As a result, the use of non-grain feedstock to produce bio-fuel is encouraged by the PRC government. According to "The Mid- and Long-term Development Plan for Renewable Energy" in August 2007, the PRC would cease increasing the production capacity of ethanol fuel using grain feedstock, and target to increase the annual production capacity of ethanol fuel using non-grain feedstock to 10 million tonnes by 2020. We anticipate that the demand of dried cassava chips in the PRC ethanol fuel industry will be growing which is beneficial to the Group's long-term business development.

For procurement, the Group has total 14 procurement facilities and networks in Thailand, Cambodia, Laos and Vietnam of total storage capacity of 700,000 tonnes which pave the solid foundation for enhancement of the market coverage and maintenance of long-term business development. The Group targets to reduce its unit cost of dried cassava chips and increase its gross profit margin with the effect of economy of scales in relation to the procurement business of dried cassava chips by the Group's procurement networks in Thailand, Vietnam, Laos and Cambodia. In medium and long-run, the Group intends to set up additional procurement facilities and networks (when appropriate) in Thailand, Vietnam Laos or Cambodia so as to cope with the expected increase in demand of dried cassava chips, to increase the Group's market share and to maintain our leading position in the industry.

The Group's unique and integrated business model combines the procurement, processing, warehousing, logistics and sale of cassava chips. Looking ahead, the Group plans to continue establishing more procurement and warehouse centres in order to replicate the proven business model in Thailand. Riding on our broad procurement channels and network together with the warehouse facilities, optimised logistics capabilities and the widespread sales network in the PRC, the Group will continue to strive to enhance our market coverage and maximise returns for our shareholders.

In addition to the hotel operation, the Group will prudently explore other investment project with potentials, but not limiting to property project, in order to broaden the revenue sources and maximize returns for our shareholders.

DIVIDENDS

The Board does not recommend the payment of final dividend for the year ended 31 March 2018.

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 Year.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the year ended 31 March 2018, the Company had adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Appendix 10 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange. The Company also had made specific enquiry of all directors and the Company was not aware of any non-compliance with he 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 as set out in Appendix 14 to the Listing Rules for the year ended 31 March 2018, save for the deviation from the code provision as detailed below.

Under provision A.2.1 of the Code, the role of the Chairman and the Chief Executive Officer should be performed by separate individuals. Mr. Chu Ming Chuan is the Chairman who provides leadership for the Board. According to A.2.2 and A.2.3 of the Code, Mr. Chu Ming Chuan as the Chairman ensures that all directors are properly briefed on issued arising at board meetings, and receive adequate information, both complete and reliable, in a timely manner. The executive directors of the Company collectively oversees the overall management of the Group in each of their specialized 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.

After the resignation of Mr. Lee Kwan Hung as the Company's independent non-executive director with effect from 13 May 2018, the number of independent non-executive directors and members of the audit committee of the Company falls below the minimum number requirement under Rules 3.10(1) and 3.21 of the Listing Rules, and the required composition of the remuneration committee and nomination committee fails to meet the requirements under Rule 3.25 and code provision A.5.1 of Appendix 14 to the Listing Rules.

The Board will identify an appropriate person to fill the vacancy of independent non-executive director, member of audit committee and chairman of remuneration committee within three months from the date of this announcement pursuant to Rules 3.11, 3.23 and 3.27 of the Listing Rules; and to fill the vacancy of member of nomination committee. Further announcement will be made in relation to the appointment when appropriate.

AUDIT COMMITTEE

The Company has set up an audit committee (the "Audit Committee") for the purposes of reviewing and providing supervision over financial reporting process and internal controls of the Group. The Audit Committee comprises independent non-executive directors of the Company. The Audit Committee held a meeting on 27 June 2018 to consider and review the annual report and annual financial information of the Group and to give their opinion and recommendations to the Board. The Audit Committee considers that the annual report and the annual financial information of the Company have complied with the applicable accounting standards and the Company has made appropriate disclosure thereof.

By order of the Board
Chu Ming Chuan
Chairman

Hong Kong, 27 June 2018

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 Professor Fung Kwok Pui and Mr. Yue Man Yiu Matthew.