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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 RESULTS
FOR THE YEAR ENDED 31 MARCH 2021
AND RESUMPTION OF TRADING**

Reference is made to the announcement of Asia Cassava Resources Holdings Limited (the “**Company**”), dated 30 June 2021 in relation to the delay in publication of the result announcement of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 March 2021.

The Board of Directors (the "Board") of the Company is pleased to announce the consolidated results of the Group for the year ended 31 March 2021 together with the comparative figures in 2020, which had been reviewed by the Company’s Audit Committee.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
Year ended 31 March 2021

	Notes	2021 HK\$'000	2020 HK\$'000
REVENUE	5	2,715,508	1,423,852
Cost of sales		<u>(2,450,865)</u>	<u>(1,264,348)</u>
Gross profit		264,643	159,504
Other income	5	5,450	6,405
Fair value losses on investment properties, net		(94,424)	(56,500)
Other operating expenses		(4,794)	(130)
Selling and distribution expenses		(149,084)	(111,852)
General and administrative expenses		(61,702)	(40,562)
Finance costs	6	<u>(12,885)</u>	<u>(21,951)</u>
LOSS BEFORE TAX	7	(52,796)	(65,086)
Income tax credit	8	<u>4,300</u>	<u>5,062</u>
LOSS FOR THE YEAR		<u>(48,496)</u>	<u>(60,024)</u>
ATTRIBUTE TO:			
Owners of the Company		(7,129)	(34,367)
Non-controlling interest		<u>(41,367)</u>	<u>(25,657)</u>
		<u>(48,496)</u>	<u>(60,024)</u>
LOSS PER SHARE	9		
Basic and diluted		<u>HK\$1.22 cents</u>	<u>HK\$5.88 cents</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
 (continued)
 Year ended 31 March 2021

	Notes	2021 HK\$'000	2020 HK\$'000
LOSS FOR THE YEAR		<u>(48,496)</u>	<u>(60,024)</u>
OTHER COMPREHENSIVE LOSS			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		11,326	(12,021)
Debt investment at fair value through other comprehensive income:			
Change in fair value		<u>88</u>	<u>(5,296)</u>
		<u>11,414</u>	<u>(17,317)</u>
Other comprehensive income/(loss) 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		(10,792)	13,508
Income tax effect		<u>2,179</u>	<u>(3,327)</u>
		<u>(8,613)</u>	<u>10,181</u>
Gains on property revaluation		1,262	289
Income tax effect		<u>(960)</u>	<u>(103)</u>
		<u>302</u>	<u>186</u>
		<u>(8,311)</u>	<u>10,367</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		<u>3,103</u>	<u>(6,950)</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		<u>(45,393)</u>	<u>(66,974)</u>
ATTRIBUTE TO:			
Owners of the Company		(4,026)	(41,317)
Non-controlling interest		<u>(41,367)</u>	<u>(25,657)</u>
		<u>(45,393)</u>	<u>(66,974)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 March 2021

	Notes	2021 HK\$'000	2020 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		93,851	89,386
Investment properties		1,153,225	1,247,417
Right-of-use assets		40,011	39,704
Equity investments at fair value through other comprehensive income		44,899	54,078
Prepayments, deposits and other receivables		21,284	25,144
Club membership		2,240	2,240
Deferred tax assets		2,847	503
Total non-current assets		<u>1,358,357</u>	<u>1,458,472</u>
CURRENT ASSETS			
Inventories		693,127	258,231
Trade and bills receivables	10	489,431	400,620
Prepayments, deposits and other receivables		51,266	21,476
Debt investments at fair value through other comprehensive income		1,030	8,742
Financial assets at fair value through profit or loss		6,825	6,088
Pledged deposits and a restricted bank balance		4,209	1,206
Cash and cash equivalents		66,150	196,722
Total current assets		<u>1,312,038</u>	<u>893,085</u>
CURRENT LIABILITIES			
Trade and other payables and accruals	11	(300,305)	(25,425)
Interest-bearing bank borrowings	12	(1,235,772)	(1,146,416)
Lease liabilities		-	(731)
Tax payables		(42,725)	(47,278)
Total current liabilities		<u>(1,578,802)</u>	<u>(1,219,850)</u>
NET CURRENT LIABILITIES		<u>(266,764)</u>	<u>(326,765)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,091,593</u>	<u>1,131,707</u>
NON-CURRENT LIABILITIES			
Deferred tax liabilities		(11,756)	(12,526)
Amount due to a non-controlling interest of a subsidiary		(279,052)	(273,003)
		<u>(290,808)</u>	<u>(285,529)</u>
Net assets		<u>800,785</u>	<u>846,178</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

31 March 2021

	2021 HK\$'000	2020 HK\$'000
EQUITY		
Equity attributable to owners of the Company		
Share capital	58,473	58,473
Reserves	<u>771,084</u>	<u>775,110</u>
	829,557	833,583
Non-controlling interest	<u>(28,772)</u>	<u>12,595</u>
	<u><u>800,785</u></u>	<u><u>846,178</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, hotel operations in Mainland China and property investment.

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, certain buildings classified as property, plant and equipment, certain financial assets at fair value through other comprehensive income 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.

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 2021. 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 above. 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 *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs are described below:

- (a) *Conceptual Framework for Financial Reporting 2018* (the "Conceptual Framework") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The

Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

- (b) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 April 2020. The amendments did not have any impact on the financial position and performance of the Group.
- (c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("RFR"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.
- (d) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

4. 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 Mainland China.

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/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that interest income, certain other operating expenses, non-lease-related finance costs, as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude cash and cash equivalents, pledged deposits and a restricted bank balance, equity investments at fair value through other comprehensive income, debt investments at fair value through other comprehensive income, financial assets at fair value through profit or loss, club membership, deferred tax assets, 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 liabilities as these liabilities are managed on a group basis.

4. SEGMENT INFORMATION (continued)

	Procurement and sale of dried cassava chips HK\$'000	Property investment HK\$'000	Hotel operations HK\$'000	Total HK\$'000
Year ended 31 March 2021				
Segment revenue:				
Sales to external customers	2,689,053	-	-	2,689,053
Hotel room revenue, and food and beverage income	-	-	18,630	18,630
Gross rental income	-	7,825	-	7,825
Total	<u>2,689,053</u>	<u>7,825</u>	<u>18,630</u>	<u>2,715,508</u>
Segment results	<u>57,386</u>	<u>(93,968)</u>	<u>(478)</u>	<u>(37,060)</u>
Interest and unallocated gains				5,450
Corporate and other unallocated expenses				(8,316)
Finance costs				<u>(12,870)</u>
Loss before tax				<u>(52,796)</u>
Segment assets	1,249,977	1,195,457	66,308	2,511,742
Corporate and other unallocated assets				<u>158,653</u>
Total assets				<u>2,670,395</u>
Segment liabilities	863,536	888,638	42,069	1,794,243
Corporate and other unallocated liabilities				<u>75,367</u>
Total liabilities				<u>1,869,610</u>
Other segment information:				
Depreciation of items of property, plant and equipment	2,694	296	1,857	4,847
Depreciation of right-of-use assets	709	1,437	50	2,196
Capital expenditure	3,358	-	-	3,358
Fair value losses on investment properties	-	(94,424)	-	<u>(94,424)</u>

4. SEGMENT INFORMATION (continued)

	Procurement and sale of dried cassava chips HK\$'000	Property investment HK\$'000	Hotel operations HK\$'000	Total HK\$'000
Year ended 31 March 2020				
Segment revenue:				
Sales to external customers	1,401,647	-	-	1,401,647
Hotel room revenue, and food and beverage income	-	-	16,214	16,214
Gross rental income	-	5,991	-	5,991
Total	<u>1,401,647</u>	<u>5,991</u>	<u>16,214</u>	<u>1,423,852</u>
Segment results	<u>14,546</u>	<u>(59,552)</u>	<u>(1,837)</u>	<u>(46,843)</u>
Interest and unallocated gains				6,405
Corporate and other unallocated expenses				(2,750)
Finance costs				(21,898)
Loss before tax				<u>(65,086)</u>
Segment assets	663,004	1,286,471	73,726	2,023,201
Corporate and other unallocated assets				<u>328,356</u>
Total assets				<u>2,351,557</u>
Segment liabilities	720,142	713,096	10,859	1,444,097
Corporate and other unallocated liabilities				<u>61,282</u>
Total liabilities				<u>1,505,379</u>
Other segment information:				
Depreciation of items of property, plant and equipment	2,860	1,820	332	5,012
Depreciation of right-of-use assets	820	1,536	46	2,402
Capital expenditure	904	-	94	998
Fair value losses on investment properties	-	(56,500)	-	(56,500)

4. SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	2021 HK\$'000	2020 HK\$'000
Mainland China	2,707,683	1,417,861
Hong Kong	<u>7,825</u>	<u>5,991</u>
	<u>2,715,508</u>	<u>1,423,852</u>

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

(b) Non-current assets

	2021 HK\$'000	2020 HK\$'000
Hong Kong	1,219,609	1,313,492
Mainland China	65,123	61,314
Thailand	<u>23,639</u>	<u>26,845</u>
	<u>1,308,371</u>	<u>1,401,651</u>

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 2021, revenue from a customer of the procurement and sale of dried cassava chips segment, amounting to HK\$564,250,000, individually accounted for over 10% of the Group's total revenue.

For the year ended 31 March 2020, revenue from a customer of the procurement and sale of dried cassava chips segment, amounting to HK\$623,830,000, individually accounted for over 10% of the Group's total revenue.

5. REVENUE AND OTHER INCOME

An analysis of revenue is as follows:

	2021 HK\$'000	2020 HK\$'000
<u>Revenue from contracts with customers</u>		
Sales of dried cassava chips and other goods	2,689,053	1,401,647
Hotel room revenue, food and beverage income	18,630	16,214
<u>Revenue from other sources</u>		
Gross rental income from investment property operating leases	<u>7,825</u>	<u>5,991</u>
	<u><u>2,715,508</u></u>	<u><u>1,423,852</u></u>

An analysis of other income is as follows:

	2021 HK\$'000	2020 HK\$'000
<u>Other income</u>		
Logistic service income	-	3,477
Bank interest income	164	262
Gain on disposal of a vessel	-	1,095
Others	<u>5,286</u>	<u>1,571</u>
	<u><u>5,450</u></u>	<u><u>6,405</u></u>

6. FINANCE COSTS

	2021 HK\$'000	2020 HK\$'000
Interest on bank loans	12,553	21,898
Interest on other loan	317	-
Interest on lease liabilities	<u>15</u>	<u>53</u>
	<u><u>12,885</u></u>	<u><u>21,951</u></u>

7. LOSS BEFORE TAX

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

	2021 HK\$'000	2020 HK\$'000
Cost of inventories sold	2,450,865	1,264,348
Depreciation of items of property, plant and equipment	4,847	5,012
Depreciation of right-of-use assets	2,196	2,402
Government subsidies	822	-
Employee benefit expenses (including directors' remuneration):		
Wages and salaries	25,848	27,088
Pension scheme contributions	893	1,137
	<u>26,741</u>	<u>28,225</u>
Lease payments not included in the measurement of lease liabilities	7,855	5,542
Foreign exchange loss/(gain), net	11,174	(15,568)
Impairment of prepayment, deposits and other receivables	3,616	-
Fair value losses/(gains) on financial assets at fair value through profit or loss, net	<u>(652)</u>	<u>935</u>

8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 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.

	2021 HK\$'000	2020 HK\$'000
Current – Hong Kong		
Charge for the year	3,103	-
Overprovision in prior years	(10,063)	(11,022)
Current – PRC	-	1
Current – Thailand	2,211	6,077
Deferred	<u>449</u>	<u>(118)</u>
Total tax credit for the year	<u>(4,300)</u>	<u>(5,062)</u>

9. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic loss per share amount is based on the loss for the year attributable to owners of the Company, and the weighted average number of ordinary shares of 584,726,715 (2020: 584,726,715) in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 March 2021 and 2020 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during these years.

10. TRADE AND BILLS RECEIVABLES

	2021 HK\$'000	2020 HK\$'000
Trade receivables	17,774	16,597
Bills receivables	269,537	278,958
Bills receivables discounted to the banks with recourse	<u>210,980</u>	<u>113,261</u>
	498,291	408,816
Impairment	<u>(8,860)</u>	<u>(8,196)</u>
	<u>489,431</u>	<u>400,620</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 and net of loss allowance, is as follows:

	2021 HK\$'000	2020 HK\$'000
Within 30 days	321,233	303,496
31 to 60 days	119,521	88,895
61 to 90 days	44,967	4,435
Over 90 days	<u>3,710</u>	<u>3,794</u>
	<u>489,431</u>	<u>400,620</u>

Bills receivables of HK\$210,980,000 as at 31 March 2021 (2020: HK\$113,261,000) were discounted to the banks with recourse.

11. TRADE AND OTHER PAYABLES AND ACCRUALS

	2021 HK\$'000	2020 HK\$'000
Trade payables	41,390	6,757
Other payables	4,249	3,883
Contract liabilities	14,350	5,827
Accrued liabilities	6,053	5,627
Due to a director	6,964	-
Loan from a related company	224,000	-
Rental deposits received	<u>3,299</u>	<u>3,331</u>
	<u>300,305</u>	<u>25,425</u>

Based on the invoice date, the trade payables as at the end of the reporting period would mature within one month (2020: one month). Trade and other payables are non-interest-bearing and have an average term of three months.

12. INTEREST-BEARING BANK BORROWINGS

Included in interest-bearing bank borrowings are bank loans of HK\$1,235,772,000 (2020: HK\$1,146,416,000) containing a repayment on demand clause giving the lender the unconditional right to call the loan at any time and therefore, for the purpose of the above maturity profile, these amounts are classified as "On demand". Notwithstanding the above repayment on demand clause, the directors do not believe that the bank loans will be called in their entirety within 12 months, and they consider that the bank loans will be repaid in accordance with the maturity dates as set out in the respective agreements. This evaluation was made considering: the financial position of the Group at the date of this announcement; the Group's compliance with the loan covenants; the lack of events of default, and the fact that the Group has made all previously scheduled repayments on time. In accordance with the terms of the bank loans, their maturity terms at 31 March 2021 are HK\$807,772,000 in 2022, HK\$8,000,000 in 2023, HK\$8,000,000 in 2024, HK\$8,000,000 in 2025, and HK\$404,000,000 in 2026 (2020: HK\$714,416,000 in 2021, HK\$4,000,000 in 2022, HK\$8,000,000 in 2023, HK\$8,000,000 in 2024, HK\$8,000,000 in 2025 and HK\$404,000,000 in 2026).

MANAGEMENT DISCUSSION AND ANALYSIS

During the year ended 31 March 2021 (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 in which the impact of coronavirus epidemic still persisted, the demand for alcoholic products (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. The Group's revenue from procurement and sales of dried cassava chips was increased to approximately HK\$2,689.1 million for the Current Year, representing an increase of approximately 91.9% from approximately HK\$1,401.6 million for the previous year.

As regards the Group's hotel operation, the revenue generated from hotel room rental and catering from restaurant was improving but still subject to uncertainties from the coronavirus epidemic and China's macro-economic growth. 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 operated by the Group as serviced apartment operators upon the lapse of the lease to the local serviced apartment operators.

Financial Review

Revenue

The Group's revenue from procurement and sales of dried cassava chips increased by approximately HK\$1,287.5 million or approximately 91.9% from approximately HK\$1,401.6 million for the previous year to approximately HK\$2,689.1 million for the Current Year. Increase in the Group's revenue was mainly attributable to the increase 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\$18.6 million for the Current Year, representing an increase of approximately 14.8% from approximately HK\$16.2 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 increased by approximately HK\$1,184.8 million, or approximately 94.1%, from approximately HK\$1,258.8 million for the previous year to approximately HK\$2,443.6 million for the Current Year, mainly due to the increase in sales quantity of dried cassava chips in the Current Year.

The Group's gross profit from procurement and sales of dried cassava chips increased by approximately HK\$102.7 million from approximately HK\$142.8 million for the previous year to approximately HK\$245.5 million for the Current Year, mainly due to the increase in revenue from procurement and sales of dried cassava chips.

The Group's gross profit margin from procurement and sales of dried cassava chips for the Current Year decreased to approximately 9.1% from approximately 10.2% for the previous year. A higher portion of shipments with the shipping term "FOB" was achieved for the Current Year as compared with the previous year, which resulted in lowering the average gross profit margin but simultaneously reducing the Group's ocean freight costs.

The Group's cost of sales from hotel operation increased to approximately HK\$7.3 million for the Current Year from approximately HK\$5.6 million for the previous year. The Group's gross profit margin from hotel operation for the Current Year decreased to approximately 60.7% from approximately 65.4% for the previous year.

Selling and distribution costs

During the Current Year, the Group's selling and distribution expenses of approximately HK\$149.1 million (2020: approximately HK\$111.9 million) comprised mainly (a) ocean freight costs of approximately HK\$44.3 million (2020: approximately HK\$40.7 million), (b) warehouse, handling and inland transportation expenses of approximately HK\$96.2 million (2020: approximately HK\$64.2 million) and (c) those related to hotel operation of approximately HK\$8.6 million (2020: approximately HK\$7.0 million).

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

The Group's selling and distribution expenses represented 5.5% of the total sales revenue for the Current Year, compared to that of 7.9% for the corresponding period of the previous year which was mainly attributable to the higher portion of shipments with the shipping term "FOB" as compared with the previous year.

General and administrative expenses

General and administrative expenses of the Group increased from approximately HK\$40.6 million in the previous year to approximately HK\$61.7 million in the Current Year, mainly due to (i) the inclusion of net exchange loss of approximately HK\$11.2 million (2020: net exchange gain of approximately HK\$15.6 million) 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 decreased from approximately HK\$22.0 million for the previous year to approximately HK\$12.9 million for the Current Year. The decrease in finance costs was mainly due to decrease in average interest rates of the trade financing loans and bank borrowing during the Current Year as compared with the previous year.

Loss for the year

The Group's loss for the Current Year attributable to the owner of the Company amounted to approximately HK\$7.1 million (2020: HK\$34.4 million).

Excluding the fair value loss on investment properties, the Group achieved a profit attributable to the owner of HK\$47.3 million (2020: HK\$2.1 million)

Financial resources and liquidity

As at 31 March 2021, the net assets amounted to approximately HK\$800.8 million, representing a decrease of approximately HK\$45.4 million from approximately HK\$846.2 million as at 31 March 2020 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\$1,312.0 million (2020: HK\$893.1 million), including cash and cash equivalents of approximately HK\$66.2 million (2020: HK\$196.7 million), trade and bills receivables of approximately HK\$489.4 million (2020: HK\$400.6 million), inventories of approximately HK\$693.1 million (2020: HK\$258.2 million), debt investments at fair value through other comprehensive income of approximately HK\$1.0 million (2020: HK\$8.7 million), financial assets at fair value through profit or loss of approximately HK\$6.8 million (2020: HK\$6.1 million), and prepayments, deposits and other receivables of HK\$51.3 million (2020: HK\$21.5 million). The Group had non-current assets of HK\$1,358.4 million (2020: HK\$1,458.5 million) which mainly included the investment properties of approximately HK\$1,153.2 million (2020: HK\$1,247.4 million), property, plant and equipment of approximately HK\$93.9 million (2020: HK\$89.4 million), right-of-use assets of approximately HK\$40.0 million (2020: HK\$39.7 million), prepayments, deposits and other receivables of approximately HK\$21.3 million (2020: HK\$25.1 million), club membership of approximately HK\$2.2 million (2020: HK\$2.2 million) and equity investments at fair value through other comprehensive income of approximately HK\$44.9 million (2020: HK\$54.1 million).

The Group's current liabilities amounted to approximately HK\$1,578.8 million (2020: HK\$1,219.9 million), which comprised mainly trade and other payables and accruals of approximately HK\$300.3 million (2020: HK\$25.4 million), lease liabilities of nil (2020: HK\$0.7 million), tax payable of approximately HK\$42.7 million (2020: HK\$47.3 million) and bank borrowings of approximately HK\$1,235.8 million (2020: HK\$1,146.4 million). The Group's non-current liabilities included deferred tax liabilities of approximately HK\$11.8 million (2020: HK\$12.5 million) and the amount due to a non-controlling shareholder of approximately HK\$279.1 million (2020: HK\$273.0 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 31 March 2021, the Group had a gearing ratio of 46.3% (2020: 48.8%).

The Group's inventory turnover period is 70.8 days as at 31 March 2021, representing a decrease of 13.9 days from 84.7 days as at 31 March 2020.

The Group's debtor turnover period is 59.8 days as at 31 March 2021 (2020: 88 days).

Employment and remuneration policy

As at 31 March 2021, the total number of the Group's staff was approximately 250. The total staff costs (including directors' remuneration) amounted to approximately HK\$26.7 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 2021, the Group's leasehold land under right-of-use assets, leasehold buildings, investment properties situated in Hong Kong and bills receivables with aggregate carrying values of HK\$15,330,000 (2020: HK\$13,989,000), HK\$1,070,000 (2020: HK\$1,130,000), HK\$1,091,200,000 (2020: HK\$1,187,800,000) and HK\$210,980,000 (2020: HK\$113,261,000), respectively, were pledged to the bankers to secure the Group's bank borrowings. Bills receivables of HK\$210,980,000 as at 31 March 2021 (2020: HK\$113,261,000) 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 2021, 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 procurement facilities and networks in Thailand, Cambodia and Laos 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, the Group will prudently study the feasibility for trading of other commodity and also explore other investment project with potentials, but not limiting to hotel operation and 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 2021.

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 2021, 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 2021, 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.

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 9 July 2021 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.

RESUMPTION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 2 July 2021, pending the release of the financial results for the year ended 31 March 2021 of the Company contained in this announcement. Application has been made to the Stock Exchange for the resumption of trading in shares of the Company on the Stock Exchange with effect from 9:00 a.m. on 12 July 2021.

By order of the Board
Chu Ming Chuan
Chairman

Hong Kong, 9 July 2021

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. Hong Sijie.