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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)

**ANNOUNCEMENT OF UNAUDITED RESULTS
FOR THE YEAR ENDED 31 MARCH 2020**

FINANCIAL HIGHLIGHTS

- Revenue amounted to HK\$1,469.0 million (2019: HK\$1,620.2 million)
- Unaudited loss for the year attributable to owners of the Company amounted to HK\$28.6 million (2019: Profit of HK\$26.1 million).
- Excluding the fair value gain/loss on investment properties, the Group recorded an unaudited profit attributable to the owner of HK\$ 7.8 million (2019: loss of HK\$35.4 million)

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 (collectively, the "Group") for the year ended 31 March 2020 together with the comparative figures in 2019, which had been reviewed by the Company's Audit Committee.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2020

	Notes	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Audited)
REVENUE	4	1,469,014	1,620,187
Cost of sales		<u>(1,290,288)</u>	<u>(1,431,459)</u>
Gross profit		178,726	188,728
Other income	4	6,962	10,073
Fair value (loss)/gain on investment properties, net		(56,440)	101,535
Other operating expenses		-	(13,535)
Selling and distribution expenses		(111,916)	(123,275)
General and administrative expenses		(60,839)	(86,474)
Finance costs	5	<u>(21,898)</u>	<u>(16,195)</u>
PROFIT/(LOSS) BEFORE TAX	6	(65,405)	60,857
Income tax credit	7	<u>11,146</u>	<u>3,497</u>
PROFIT/(LOSS) FOR THE YEAR		<u>(54,259)</u>	<u>64,354</u>
ATTRIBUTE TO:			
Owners of the Company		(28,602)	26,094
Non- controlling interest		<u>(25,657)</u>	<u>38,260</u>
		<u>(54,259)</u>	<u>64,354</u>
EARNINGS/(LOSS) PER SHARE	8		
Basic and diluted		<u>(HK\$4.88 cents)</u>	<u>HK4.46 cents</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(continued)

Year ended 31 March 2020

	Notes	2020 Unaudited HK\$'000	2019 Audited HK\$'000
PROFIT/(LOSS) FOR THE YEAR		<u>(54,259)</u>	<u>64,354</u>
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		(6,461)	(10,878)
Debt investment at fair value through other comprehensive income:			
Change in fair value		<u>(5,296)</u>	<u>(73)</u>
		<u>(11,757)</u>	<u>(10,951)</u>
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Equity investments designated at fair value through other comprehensive income:			
Change in fair value		(233)	2,747
Income tax effect		<u>58</u>	<u>(687)</u>
		<u>(175)</u>	<u>2,060</u>
Gains on property revaluation		(12,099)	5,305
Income tax effect		<u>-</u>	<u>-</u>
		<u>(12,099)</u>	<u>5,305</u>
		<u>(12,274)</u>	<u>7,365</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		<u>(24,031)</u>	<u>(3,586)</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		<u>(78,290)</u>	<u>60,768</u>
ATTRIBUTE TO:			
Owners of the Company		(52,633)	22,508
Non- controlling interest		<u>(25,657)</u>	<u>38,260</u>
		<u>(78,290)</u>	<u>60,768</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 March 2020

	Notes	2020 Unaudited HK\$'000	2019 Audited HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		125,019	166,074
Investment properties		1,247,838	1,304,066
Right-of-use assets		1,754	-
Equity investments at fair value through other comprehensive income		39,871	40,104
Debt investments at fair value through other comprehensive income		8,742	14,038
Prepaid land lease payments		-	1,117
Prepayments, deposits and other receivables		14,199	13,390
Deferred tax assets		503	535
Total non-current assets		<u>1,437,926</u>	<u>1,539,324</u>
CURRENT ASSETS			
Inventories		260,839	328,846
Trade and bills receivables	9	400,594	285,167
Prepayments, deposits and other receivables		28,639	14,422
Financial assets at fair value through profit or loss		6,087	7,067
Pledged deposits		-	10,605
Cash and cash equivalents		198,064	146,679
Total current assets		<u>894,223</u>	<u>792,786</u>
CURRENT LIABILITIES			
Trade and other payables and accruals	10	(27,249)	(26,571)
Interest-bearing bank borrowings		(1,146,416)	(1,064,754)
Lease liabilities		(730)	-
Tax payables		(41,228)	(52,854)
Total current liabilities		<u>(1,215,623)</u>	<u>(1,144,179)</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>(321,400)</u>	<u>(351,393)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,116,526</u>	<u>1,187,931</u>
NON-CURRENT LIABILITY			
Deferred tax liabilities		(8,661)	(9,214)
Amount due to non-controlling interest of a subsidiary		(273,003)	(265,565)
		<u>(281,664)</u>	<u>(274,779)</u>
Net assets		<u>834,862</u>	<u>913,152</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

31 March 2020

	2020 Unaudited HK\$'000	2019 Audited HK\$'000
EQUITY		
Equity attributable to owners of the Company		
Share capital	58,473	58,473
Reserves	<u>763,794</u>	<u>816,427</u>
	822,267	874,900
 Non-controlling interest	 <u>12,595</u>	 <u>38,252</u>
	<u><u>834,862</u></u>	<u><u>913,152</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 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. 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, leasehold land and buildings classified as property, plant and equipment, certain available-for-sale investments, financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income 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.

Basis of consolidation

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 2020. 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. 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.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i>
HKFRS 16	<i>Leases</i>
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i>
<i>Annual Improvements to HKFRSs 2015-2017 Cycle</i>	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below regarding the impact of HKFRS 16, the adoption of the above new and revised standards has had no significant financial effect on these financial statements.

HKFRS 16: Leases

HKFRS 16 replaces HKAS 17 and related Interpretations for annual periods beginning on or after 1 January 2019. It significantly changes, among others, the lessee accounting by replacing the dual-model under HKAS 17 with a single model which requires a lessee to recognise right-of-use assets and lease liabilities for the rights and obligations created by all leases with a term of more than 12 months, unless the underlying asset is of low value. For lessor accounting, HKFRS 16 substantially

carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. HKFRS 16 also requires enhanced disclosures to be provided by lessees and lessors.

In accordance with the transitional provisions, the Group has applied HKFRS 16 for the first time at 1 April 2019 (i.e. the date of initial application, the “DIA”) using the modified retrospective approach in which comparative information has not been restated. Instead, the Group recognised the cumulative effect of initially applying HKFRS 16 as an adjustment to the balance of accumulated losses or other component of equity, where appropriate, at the DIA.

The Group also elected to use the transition practical expedient not to reassess whether a contract was, or contained, a lease at the DIA and the Group applied HKFRS 16 only to contracts that were previously identified as leases applying HKAS 17 and to contracts entered into or changed on or after the DIA that are identified as leases applying HKFRS 16.

As lessee

Before the adoption of HKFRS 16, lease contracts were classified as operating or finance lease in accordance with the Group’s accounting policies applicable prior to the DIA.

Upon adoption of HKFRS 16, the Group accounted for the leases in accordance with the transition provisions of HKFRS 16 and the Group’s accounting policies applicable from the DIA.

As lessee – leases previously classified as operating leases

The Group recognised right-of-use assets and lease liabilities for leases previously classified as operating leases at the DIA, except for leases for which the underlying asset is of low value, and the Group applied the following practical expedients on a lease-by-lease basis:

- (a) applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
- (b) adjusted the right-of-use assets at the DIA by the provision for onerous leases recognised immediately before the DIA by applying HKAS 37, as an alternative to performing an impairment review at the DIA;
- (c) did not recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the DIA;
- (d) excluded initial direct costs from the measurement of the right-of-use assets at the DIA; and
- (e) used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

At the DIA, except for those that were previously or will be accounted for as investment property using the fair value model, right-of-use assets were, on a lease-by-lease basis, measured at either,

- (a) their carrying amount as if HKFRS 16 had been applied since the commencement date, but discounted using the lessee’s incremental borrowing rate at the DIA; or
- (b) an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised immediately before the DIA.

4. REVENUE AND OTHER INCOME

An analysis of revenue is as follows:

	2020 Unaudited HK\$'000	2019 Audited HK\$'000
<u>Revenue</u>		
Sales of dried cassava chips	1,359,296	1,595,666
Sales of other commodities	87,513	-
Hotel room revenue, food and beverage	16,214	20,401
Gross rental income	<u>5,991</u>	<u>4,120</u>
	<u>1,469,014</u>	<u>1,620,187</u>

An analysis of other income is as follows:

	2020 Unaudited HK\$'000	2019 Audited HK\$'000
<u>Other income</u>		
Logistic service income	3,477	8,475
Bank interest income	1,078	330
Others	<u>2,407</u>	<u>1,268</u>
	<u>6,962</u>	<u>10,073</u>

5. FINANCE COSTS

	2020 Unaudited HK\$'000	2019 Audited HK\$'000
Interest on bank loans and overdrafts	21,841	16,195
Interest on lease liabilities	<u>57</u>	<u>-</u>
	<u>21,898</u>	<u>16,195</u>

6. PROFIT/(LOSS) BEFORE TAX

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

	2020 Unaudited HK\$'000	2019 Audited HK\$'000
Cost of inventories sold	1,293,454	1,431,459
Depreciation	5,457	9,307
Employee benefit expenses (including directors' remuneration)	25,238	28,871
Foreign exchange loss, net	<u>3,294</u>	<u>16,356</u>

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 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.

	2020 Unaudited HK\$'000	2019 Audited HK\$'000
Current - Hong Kong		
Charge for the year	-	453
Overprovision in prior years	(11,021)	(4,045)
Current – PRC	-	79
Deferred	<u>(125)</u>	<u>16</u>
Total tax credit for the year	<u>(11,146)</u>	<u>(3,497)</u>

8. EARNINGS /(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic earnings/(loss) per share amount is based on the profit/(loss) for the year attributable to owners of the Company, and the weighted average number of ordinary shares of 584,726,715 (2019: 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 2020 and 2019 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during these years.

9. TRADE AND BILLS RECEIVABLES

	2020 Unaudited HK\$'000	2019 Audited HK\$'000
Trade and bills receivables	291,673	196,591
Bills receivable discounted to the banks with recourse	<u>113,261</u>	<u>92,916</u>
	404,934	289,507
Impairment	<u>(4,340)</u>	<u>(4,340)</u>
	<u>400,594</u>	<u>285,167</u>

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:

	2020 Unaudited HK\$'000	2019 Audited HK\$'000
Within 30 days	114,756	94,546
31 to 60 days	169,380	172,430
61 to 90 days	108,478	6,501
Over 90 days	<u>7,980</u>	<u>11,690</u>
	<u>400,594</u>	<u>285,167</u>

Bills receivable of HK\$113,261,000 as at 31 March 2020 (2019: HK\$92,916,000) were discounted to the banks with recourse.

10. TRADE AND OTHER PAYABLES AND ACCRUALS

	2020 Unaudited HK\$'000	2019 Audited HK\$'000
Trade payables	12,343	12,160
Other payables	7,976	7,674
Contract liabilities	2,215	4,547
Accrued liabilities	974	609
Rental deposits received	<u>3,331</u>	<u>1,581</u>
	<u>26,839</u>	<u>26,571</u>

Based on the invoice date, the trade payables as at the end of the reporting period would mature within one month (2019: one month). Trade and other payables are non-interest-bearing and have an average term of three months.

MANAGEMENT DISCUSSION AND ANALYSIS

During the year ended 31 March 2020 (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”). 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 Group experienced opportunities and challenges. Following the outbreak of coronavirus epidemic in early 2020, the demand for alcohol (to which the dried cassava chips are one of the raw materials for production in the PRC) is increased significantly which triggered demand of the dried cassava chips. However, in the first half of the Current Year, 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. Taking into account both effects, the Group’s revenue from procurement and sales of dried cassava chips was decreased to approximately HK\$1,359.3 million for the Current Year, representing a decrease of approximately 14.8% from approximately HK\$1,595.7 million for the previous year.

As regards the Group’s hotel operation, the revenue generated from hotel room rental and catering from restaurant was still subject to pressure given from the coronavirus epidemic and 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 food & drink delivery services, the birthday party or wedding banquets packages and optimising staff allocation.

As regards “338 Apartment”, a shop on the ground floor of this property is currently leased out to a third party for operation of a chain restaurant while certain upper apartment units are currently leased to the local serviced apartment operators.

Financial Review

Revenue

The Group’s revenue from procurement and sales of dried cassava chips decreased by approximately HK\$236.4 million or approximately 14.8% from approximately HK\$1,595.7 million for the previous year to approximately HK\$1,359.3 million for the Current Year. Decrease in the Group’s revenue was mainly attributable to the decrease in sales volume of dried cassava chips in the mainland China and average selling price during the Current Year.

The Group’s revenue from hotel operation amounted to approximately HK\$16.2 million for the Current Year, representing a decrease of approximately 20.6% from approximately HK\$20.4 million for the previous year. During the Current Year, the Group’s hotel operation was still subject to pressures from the coronavirus epidemic in China and 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 food and drinks delivery services, 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 decreased by approximately HK\$226.4 million, or approximately 15.9%, from approximately HK\$1,424.3 million for the previous year to approximately HK\$1,197.9 million for the Current Year, mainly due to the decrease in sales quantity of dried cassava chips in the Current Year.

The Group's gross profit from procurement and sales of dried cassava chips decreased by approximately HK\$10.0 million from approximately HK\$171.4 million for the previous year to approximately HK\$161.4 million for the Current Year, mainly due to the decrease 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\$5.6 million for the Current Year from approximately HK\$7.2 million for the previous year. The Group's gross profit margin from hotel operation for the Current Year increased to approximately 65.4% from approximately 64.7% for the previous year.

Other operating expenses

Other operating expenses in prior year mainly represented an impairment of approximately HK\$8,000,000 made to certain aged receivables and business development expenses of HK\$3,900,000 for exploring potential new business opportunity in Thailand.

Selling and distribution costs

During the Current Year, the Group's selling and distribution expenses of approximately HK\$111.9 million (2019: approximately HK\$123.3 million) comprised mainly (a) ocean freight costs of approximately HK\$44.5 million (2019: approximately HK\$60.1 million), (b) warehouse, handling and inland transportation expenses of approximately HK\$60.6 million (2019: approximately HK\$55.6 million) and (c) those related to hotel operation of approximately HK\$6.8 million (2019: approximately HK\$7.6 million).

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

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

General and administrative expenses

General and administrative expenses of the Group decreased from approximately HK\$86.5 million in the previous year to approximately HK\$60.8 million in the Current Year, mainly due to (i) the decrease in net exchange loss arising from the Group's overseas operation due to fluctuation in exchange rates, and (ii) the overall decrease in operating expenses as the Group implemented control over expenditure.

Finance costs

Finance expenses of the Group increased from approximately HK\$16.2 million for the previous year to approximately HK\$21.9 million for the Current Year. The increase in finance costs was mainly due to (i) inclusion of full year's interest expenses for bank loan for acquisition of 338 Apartment and (ii) increase in average interest rates of the trade financing loans during the Current Year as compared with the previous year.

Profit/(Loss) for the year

The Group's loss for the Current Year attributable to the owner of parent amounted to approximately HK\$28.6 million (2019: approximately profit of HK\$26.1 million).

Excluding the fair value gain/loss on investment properties, the Group achieved an unaudited profit attributable to the owner of HK\$7.8 million (2019: loss of HK\$35.4 million)

Financial resources and liquidity

As at 31 March 2020, the net assets amounted to approximately HK\$834.9 million, representing a decrease of approximately HK\$78.3 million from approximately HK\$913.2 million as at 31 March 2019 which was mainly due to the loss and other comprehensive expenses for the Current Year and the decrease in non-controlling interest.

Current assets amounted to approximately HK\$894.2 million (2019: HK\$792.8 million), including cash and cash equivalents of approximately HK\$198.1 million (2019: HK\$146.7 million), pledged deposits of HK\$ nil million (2019: HK\$10.6 million), trade and bills receivables of approximately HK\$400.6 million (2019: HK\$285.2 million), inventories of approximately HK\$260.8 million (2019: HK\$328.8 million), financial assets at fair value through profit or loss of approximately HK\$6.1 million (2019: HK\$7.1 million), and prepayments, deposits and other receivables of HK\$28.6 million (2019: HK\$14.4 million). The Group had non-current assets of HK\$1,437.9 million (2019: HK\$1,539.3 million) which mainly included the investment properties of approximately HK\$1,247.8 million (2019: HK\$1,304.1 million), property, plant and equipment of approximately HK\$125.0 million (2019: HK\$166.1 million) and debt and equity investment at fair value through other comprehensive income of HK\$48.6 million in aggregate (2019: HK\$54.1 million).

The Group's current liabilities amounted to approximately HK\$1,215.6 million (2019: HK\$1,144.2 million), which comprised mainly trade and other payables and accruals of approximately HK\$27.2 million (2019: HK\$26.6 million), tax payable of approximately HK\$41.2 million (2019: HK\$52.9 million) and bank borrowings of approximately HK\$1,146.4 million (2019: HK\$1,064.8 million). The Group's non-current liabilities included deferred tax liabilities of approximately HK\$8.7 million (2019: HK\$9.2 million) and the amount due to a non-controlling shareholder of approximately HK\$273.0 million (2019: 265.6) for the acquisition and operation of 338 Apartment.

The Group expresses its gearing ratio as a percentage of borrowings over total assets. As at 31 March 2020, the Group had a gearing ratio of 50.3% (2019: 45.6%).

The Group's inventory turnover period is 83.2 days as at 31 March 2020, representing a decrease of 60.4 days from 143.6 days as at 31 March 2019. Such decrease was mainly due to the decrease in storage of dried cassava chips as a result of the sluggish market in mainland China during the Current Year.

The Group's debtor turnover period is 85 days as at 31 March 2020 (2019: 74 days).

Employment and remuneration policy

As at 31 March 2020, the total number of the Group's staff was approximately 250. The total staff costs (including directors' remuneration) amounted to approximately HK\$25.2 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 2020, the Group's time deposit, land and buildings, investment properties situated in Hong Kong and bills receivables with aggregate carrying values of HK\$ nil (2019: HK\$10,605,000), HK\$14,700,000 (2019: HK\$16,000,000), HK\$1,187,800,000 (2019: HK\$1,240,400,000) and HK\$113,261,000 (2019: HK\$92,916,000), respectively, were pledged to the bankers to secure the Group's bank borrowings. Bills receivables of HK\$113,261,000 as at 31 March 2020 (2019: HK\$92,916,000) 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 2020, the Group did not have any material contingent liabilities.

Material acquisition

The Group had no material acquisition during the Current Year.

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. 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.

In addition to the hotel operation, the Group will prudently study the feasibility for trading of other commodity like wood chips, rice and starch and also 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.

As regards the hotel operation, influenced by the coronavirus epidemic and 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 food and drink delivery services, 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.

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

The Board does not recommend the payment of final dividend for the year ended 31 March 2020.

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 2020, 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 as set out in Appendix 14 to the Listing Rules for the year ended 31 March 2020, 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 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 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.

REVIEW OF UNAUDITED ANNUAL RESULTS

The auditing process for the annual results for the year ended 31 March 2020 has not been completed, (mainly including assessment of provision for profits tax of overseas subsidiaries and the valuation of equity investment) due to restrictions in force in parts of China and Thailand to combat the coronavirus outbreak. The unaudited annual results contained herein have not been agreed with the Company's auditors.

An announcement relating to the audited results will be made when the auditing process has been completed in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants.

The unaudited annual results contained herein have been reviewed by the audit committee of the Company.

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 30 June 2020 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.

FURTHER ANNOUNCEMENT(S)

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to the audited results for the year ended 31 March 2020 as agreed by the Company's auditors and the material differences (if any) as compared with the unaudited annual results contained herein. In addition, the Company will issue further announcement as and when necessary if there are other material development in the completion of the auditing process. In addition, the annual report for the financial year will be despatched to the shareholders of the Company and available on the same websites in due course.

The financial information contained herein in respect of the annual results of the Group have not been audited and have not been agreed with the auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

By order of the Board

Chu Ming Chuan

Chairman

Hong Kong, 30 June 2020

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.