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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 )**

**2016 ANNUAL RESULTS ANNOUNCEMENT**

**HIGHLIGHTS**

- Continued to be the largest procurer and exporter of dried cassava chips in Thailand and the largest supplier of imported dried cassava chips in the PRC
- Revenue amounted to approximately HK\$2,831.1 million, representing a decrease of approximately 23.8% over the previous year
- Profit for the year amounted to approximately HK\$16.6 million, representing a significant decrease of approximately 90.4% over the previous year
- The Directors do not recommend the final dividend for the year

The Board of Directors (the "Board") of Asia Cassava Resources Holdings Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2016 together with the comparative figures in 2015, which have been reviewed by audit committee.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
Year ended 31 March 2016

	Notes	2016 HK\$'000	2015 HK\$'000
REVENUE	4	2,831,076	3,714,057
Cost of sales		<u>(2,558,485)</u>	<u>(3,185,969)</u>
Gross profit		272,591	528,088
Other income	4	6,064	9,475
Fair value gain/(loss) on investment properties		( 113)	5,270
Selling and distribution expenses		( 197,237)	( 281,253)
General and administrative expenses		( 58,281)	( 61,553)
Finance costs	5	<u>( 9,373)</u>	<u>( 9,529)</u>
PROFIT BEFORE TAX	6	13,651	190,498
Income tax credit/(expense)	7	<u>2,962</u>	<u>( 17,318)</u>
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u>16,613</u>	<u>173,180</u>
OTHER COMPREHENSIVE INCOME			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		<u>( 7,695)</u>	<u>2,464</u>
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Gains on property revaluation		3,559	3,635
Income tax effect		<u>( 587)</u>	<u>( 600)</u>
		<u>2,972</u>	<u>3,035</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		<u>( 4,723)</u>	<u>5,499</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>11,890</u>	<u>178,679</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	9	<u>HK2.84cents</u>	<u>HK33.68cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
31 March 2016

	Notes	2016 HK\$'000	2015 HK\$'000 (restated)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		158,620	169,685
Investment properties		65,615	59,950
Prepaid land lease payments		8,847	11,111
Held-to-maturity investments	10	18,798	-
Available-for-sale investments	11	30,749	30,749
Prepayments, deposits and other receivables		8,328	8,328
Deferred tax assets		<u>551</u>	<u>580</u>
Total non-current assets		<u>291,508</u>	<u>280,403</u>
<b>CURRENT ASSETS</b>			
Inventories		437,416	712,756
Trade and bills receivables	12	403,257	583,388
Prepayments, deposits and other receivables		25,907	43,276
Financial assets at fair value through profit or loss	13	2,973	-
Pledged deposits		10,151	150,006
Cash and cash equivalents		<u>191,297</u>	<u>195,530</u>
Total current assets		<u>1,071,001</u>	<u>1,684,956</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables and accruals	14	45,883	56,388
Interest-bearing bank borrowings		481,942	1,046,153
Tax payables		<u>49,277</u>	<u>57,789</u>
Total current liabilities		<u>577,102</u>	<u>1,160,330</u>
NET CURRENT ASSETS		<u>493,899</u>	<u>524,626</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>785,407</u>	<u>805,029</u>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		<u>4,336</u>	<u>3,688</u>
Net assets		<u><u>781,071</u></u>	<u><u>801,341</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

31 March 2016

	Notes	2016 HK\$'000	2015 HK\$'000
<b>EQUITY</b>			
Equity attributable to owners of the Company			
Share capital		58,473	58,473
Reserves		<u>722,598</u>	<u>742,868</u>
Total equity		<u>781,071</u>	<u>801,341</u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2016

	Attributable to owners of the Company									Non-controlling interest HK\$'000 (note (iv))	Total equity HK\$'000
	Share capital HK\$'000	Share premium* HK\$'000	Contributed surplus* HK\$'000 (note (i))	Merger reserve* HK\$'000 (note (ii))	Legal reserve* HK\$'000 (note (iii))	Asset revaluation reserve* HK\$'000	Exchange fluctuation reserve* HK\$'000	Retained profits* HK\$'000	Total HK\$'000		
As 1 April 2014	44,980	252,225	8,229	( 9,773)	46	10,948	5,435	393,562	705,652	-	705,652
Profit for the year	-	-	-	-	-	-	-	173,180	173,180	-	173,180
Other comprehensive income for the year:											
Gains on property revaluation, net of tax	-	-	-	-	-	3,035	-	-	3,035	-	3,035
Exchange differences on translation of foreign operations	-	-	-	-	-	-	2,464	-	2,464	-	2,464
Total comprehensive income for the year	-	-	-	-	-	3,035	2,464	173,180	178,679	-	178,679
2014 final dividend declared	-	-	-	-	-	-	-	(29,236)	( 29,236)	-	( 29,236)
Issue of shares upon combination of entities under common control	13,493	172,706	-	( 239,953)	-	-	-	-	( 53,754)	-	( 53,754)
At 31 March 2015	<u>58,473</u>	<u>424,931</u>	<u>8,229</u>	<u>( 249,726)</u>	<u>46</u>	<u>13,983</u>	<u>7,899</u>	<u>537,506<sup>##</sup></u>	<u>801,341</u>	<u>-</u>	<u>801,341</u>

<sup>##</sup> Retained profits have been adjusted for the proposed final dividend in accordance with the current year's presentation.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2016

	Attributable to owners of the Company										Non-controlling interest HK\$'000 (note (iv))	Total equity HK\$'000
	Note	Share capital HK\$'000	Share premium* HK\$'000	Contributed surplus* HK\$'000 (note (i))	Merger reserve* HK\$'000 (note (ii))	Legal reserve* HK\$'000 (note (iii))	Asset revaluation reserve* HK\$'000	Exchange fluctuation reserve* HK\$'000	Retained profits* HK\$'000	Total HK\$'000		
At 1 April 2015		58,473	424,931	8,229	(249,726)	46	13,983	7,899	537,506	801,341	-	801,341
Profit for the year		-	-	-	-	-	-	-	16,613	16,613	-	16,613
Other comprehensive income for the year:												
Gains on property revaluation, net of tax		-	-	-	-	-	2,972	-	-	2,972	-	2,972
Exchange differences on translation of foreign operations		-	-	-	-	-	(7,695)	-	-	(7,695)	-	(7,695)
Total comprehensive income for the year		-	-	-	-	-	2,972	(7,695)	16,613	11,890	-	11,890
2015 final dividend declared	8	-	-	-	-	-	-	-	(32,160)	(32,160)	-	(32,160)
At 31 March 2016		<u>58,473</u>	<u>424,931</u>	<u>8,229</u>	<u>(249,726)</u>	<u>46</u>	<u>16,955</u>	<u>204</u>	<u>521,959</u>	<u>781,071</u>	<u>-</u>	<u>781,071</u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

Year ended 31 March 2016

Notes:

- (i) The Group's contributed surplus represents the excess of the nominal value of the shares of the subsidiaries acquired pursuant to a group reorganisation (the "Group Reorganisation") prior to the listing of the Company's shares over the nominal value of the Company's shares issued in exchange therefor.
  - (ii) The merger reserve represents (1) the excess of the consideration paid over the net asset value of the subsidiaries acquired pursuant to the Group Reorganisation in the prior year and (2) the difference between the consideration paid and the net asset value of the acquiree arising from the business combinations under common control.
  - (iii) In accordance with the provisions of the Macau Commercial Code, the Group's subsidiary incorporated in Macau is required to transfer 25% of the annual net profit to the legal reserve before the appropriation of profits to dividends until the reserve equals half of the capital. This reserve is not distributable to the respective shareholders.
  - (iv) The Group's non-controlling interest represents 10% of equity interest in subsidiaries, Asiafame Enterprises Limited and Artsun Resources Company Limited, of HK\$10.
- \* These reserve accounts comprise the consolidated reserves of HK\$722,598,000 (2015: HK\$742,868,000 (restated)) in the consolidated statement of financial position.

## 1. CORPORATE INFORMATION

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

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

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

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

### 2.1 COMMON CONTROL COMBINATIONS

During the year ended 31 March 2015, the Group acquired the entire interest in Oriental Pioneer Limited ("Oriental Pioneer") and its subsidiary (collectively "Oriental Pioneer Group") from Mr. Chu Ming Chuan ("Mr. Chu"), a substantial shareholder of the Group, and the assumption of a loan due to Mr. Chu of HK\$58,446,000, at an aggregate consideration of HK\$298,399,000, of which HK\$112,200,000 would be settled by cash by the Group to Mr. Chu and HK\$186,199,000 would be satisfied by procuring the Company to allot and issue of 134,926,715 shares (the "Consideration Shares") to Mr. Chu at the price of HK\$1.38 per Consideration Share at the completion date of the acquisition. Further details about the acquisition of interests in Oriental Pioneer Group have been set out in the circular dated 15 September 2014. Such acquisition was approved in the ordinary resolution passed by the shareholders by way of poll in the extraordinary general meeting held on 3 October 2014.

As the Company is ultimately controlled by the aforesaid substantial shareholder, who is also the vendor of Oriental Pioneer Group and a director of the Company, the acquisition was regarded as business combinations under common control. To consistently apply the Group's accounting policy



## 2.2 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 land and buildings classified as property, plant and equipment 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 2016. 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 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.

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.

## 2.2 BASIS OF PREPARATION (continued)

### Basis of consolidation (continued)

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

## 2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

*Amendments to HKAS 19 Defined Benefit Plans: Employee Contributions*  
*Annual Improvements to HKFRSs 2010-2012 Cycle*  
*Annual Improvements to HKFRSs 2011-2013 Cycle*

The adoption of the revised standards has had no significant financial effect on these financial statements.

Final dividends are recognized as a liability when they are approved by the shareholders in general meeting. In prior years, final dividends proposed by the directors were classified as a separate allocation of retained earnings within the equity section of the statement of financial position, until it has been approved by the shareholders in a general meeting. Following the implementation of the Hong Kong Companies Ordinance (Cap. 622), proposed final dividends are disclosed in the notes to the financial statements.

## 3. SEGMENT INFORMATION

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

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

3. SEGMENT INFORMATION (continued)

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, available-for-sale investments, held-to-maturity investments, financial assets at fair value through profit or loss, other unallocated head office and corporate assets as these assets are managed on a group basis.

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

	Procurement and sale of dried cassava chips HK\$'000	Property investment HK\$'000	Hotel operations HK\$'000	Total HK\$'000
<b>Year ended 31 March 2016</b>				
<b>Segment revenue:</b>				
Sales to external customers	2,806,282	-	-	2,806,282
Gross rental income	-	2,228	-	2,228
Hotel room revenue, food and beverage	-	-	22,566	22,566
Total	<u>2,806,282</u>	<u>2,228</u>	<u>22,566</u>	<u>2,831,076</u>
<b>Segment results</b>	<u>21,751</u>	<u>793</u>	<u>(1,722)</u>	20,822
Interest and unallocated gains				6,064
Corporate and other unallocated expenses				( 3,862)
Finance costs				( 9,373)
Profit before tax				<u>13,651</u>
<b>Segment assets</b>	913,329	86,705	63,633	1,063,667
Corporate and other unallocated assets				<u>298,842</u>
Total assets				<u>1,362,509</u>
<b>Segment liabilities</b>	513,377	567	10,483	524,427
Corporate and other unallocated liabilities				<u>57,011</u>
Total liabilities				<u>581,438</u>
<b>Other segment information:</b>				
Depreciation	6,127	606	1,976	8,709
Capital expenditure	3,784	-	-	3,784
Fair value loss on investment properties	-	( 113)	-	( 113)

3. SEGMENT INFORMATION (continued)

<b>Year ended 31 March 2015</b>	Procurement and sale of dried cassava chips HK\$'000 (restated)	Property investment HK\$'000	Hotel operations HK\$'000	Total HK\$'000 (restated)
<b>Segment revenue:</b>				
Sales to external customers	3,685,184	-	-	3,685,184
Gross rental income	-	1,862	-	1,862
Hotel room revenue, food and beverage	<u>-</u>	<u>-</u>	<u>27,011</u>	<u>27,011</u>
Total	<u>3,685,184</u>	<u>1,862</u>	<u>27,011</u>	<u>3,714,057</u>
<b>Segment results</b>	<u>189,869</u>	<u>6,759</u>	<u>( 1,646)</u>	194,982
Interest and unallocated gains				9,475
Corporate and other unallocated expenses				( 4,430)
Finance costs				( 9,529)
Profit before tax				<u>190,498</u>
<b>Segment assets</b>	1,338,657	95,488	69,087	1,503,232
Corporate and other unallocated assets				<u>462,127</u>
Total assets				<u>1,965,359</u>
<b>Segment liabilities</b>	1,077,878	501	12,456	1,090,835
Corporate and other unallocated liabilities				<u>73,183</u>
Total liabilities				<u>1,164,018</u>
<b>Other segment information:</b>				
Depreciation	3,650	264	3,053	6,967
Capital expenditure	31,392	-	-	31,392
Fair value gain on investment properties	<u>-</u>	<u>5,270</u>	<u>-</u>	<u>5,270</u>

3. SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	2016 HK\$'000	2015 HK\$'000
Hong Kong	1,768	1,862
Mainland China	2,817,576	3,624,950
Thailand	<u>11,732</u>	<u>87,245</u>
	<u>2,831,076</u>	<u>3,714,057</u>

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

(b) Non-current assets

	2016 HK\$'000	2015 HK\$'000
Hong Kong	77,570	76,287
Mainland China	85,114	91,766
Thailand	46,948	48,061
Unallocated	<u>31,778</u>	<u>32,960</u>
	<u>241,410</u>	<u>249,074</u>

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

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

Information about major customers

For the year ended 31 March 2015, one of the customers of the Group had individually accounted for over 10% of the Group's total revenue, amounting to HK\$652,017,000, arose from procurement and sales of dried cassava chips. For the year ended 31 March 2016, revenue from three of the Group's customers, amounting to HK\$459,394,000, HK\$356,554,000 and HK\$287,315,000, had individually accounted for over 10% of the Group's total revenue arose from procurement and sales of dried cassava chips.

#### 4. REVENUE AND OTHER INCOME

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

An analysis of revenue is as follows:

	2016 HK\$'000	2015 HK\$'000
<u>Revenue</u>		
Sales of dried cassava chips	2,806,282	3,685,184
Gross rental income	2,228	1,862
Hotel room revenue, food and beverage	<u>22,566</u>	<u>27,011</u>
	<u>2,831,076</u>	<u>3,714,057</u>

An analysis of other income is as follows:

	2016 HK\$'000	2015 HK\$'000
<u>Other income</u>		
Bank interest income	5,056	7,420
Income from trading of thermal coal	-	1,600
Logistic service income	646	-
Gain on disposal of items of property, plant and equipment	-	107
Others	<u>362</u>	<u>348</u>
	<u>6,064</u>	<u>9,475</u>

#### 5. FINANCE COSTS

An analysis of finance costs is as follows:

	2016 HK\$'000	2015 HK\$'000
Interest on bank loans and overdrafts	<u>9,373</u>	<u>9,529</u>

## 6. PROFIT BEFORE TAX

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

	2016 HK\$'000	2015 HK\$'000
Cost of inventories sold	2,558,485	3,185,969
Amortisation of prepaid land lease payments	51	53
Depreciation	8,709	6,967
Impairment loss of trade receivables, net	-	1,462
Auditors' remuneration	1,250	1,413
Employee benefit expenses (including directors' remuneration):		
Wages and salaries	22,854	26,375
Pension scheme contributions*	1,142	1,412
	<u>23,996</u>	<u>27,787</u>
Rental income on investment properties less direct operating expense of HK\$61,000 (2015: HK\$12,000)	( 2,167)	( 1,850)
Minimum lease payments under operating leases in respect of storage facilities and office premises	2,066	2,341
Contingent rent under operating leases in respect of storage facilities	7,600	8,113
Foreign exchange gain, net	<u>( 4,074)</u>	<u>( 12,475)</u>

\* As at 31 March 2016, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2015: Nil).

## 7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 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.

	2016 HK\$'000	2015 HK\$'000
Current - Hong Kong		
Charge for the year	1,313	13,268
Overprovision in prior years	(5,137)	( 4,000)
Current – PRC	37	26
Current – Thailand	764	7,969
Deferred	<u>61</u>	<u>55</u>
Total tax charge/(credit) for the year	<u>(2,962)</u>	<u>17,318</u>

8. DIVIDENDS

	2016 HK\$'000	2015 HK\$'000
Proposed final – Nil (2015: HK5.5 cents) per ordinary share	<u>-</u>	<u>32,160</u>

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of 584,726,715 (2015: 514,121,229) ordinary shares in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 March 2016 and 2015 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those years.

10. HELD-TO-MATURITY INVESTMENTS

	2016 HK\$'000	2015 HK\$'000
Listed bond securities at amortised cost: Listed on the Stock Exchange with fixed coupon interest ranging from 5.25% to 5.375% per annum and maturity dates ranging from 11 May 2018 to 24 November 2018	<u>18,798</u>	<u>-</u>

Notes:

The above investments consist of investments in debt securities which were designated by the Group as held-to-maturity.



11. AVAILABLE-FOR-SALE INVESTMENTS

	2016 HK\$'000	2015 HK\$'000
Available-for-sale investments:		
Unlisted equity investments, at cost	<u>30,749</u>	<u>30,749</u>

Notes:

The above investments consist of investments in equity securities which were designated by the Group as available-for-sale financial assets and have no fixed maturity date or coupon rate.

As at 31 March 2016, the Group's unlisted equity investments were stated at cost less impairment because the range of reasonable fair value estimates is so significant that the directors are of the opinion that fair value cannot be measured reliably. The Group does not intend to dispose of it in the near future.

12. TRADE AND BILLS RECEIVABLES

	2016 HK\$'000	2015 HK\$'000 (restated)
Trade receivables	132,484	136,874
Bills receivables	<u>275,098</u>	<u>451,064</u>
Impairment	407,582 <u>( 4,325)</u>	587,938 <u>( 4,550)</u>
	<u>403,257</u>	<u>583,388</u>

It is the Group's policy that the customers who wish to trade with the Group normally to provide the Group with irrevocable letters of credit issued by reputable banks, with terms within 90 days to 180 days at sight, on credit with credit period for one to three months, or by cash on delivery. Credit limits are set for individual customers. The Group seeks to maintain tight control over its outstanding receivables in order to minimise credit risk. At 31 March 2016, the Group has certain concentration of credit risk that may arise from the exposure to three customers (2015: four) and the largest customer which accounted for 64% (2015: 63% (restated)) and 28% (2015: 21% (restated)) of the Group's total trade and bills receivables.

12. TRADE AND BILLS RECEIVABLES (continued)

An ageing 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:

	2016 HK\$'000	2015 HK\$'000 (restated)
Within 30 days	78,460	176,059
30 to 60 days	148,346	112,423
61 to 90 days	176,058	294,583
Over 90 days	<u>393</u>	<u>323</u>
	<u>403,257</u>	<u>583,388</u>

Bills receivables of HK\$275,098,000 as at 31 March 2016 (2015: HK\$451,064,000 (restated)) were discounted to the banks with recourse.

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

	2016 HK\$'000	2015 HK\$'000 (restated)
At beginning of year	4,550	2,958
Impairment losses recognised	-	2,187
Reversal of impairment losses	-	( 725)
Exchange realignment	<u>( 225)</u>	<u>130</u>
At end of year	<u>4,325</u>	<u>4,550</u>

Included in the above provision for impairment of trade receivables is a provision of HK\$4,325,000 (2015: HK\$4,550,000) for individually impaired trade receivables with a carrying amount before provision of HK\$4,717,000 (2015: HK\$4,962,000).

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

12. TRADE AND BILLS RECEIVABLES (continued)

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

	2016 HK\$'000	2015 HK\$'000 (restated)
Neither past due nor impaired	402,472	582,654
Less than 3 months past due	393	322
Over 3 months past due	<u>-</u>	<u>-</u>
	<u>402,865</u>	<u>582,976</u>

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

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

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016 HK\$'000	2015 HK\$'000
Listed equity securities, at market value	<u>2,973</u>	<u>-</u>

The above equity investments at 31 March 2016 were classified as held for trading and were, upon initial recognition, designated by the Group as financial assets at fair value through profit or loss.

14. TRADE AND OTHER PAYABLES AND ACCRUALS

	2016 HK\$'000	2015 HK\$'000
Trade payables	17,455	24,450
Other payables	16,024	12,530
Accrued liabilities	8,916	6,526
Due to a shareholder	1,834	11,922
Rental deposits received	<u>1,654</u>	<u>960</u>
	<u>45,883</u>	<u>56,388</u>

Based on the invoice date, the trade payables as at the end of the reporting period would mature within one month (2015: one month). Trade and other payables are non-interest-bearing and have an average term of three months.

15. OPERATING LEASE ARRANGEMENTS

(a) As lessor

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

At 31 March 2016, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2016 HK\$'000	2015 HK\$'000
Within one year	1,443	1,045
In the second to fifth years, inclusive	<u>909</u>	<u>494</u>
	<u>2,352</u>	<u>1,539</u>

15. OPERATING LEASE ARRANGEMENTS (continued)

(b) As lessee

The Group leases certain of its office properties and warehouses under operating lease

## MANAGEMENT DISCUSSION AND ANALYSIS

During the year ended 31 March 2016 (the "Current Year"), the Group was principally engaged in procurement of dried cassava chips in Southeast Asian countries, including Thailand, Cambodia and Vietnam, and sales of dried cassava chips, to customers in the People's Republic of China (the "PRC") and Thailand. The Group is continued to be the largest procurer and exporter of dried cassava chips in Thailand and the largest supplier of imported dried cassava chips in the PRC with an all-round integrated business model covering procurement, processing, warehousing, logistics and sale of cassava chips.

The Current Year is a challenging year. The global economic growth continued to slow down and the domestic economic growth in the PRC continued to decelerate with significant downward pressure. Moreover, the Renminbi was depreciated against US dollars which had impact on the purchasing power of the customers in general. In addition, the downward adjustment of the national storage price of corn was made by the Chinese government, which diminished the price advantage of dried cassava chips over corn, and resulting in a significant decline in revenue and gross profit margin of the sale of dried cassava chips of the Group (in particular during the second half of the Current Year).

The Group's revenue from procurement and sales of dried cassava chips amounted to approximately HK\$2,806.3 million for the Current Year, representing a decrease of approximately 23.9% from approximately HK\$3,685.2 million for the previous year. Nevertheless, the Group had maintained its leading position in the PRC and is the largest supplier of imported dried cassava chips for more than ten years.

### *Revenue*

The Group's revenue from procurement and sales of dried cassava chips decreased by approximately HK\$878.9 million or approximately 23.9% from approximately HK\$3,685.2 million for the previous year to approximately HK\$2,806.3 million for the Current Year. Decrease in the Group's revenue was mainly attributable to the decrease in average selling price of dried cassava chips as a result of the downward adjustment of the national storage price of corn made by the Chinese government. Nevertheless, the Group's total export volume remains stable during the Current Year as compared with the corresponding period in 2015 and the Group still maintains its leading position in the PRC and is the largest supplier of imported dried cassava chips.

The Group's revenue from hotel operation amounted to approximately HK\$22.6 million for the Current Year, representing a decrease of approximately 16.3% from approximately HK\$27.0 million for the previous year. During the Current Year, the Group's hotel operation was still subject to pressure given the slowdown in China's macro-economic growth. Nevertheless, the Group plans to overcome unfavourable factors and capitalise opportunities, such as putting resources in promoting the birthday party or wedding banquets packages and optimising staff allocation.

### *Gross profit and gross profit margin*

The Group's cost of sales from procurement and sales of dried cassava chips decreased by approximately HK\$623.9 million, or approximately 19.7%, from approximately HK\$3,171.5 million for the previous year to approximately HK\$2,547.6 million for the Current Year, mainly due to the decrease in sales 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\$254.9 million from approximately HK\$513.6 million for the previous year to approximately HK\$258.7 million for the Current Year, mainly due to the decrease in revenue and gross profit margin in the Current Year.

The Group's gross profit margin from procurement and sales of dried cassava chips for the Current Year decreased by approximately 4.7 percentage points to approximately 9.2% from approximately 13.9% for the previous year. During the Current Year, the significant downward adjustment of the national storage price of corn was made by the Chinese government in particular during the second half of the Current Year, which diminished the price advantage of dried cassava chips over corn, and the Group was not able to set price determination with reference to the international dried cassava chips price as usual. Hence, it resulted in a significant decline in average gross profit margin of the sale of dried cassava chips of the Group.

The Group's cost of sales from hotel operation decreased to approximately HK\$10.9 million for the Current Year from approximately HK\$14.5 million for the previous year. The Group's gross profit margin from hotel operation for the Current Year increased to approximately 51.7% from approximately 46.3% for the previous year.

*Fair value gain/(loss) on investment properties*

During the Current Year, the Group had a fair value loss on investment properties of approximately HK\$0.1 million (2015: gain of approximately HK\$5.3 million).

*Selling and distribution costs*

During the Current Year, the Group's selling and distribution expenses of approximately HK\$197.2 million (2015: approximately HK\$281.3 million) comprised mainly (a) ocean freight costs of approximately HK\$93.7 million (2015: approximately HK\$198.0 million), (b) warehouse, handling and inland transportation expenses of approximately HK\$97.4 million (2015: approximately HK\$77.1 million) and (c) those related to hotel operation of approximately HK\$6.1 million (2015: approximately HK\$6.2 million) .

The Group's selling and distribution expenses decreased mainly due to (i) decrease in ocean freight costs which was in line with the decrease in revenue generated from the procurement and sales of dried cassava chips and (ii) decrease in ocean freight costs per ton during the Current Year.

The Group's selling and distribution expenses represented 7.0% 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 by approximately HK\$3.3 million, or approximately 5.4%, from approximately HK\$61.6 million in the previous year to approximately HK\$58.3 million in the Current Year, mainly due to the professional expenses in relation to the Group's acquisition of hotel operation of approximately HK\$3.2 million incurred in the previous year.

*Finance costs*

Finance expenses of the Group decreased slightly from approximately HK\$9.5 million for the previous year to approximately HK\$9.4 million for the Current Year. With the Group's improved working capital, the Group reduced draw-down of bank borrowings to procure the dried cassava chips during the Current Year which decreased the finance costs for the Current Year as compared with the corresponding period in 2015.

*Profit for the year*

The Group's profit for the Current Year amounted to approximately HK\$16.6 million (2015: approximately HK\$173.2 million).

*Financial resources and liquidity*

As at 31 March 2016, the net assets amounted to approximately HK\$781.1 million, representing a decrease of approximately HK\$20.2 million from approximately HK\$801.3 million as at 31 March 2015 which was mainly due to the profit for the Current Year less the payment of dividends.

Current assets amounted to approximately HK\$1,071.0 million (2015: HK\$1,685.0 million (restated)), including cash and cash equivalents of approximately HK\$191.3 million (2015: HK\$195.5 million), pledged deposits of HK\$10.2 million (2015: HK\$150.0 million), trade and bills receivables of approximately HK\$403.3 million (2015: HK\$583.4 million (restated)), inventories of approximately HK\$437.4 million (2015: HK\$712.8 million) and prepayments, deposits and other receivables of HK\$25.9 million (2015: HK\$43.3 million). The Group had non-current assets of HK\$291.5 million (2015: HK\$280.4 million).

The Group's current liabilities amounted to approximately HK\$577.1 million (2015: HK\$1,160.3 million (restated)), which comprised mainly trade and other payables and accruals of approximately HK\$45.9 million (2015: HK\$56.4 million), tax payable of approximately HK\$49.3 million (2015: HK\$57.8 million) and bank borrowings of approximately HK\$481.9 million (2015: HK\$1,046.2 million (restated)). The Group's non-current liabilities included deferred tax liabilities of approximately HK\$4.3 million (2015: HK\$3.7 million).

The Group expresses its gearing ratio as a percentage of borrowings over total assets. As at 31 March 2016, the Group had a gearing ratio of 35% (2015: 53% (restated)). The decrease in bank borrowings as at 31 March 2016 was mainly due to (i) less trade-financing bank loans drawn down for purchase of inventories at end of the Current Year, and (ii) application of the Group's surplus cash in repayment of bank loan during the Current Year.

The Group's inventory turnover period is 82.0 days as at 31 March 2016, representing an increase of 23.5 days from 58.5 days as at 31 March 2015. The Group possess pre-requisites with its owned warehouses to store additional dried cassava chips during the harvest period and sell dried cassava chips in non-harvest season so as to maximize the Group's profit.

The Group's debtor turnover period is 64 days as at 31 March 2016, representing a decrease of 3 days from 67 days (restated) as at 31 March 2015.

#### *Employment and remuneration policy*

As at 31 March 2016, the total number of the Group's staff was approximately 250. The total staff costs (including directors' remuneration) amounted to approximately HK\$24.0 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 2016, the Group's fixed deposit, land and buildings and investment properties situated in Hong Kong with aggregate carrying values of HK\$10,151,000 (2015: HK\$150,006,000), HK\$12,670,000 (2015: HK\$12,670,000) and HK\$33,050,000 (2015: HK\$33,050,000), respectively, were pledged to the bankers to secure the Group's bank borrowings. Bills receivables of HK\$275,098,000 as at 31 March 2016 (2015: HK\$451,064,000 (restated)) 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 2016, 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 from the current level of less than 1 million tonnes to 2 million tonnes by 2010 and to 10 million tonnes by 2020.

As the progress for approval of ethanol fuel production plants was relatively slow, the production of ethanol fuel has not yet up to the planned level. At present 5 ethanol fuel production plants of total ethanol fuel production capacity of approximately 2.2 million tonnes in operation in the PRC, in which 4 production plants are allowed to use grain or non-grain as raw materials and the remaining plants use non-grain only. However, it is expected that several existing ethanol productions plants will be expanded and the construction of new plants in the PRC will be completed within 2-3 years. 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 15 procurement facilities and networks of total storage capacity of 700,000 tonnes (including 10 procurement facilities and networks near the riverside or the cassava plantation zone in Thailand, 4 in Cambodia and 1 in Vietnam) 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 and Cambodia. In coming year, the Group intends to set up additional procurement facilities and networks (when appropriate) with aggregate storage capacity of approximately 150,000 tonnes in Thailand, Vietnam 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.

For transportation and logistics, the Group owns a vessel of 46,000 tonnes serving the Group to transport dried cassava chips from Thailand to the PRC and it operates trucks for inland transportation which connects the warehouse facilities near the plantation zone to the ports. As such, it will speed up the inland transportation of dried cassava chips, reduce the reliance on the external trucks and save the transportation costs.

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

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

Use of proceeds from the Company's initial public offering

The proceeds from the Company's issue of new shares at the time of its listing on the Stock Exchange on 23 March 2009, after deduction of related issuance expenses, amounted to approximately HK\$59,234,000. The analysis of the planned and actual use of these proceeds is set out below:

Planned application of IPO proceeds	Planned use of proceeds in accordance with the Prospectus HK\$'000	Actual use of proceeds up to 31 March 2015 HK\$'000
1. the establishment of warehousing facilities and acquisition of leasing of drying yards in Thailand	39,217	39,217
2. the development of the Group's procurement networks and logistics system beyond Thailand in Southeast Asia including but not limited to Cambodia and Laos	4,073	4,073
3. the expansion of the Group's sales networks by establishing storage facilities and promotion and marketing of the Group's products in the southern, central and south western regions in the Mainland China	7,000	7,000
4. the development and enhancement of sales network and marketing, including promotion and marketing of its Artwell brand dried cassava chips in the Group's existing network in the north-eastern region in the Mainland China	3,100	3,100
5. additional general working capital of the Group	5,844	5,844
	59,234	59,234

**DIVIDENDS**

The Board does not recommend the payment of final dividend for the year ended 31 March 2016.

**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 2016, 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 2016, save for the deviation from the code provision A.2.1 of the Code.

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 three independent non-executive directors of the Company. The Audit Committee held a meeting on 28 June 2016 to consider and review the annual report and annual financial information of the Group and to give their opinion and recommendations to the Board. The Audit Committee considers that the annual report and the annual financial information of the Company have complied with the applicable accounting standards and the Company has made appropriate disclosure thereof.

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

Hong Kong, 29 June 2016

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.