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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 2019**

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 2019 together with the comparative figures in 2018.

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

		Six months ended 30 September	
	Notes	2019 HK\$'000	2018 HK\$'000
REVENUE	4	644,211	797,162
Cost of sales		<u>(573,743)</u>	<u>(696,577)</u>
Gross profit		70,468	100,585
Other income	4	1,955	866
Selling and distribution costs		(48,765)	(63,679)
General and administrative expenses		(25,300)	(26,130)
Finance costs		<u>(11,868)</u>	<u>(6,036)</u>
PROFIT/(LOSS) BEFORE TAX	5	(13,510)	5,606
Income tax expense	6	<u>1,522</u>	<u>(582)</u>
PROFIT/(LOSS) FOR THE PERIOD		<u><u>(11,988)</u></u>	<u><u>5,024</u></u>
ATTRIBUTE TO:			
Owners of the Company		(8,770)	5,024
Non- controlling interest		<u>(3,218)</u>	<u>-</u>
		<u><u>(11,988)</u></u>	<u><u>5,024</u></u>
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	7		
Basic and diluted (HK cents)		<u><u>(1.5)</u></u>	<u><u>0.9</u></u>

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

	Six months ended 30 September	
	2019 HK\$'000	2018 HK\$'000
PROFIT/(LOSS) FOR THE PERIOD	(11,988)	5,024
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences arising on translation of foreign operations	(423)	(336)
Debt investment at fair value through other comprehensive income:		
Change in fair value	(1,028)	-
	<u>(1,451)</u>	<u>(336)</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	<u>(13,439)</u>	<u>4,688</u>
ATTRIBUTE TO:		
Owners of the Company	(10,221)	4,688
Non- controlling interest	<u>(3,218)</u>	<u>-</u>
	<u>(13,439)</u>	<u>4,688</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 September 2019 HK\$'000 (unaudited)	31 March 2019 HK\$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		132,266	166,074
Investment properties		1,304,066	1,304,066
Equity investments at fair value through Other comprehensive income	8	40,104	40,104
Debt investments at fair value through other comprehensive income	8	13,010	14,038
Prepaid land lease payments		1,050	1,117
Prepayments, deposits and other receivables		13,390	13,390
Deferred tax assets		535	535
Total non-current assets		<u>1,504,421</u>	<u>1,539,324</u>
CURRENT ASSETS			
Inventories		178,196	328,846
Trade and bills receivables	9	22,931	285,167
Prepayments, deposits and other receivables		13,500	14,422
Financial assets at fair value through profit or loss	10	5,749	7,067
Pledged deposits		10,605	10,605
Cash and cash equivalents		141,189	146,679
Total current assets		<u>372,170</u>	<u>792,786</u>
CURRENT LIABILITIES			
Trade and other payables and accruals	11	25,592	26,571
Interest-bearing bank borrowings	12	622,388	1,064,754
Tax payable		51,297	52,854
Total current liabilities		<u>699,277</u>	<u>1,144,179</u>
NET CURRENT LIABILITIES		<u>(327,107)</u>	<u>(351,393)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,177,314</u>	<u>1,187,931</u>
NON-CURRENT LIABILITIES			
Deferred tax liabilities		9,214	9,214
Amount due to non-controlling interest of a subsidiary		268,387	265,565
		<u>277,601</u>	<u>274,779</u>
Net assets		<u>899,713</u>	<u>913,152</u>
EQUITY			
Equity attributable to owners of the Company			
Issued share capital		58,473	58,473
Reserves		806,206	816,427
		864,679	874,900
Non-controlling interest		35,034	38,252
Total equity		<u>899,713</u>	<u>913,152</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Attributable to owners of the Company										Non-controlling interest HK\$'000 (note (iv))	Total equity HK\$'000
	Issued 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	Proposed dividends HK\$'000	Total HK\$'000		
At 1 April 2018	58,473	424,931	8,229	(249,726)	46	26,460	4,630	573,372	-	846,415	-	846,415
Profit for the period	-	-	-	-	-	-	-	5,024	-	5,024	-	5,024
Other comprehensive income for the period:												
Exchange differences arising on translation of foreign operations, as restated	-	-	-	-	-	-	(336)	-	-	(336)	-	(336)
Total comprehensive income for the period	-	-	-	-	-	-	(336)	5,024	-	4,688	-	4,688
At 30 September 2018	<u>58,473</u>	<u>424,931</u>	<u>8,229</u>	<u>(249,726)</u>	<u>46</u>	<u>26,460</u>	<u>4,294</u>	<u>578,396</u>	<u>-</u>	<u>851,103</u>	<u>-</u>	<u>851,103</u>
	Attributable to owners of the Company										Non-controlling interest HK\$'000 (note (iv))	Total equity HK\$'000
	Issued 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	Proposed dividends HK\$'000	Total HK\$'000		
At 1 April 2019	58,473	424,931	8,229	(249,726)	46	39,721	(6,248)	599,474	-	874,900	38,252	913,152
Loss for the period	-	-	-	-	-	-	-	(8,770)	-	(8,770)	(3,218)	(11,988)
Other comprehensive loss for the period:												
Change in fair value of debt instrument at fair value through other comprehensive income	-	-	-	-	-	(1,028)	-	-	-	(1,028)	-	(1,028)
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	(423)	-	-	(423)	-	(423)
Total comprehensive loss for the period	-	-	-	-	-	(1,028)	(423)	(8,770)	-	(10,221)	(3,218)	(13,439)
At 30 September 2019	<u>58,473</u>	<u>424,931</u>	<u>8,229</u>	<u>(249,726)</u>	<u>46</u>	<u>38,693</u>	<u>(6,671)</u>	<u>590,704</u>	<u>-</u>	<u>864,679</u>	<u>35,034</u>	<u>899,713</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 (1) the excess of the consideration paid over the net asset value of the subsidiaries acquired pursuant to the Group Reorganisation in the prior year and (2) the difference between the consideration paid and the net assets value of the acquiree arising from the business combination under common control.
- (iii) In accordance with the provisions of the Macau Commercial Code, the Group's subsidiary incorporated in Macau is required to transfer 25% of the annual net profit to the legal reserve before the appropriation of profits to dividends until the reserve equals half of the capital. This reserve is not distributable to the respective shareholders.
- (iv) The Group's non-controlling interest represents the aggregate of (i) 10% of equity interest in subsidiaries, Asiafame Enterprises Limited and Artsun Resources Company Limited, of HK\$10 and (ii) 40% of equity interest in a subsidiary, Profit Sky Corporation Limited of HK\$4.

* These reserve accounts comprise the consolidated reserves of HK\$806,206,000 (30 September 2018: HK\$792,630,000) in the consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

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

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

2. ACCOUNTING POLICIES AND BASIS OF PRESENTATION

These interim condensed consolidated financial information have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), and the disclosure requirements set out in Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange. The accounting policies and basis of preparation adopted in the preparation of the interim condensed consolidated financial statements are the same as those used in the annual financial statements for the year ended 31 March 2019, except for the adoption of certain new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include HKASs and Interpretation) for the first time in the current period as disclosed in note 2.1 below.

2.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

3. SEGMENT INFORMATION

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

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

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

Segment assets exclude cash and cash equivalents, pledged deposits, equity instrument at fair value through other comprehensive income, debt instrument at fair value through other comprehensive income, financial assets at fair value through profit or loss, other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude tax payable, deferred tax liabilities and other unallocated head office and corporate assets as these liabilities are managed on a group basis.

3. SEGMENT INFORMATION (continued)

	Procurement and sales of dried cassava chips HK\$'000	Property investment HK\$'000	Hotel operation HK\$'000	Total HK\$'000
Six months ended 30 September 2019				
Segment revenue:				
Sales to external customers	631,205	-	-	631,205
Gross rental income	-	2,582	-	2,582
Hotel room revenue, food and beverage	-	-	10,424	10,424
Total	631,205	2,582	10,424	644,211
Segment results	(1,045)	(98)	(107)	(1,250)
Interest and unallocated gains				1,955
Corporate and other unallocated expenses				(2,347)
Finance costs				(11,868)
Loss before tax				(13,510)
Other segment information:				
Depreciation	2,874	865	925	4,664
Capital expenditure	-	-	-	-
Six months ended 30 September 2018				
Segment revenue:				
Sales to external customers	785,144	-	-	785,144
Gross rental income	-	1,545	-	1,545
Hotel room revenue, food and beverage	-	-	10,473	10,473
Total	785,144	1,545	10,473	797,162
Segment results	11,538	1,395	(60)	12,873
Interest and unallocated gains				866
Corporate and other unallocated expenses				(2,097)
Finance costs				(6,036)
Profit before tax				5,606
Other segment information:				
Depreciation	3,674	535	1,025	5,234
Capital expenditure	1,376	-	-	1,376

3. SEGMENT INFORMATION (continued)

	Procurement and sales of dried cassava chips HK\$'000	Property investment HK\$'000	Hotel operation HK\$'000	Total HK\$'000
As at 30 September 2019				
Segment assets	248,846	1,337,716	54,862	1,641,424
Corporate and other unallocated assets				<u>235,167</u>
Total assets				<u><u>1,876,591</u></u>
Segment liabilities	182,578	716,037	12,632	911,247
Corporate and other unallocated liabilities				<u>65,631</u>
Total liabilities				<u><u>976,878</u></u>
	Procurement and sales of dried cassava chips HK\$'000	Property investment HK\$'000	Hotel operation HK\$'000	Total HK\$'000
As at 31 March 2019				
Segment assets	674,571	1,337,567	55,486	2,067,624
Corporate and other unallocated assets				<u>264,486</u>
Total assets				<u><u>2,332,110</u></u>
Segment liabilities	611,492	713,576	12,898	1,337,966
Corporate and other unallocated liabilities				<u>80,992</u>
Total liabilities				<u><u>1,418,958</u></u>

Geographical information

(a) Revenue from external customers

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

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

(b) Non-current assets

	30 September 2019 HK\$'000	31 March 2019 HK\$'000
Hong Kong	1,337,385	1,341,401
Mainland China	65,865	66,080
Thailand	47,522	48,844
Unallocated	-	28,322
	<u>1,450,772</u>	<u>1,484,647</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 financial instruments and deferred tax assets.

4. REVENUE AND OTHER INCOME

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

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

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

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

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

5. PROFIT/(LOSS) BEFORE TAX

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

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

6. INCOME TAX

Hong Kong profits tax has been provided at the rates of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	2019 HK\$'000	2018 HK\$'000
Current – Hong Kong	-	582
Over-provision in prior year	<u>(1,522)</u>	<u>582</u>
	<u>(1,522)</u>	<u>582</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 2019 and 2018 attributable to ordinary equity holders of the Company and the weighted average number of 584,726,715 (2018: 584,726,715) ordinary shares in issue during the period.

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 September 2019 and 2018 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those periods.

8. INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

Notes:

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

9. TRADE AND BILLS RECEIVABLES

It is the Group's policy that all customers who wish to trade with the Group to provide the Group with irrecoverable letters of credit issued by reputable banks, with terms within 90 days to 180 days at sight, or by cash on delivery. Credit limits are set for individual customers. The Group seeks to maintain tight control over its outstanding receivables in order to minimise credit risk.

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

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

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

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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

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

11. TRADE AND OTHER PAYABLES AND ACCRUALS

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

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

12. INTEREST-BEARING BANK BORROWINGS

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

Business review

During the six months ended 30 September 2019 (the "Current Period"), as the trade friction between China and the United States contains and leads to the slowdown in the economy and the sluggish markets for various industries in China, the domestic customers' demand in China for dried cassava chips has also decreased accordingly. As a result, the Group's revenue from procurement and sales of dried cassava chips was decreased to approximately HK\$631.2 million for the Current Year, representing a decrease of approximately 19.6% from approximately HK\$785.1 million for the previous year.

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

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

Financial review

Revenue

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

The Group's revenue from hotel operation was remain stable and it recorded approximately HK\$10.4 million for the Current Period (2018: approximately HK\$10.5 million). The Group intended to continue to capitalise opportunities, such as putting resources in carrying out promotions and optimising staff allocation so as to improve profitability.

Gross profit and gross profit margin

The Group's cost of sales from procurement and sales of dried cassava chips decreased by approximately HK\$122.5 million, or approximately 17.7%, from approximately HK\$693.1 million for the corresponding period of the previous year to approximately HK\$570.6 million in the Current Period, mainly due to the decrease in sales of dried cassava chips in the Current Period.

The Group's gross profit from procurement and sales of dried cassava chips decreased by approximately HK\$31.4 million from approximately HK\$92.0 million for the corresponding period of previous year to approximately HK\$60.6 million for the Current Period, mainly due to decrease in sales and gross profit margin.

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

The Group's cost of sales from hotel operation amounted to approximately HK\$3.1 million for the Current Period (2018: approximately HK\$3.5 million) due to its control over the direct costs. The Group's gross profit margin from hotel operation for the Current Period increased to approximately 70.2% from approximately 66.7% for the corresponding period of previous year.

Selling and distribution costs

During the Current Period, the Group's selling and distribution expenses of approximately HK\$48.8 million (2018: approximately HK\$63.7 million), comprised mainly (a) ocean freight costs of approximately HK\$17.7 million (2018: approximately HK\$24.8 million), (b) warehouse, handling and inland transportation expenses of approximately HK\$27.3 million (2018: approximately HK\$35.0 million) and (c) those related to hotel operation of approximately HK\$3.8 million (2018: approximately HK\$3.9 million) .

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

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

General and administrative expenses

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

Finance costs

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

Loss for the period

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

Financial resources and liquidity

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

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

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

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

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

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

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

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

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

Employment and remuneration policy

As at 30 September 2019, the total number of the Group's staff was approximately 250. The total staff costs (including directors' remuneration) amounted to approximately HK\$ 14.0 million for the six months ended 30 September 2019. The Group remunerates its employees based on their performance, experience and prevailing industry practice. The Group provides retirement benefit for its employees in Hong Kong in form of mandatory provident fund and provides similar schemes for its employees in the PRC, Macau, Vietnam and Thailand.

Charge on group assets

As at 30 September 2019, the Group's pledged bank deposits, land and buildings, investment properties situated in Hong Kong and bills receivable with aggregate carrying values of HK\$10,605,000 (31 March 2019: HK\$10,605,000), HK\$16,000,000 (31 March 2019: HK\$16,000,000), and HK\$1,240,400,000 (31 March 2019: HK\$1,240,400,000) and nil (31 March 2019: HK\$92,916,000) respectively, were pledged to the bankers to secure the banking facilities granted to the Group.

Foreign currency exposure

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

Material acquisition and disposal

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

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

Capital commitment

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

Contingent liabilities

As 30 September 2019, the Group did not have any material contingent liabilities.

Prospect

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

For procurement, the Group has total 11 procurement facilities and networks in Thailand, Cambodia, Laos and Vietnam of total storage capacity of 600,000 tonnes which pave the solid foundation for enhancement of the market coverage and maintenance of long-term business development. The Group targets to reduce its unit cost of dried cassava chips and increase its gross profit margin with the effect of economy of scales in relation to the procurement business of dried cassava chips by the Group's procurement networks in Thailand, Vietnam, Laos and Cambodia. In medium and long-run, the Group intends to set up additional procurement facilities and networks (when appropriate) in Thailand, Vietnam Laos or Cambodia so as to cope with the expected increase in demand of dried cassava chips, to increase the Group's market share and to maintain our leading position in the industry.

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

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

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

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

DIVIDENDS AND CLOSURE OF REGISTER OF MEMBERS

The Board do not recommend payment of an interim dividend for the six months ended 30 September 2019 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 2019, the Company had adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Appendix 10 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange. The Company also had made specific enquiry of all directors and the Company was not aware of any non-compliance with 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 (“CG Code”) as set out in Appendix 14 to the Listing Rules for the six months ended 30 September 2019, save for the deviation from the code provision A.2.1 of the CG Code.

Under provision A.2.1 of the CG Code, the role of the Chairman and the Chief Executive Officer should be performed by separate individuals. Mr. Chu Ming Chuan is the Chairman of the Board who provides leadership for the Board. According to A.2.2 and A.2.3 of the CG Code, Mr. Chu Ming Chuan as the Chairman ensures that all directors are properly briefed on issues arising at board meetings, and receive adequate information, both complete and reliable, in a timely manner. The executive Directors of the Company collectively oversee the overall management of the Group in each of their specialised executive fields, which fulfils the function of Chief Executive Officer in substance. Therefore, the Company currently has not appointed its Chief Executive Officer to avoid the duplication of duties.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors of the Company. The Audit Committee held a meeting on 29 November 2019 and has reviewed with the management the accounting principles and practices adopted by the Group, the interim report and interim financial information of the Group for the Current Period and to give recommendations to the Board.

By order of the Board
Chu Ming Chuan
Chairman

Hong Kong, 29 November 2019

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. Chui Chi Yun Robert, Professor Fung Kwok Pui and Mr. Zhu Taiyu.