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ASIA CASSAVA RESOURCES HOLDINGS LIMITED

亞洲木薯資源控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 841)

**INTERIM RESULTS ANNOUNCEMENT
FOR SIX MONTHS ENDED 30 SEPTEMBER 2022**

The Board of Directors (the "Board") of Asia Cassava Resources Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2022 together with the comparative figures in 2021.

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

| | | Six months ended 30 September | |
|--|-------|----------------------------------|--------------------|
| | Notes | 2022 HK\$'000 | 2021 HK\$'000 |
| REVENUE | 4 | 2,111,557 | 1,538,857 |
| Cost of sales | | <u>(1,865,356)</u> | <u>(1,355,075)</u> |
| Gross profit | | 246,201 | 183,782 |
| Other income | 4 | 569 | 330 |
| Fair value changes on investment properties | | (10,182) | - |
| Selling and distribution costs | | (161,771) | (127,392) |
| General and administrative expenses | | (25,766) | (25,736) |
| Finance costs | | <u>(9,002)</u> | <u>(5,373)</u> |
| PROFIT BEFORE TAX | 5 | 40,049 | 25,611 |
| Income tax expense | 6 | <u>(9,808)</u> | <u>(3,073)</u> |
| PROFIT FOR THE PERIOD | | <u>30,241</u> | <u>22,538</u> |
| ATTRIBUTE TO: | | | |
| Owners of the Company | | 34,069 | 23,758 |
| Non- controlling interest | | <u>(3,828)</u> | <u>(1,220)</u> |
| | | <u>30,241</u> | <u>22,538</u> |
| EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY | 7 | | |
| Basic and diluted (HK cents) | | <u>5.9</u> | <u>4.1</u> |

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

| | Six months ended 30 September | |
|---|----------------------------------|----------------------|
| | 2022 HK\$'000 | 2021 HK\$'000 |
| PROFIT FOR THE PERIOD | 30,241 | 22,538 |
| OTHER COMPREHENSIVE INCOME/(LOSS) | | |
| Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods: | | |
| Exchange differences arising on translation of foreign operations | (645) | 425 |
| Debt investment at fair value through other comprehensive income: | | |
| Change in fair value | 41 | 376 |
| | <u>(604)</u> | <u>801</u> |
| Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods: | | |
| Equity investment at fair value through other comprehensive income: | | |
| Change in fair value | (4,187) | - |
| Income tax effect | 845 | - |
| | <u>(3,342)</u> | <u>-</u> |
| Loss on property valuation | (9,259) | - |
| Income tax effect | 1,151 | - |
| | <u>(8,108)</u> | <u>-</u> |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | <u><u>18,187</u></u> | <u><u>23,339</u></u> |
| ATTRIBUTE TO: | | |
| Owners of the Company | 24,934 | 24,559 |
| Non- controlling interest | (6,747) | (1,220) |
| | <u><u>18,187</u></u> | <u><u>23,339</u></u> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Notes | 30 September 2022 HK\$'000 (unaudited) | 31 March 2022 HK\$'000 (audited) |
|--|-------|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | 582,253 | 598,902 |
| Investment properties | | 615,497 | 625,679 |
| Right-of-use assets | | 33,842 | 36,042 |
| Equity investments at fair value through other comprehensive income | 8 | 34,878 | 38,895 |
| Prepayments, deposits and other receivables | | 20,982 | 21,682 |
| Club membership | | 2,240 | 2,240 |
| Deferred tax assets | | <u>2,616</u> | <u>2,616</u> |
| Total non-current assets | | <u>1,292,308</u> | <u>1,326,056</u> |
| CURRENT ASSETS | | | |
| Inventories | | 432,172 | 869,181 |
| Trade and bills receivables | 9 | 221,051 | 548,509 |
| Prepayments, deposits and other receivables | | 62,546 | 63,442 |
| Equity investments at fair value through other comprehensive income | 8 | 1,478 | 1,648 |
| Debt investments at fair value through other comprehensive income | 8 | 1,338 | 1,297 |
| Financial assets at fair value through profit or loss | 10 | 5,385 | 5,977 |
| Pledged deposits and a restricted bank balance | | 4,005 | 4,092 |
| Cash and cash equivalents | | <u>117,886</u> | <u>100,579</u> |
| Total current assets | | <u>845,861</u> | <u>1,594,725</u> |
| CURRENT LIABILITIES | | | |
| Trade and other payables and accruals | 11 | 84,785 | 288,417 |
| Interest-bearing bank borrowings | | 415,262 | 1,017,442 |
| Lease liabilities | | 38 | 38 |
| Tax payable | | <u>72,843</u> | <u>66,660</u> |
| Total current liabilities | | <u>572,928</u> | <u>1,372,557</u> |
| NET CURRENT ASSETS | | <u>272,933</u> | <u>222,168</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>1,565,241</u> | <u>1,548,224</u> |
| NON-CURRENT LIABILITIES | | | |
| Deferred tax liabilities | | 12,191 | 13,342 |
| Amount due to non-controlling interest of a subsidiary | | 281,927 | 281,927 |
| Interest-bearing bank borrowings | | 420,000 | 420,000 |
| Lease liabilities | | <u>26</u> | <u>45</u> |
| | | <u>714,144</u> | <u>715,314</u> |
| Net assets | | <u>851,097</u> | <u>832,910</u> |
| EQUITY | | | |
| Equity attributable to owners of the Company | | | |
| Issued share capital | | 58,473 | 58,473 |
| Reserves | | <u>838,625</u> | <u>813,691</u> |
| | | 897,098 | 872,164 |
| Non-controlling interest | | <u>(46,001)</u> | <u>(39,254)</u> |
| Total equity | | <u>851,097</u> | <u>832,910</u> |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

| | Attributable to owners of the Company | | | | | | | | | | Non-controlling interest HK\$'000 (note (iv)) | Total equity HK\$'000 |
|--|---------------------------------------|----------------------------|--|--|--|--|---|-------------------------------|--------------------------------|-------------------|---|--------------------------|
| | Issued capital HK\$'000 | Share premium* HK\$'000 | Contributed surplus* HK\$'000 (note (i)) | Merger reserve* HK\$'000 (note (ii)) | Legal reserve* HK\$'000 (note (iii)) | Asset revaluation reserve* HK\$'000 | Exchange fluctuation reserve* HK\$'000 | Retained profits* HK\$'000 | Proposed dividends HK\$'000 | Total HK\$'000 | | |
| At 1 April 2022 | 58,473 | 424,931 | 8,229 | (249,726) | 46 | 41,478 | (6,182) | 594,915 | - | 872,164 | (39,254) | 832,910 |
| Profit for the period | - | - | - | - | - | - | - | 34,069 | - | 34,069 | (3,828) | 30,241 |
| Other comprehensive income for the period: | | | | | | | | | | | | |
| Change in fair value of debt instrument at fair value through other comprehensive income | - | - | - | - | - | 41 | - | - | - | 41 | - | 41 |
| Exchange differences arising on translation of foreign operations, as restated | - | - | - | - | - | - | (645) | - | - | (645) | - | (645) |
| Change in fair value of equity instrument at fair value through other comprehensive income, net of tax | - | - | - | - | - | (3,342) | - | - | - | (3,342) | - | (3,342) |
| Loss on property valuation, net of tax | - | - | - | - | - | (5,189) | - | - | - | (5,189) | (2,919) | (8,108) |
| Total comprehensive income for the period | - | - | - | - | - | (8,490) | (645) | 34,069 | - | 24,934 | (6,747) | 18,187 |
| At 30 September 2022 | <u>58,473</u> | <u>424,931</u> | <u>8,229</u> | <u>(249,726)</u> | <u>46</u> | <u>32,988</u> | <u>(6,827)</u> | <u>628,984</u> | <u>-</u> | <u>897,098</u> | <u>(46,001)</u> | <u>851,097</u> |
| | Attributable to owners of the Company | | | | | | | | | | | |
| | Issued capital HK\$'000 | Share premium* HK\$'000 | Contributed surplus* HK\$'000 (note (i)) | Merger reserve* HK\$'000 (note (ii)) | Legal reserve* HK\$'000 (note (iii)) | Asset revaluation reserve* HK\$'000 | Exchange fluctuation reserve* HK\$'000 | Retained profits* HK\$'000 | Proposed dividends HK\$'000 | Total HK\$'000 | Non-controlling interest HK\$'000 (note (iv)) | Total equity HK\$'000 |
| At 1 April 2021 | 58,473 | 424,931 | 8,229 | (249,726) | 46 | 36,569 | (6,943) | 557,978 | - | 829,557 | (28,772) | 800,785 |
| Profit for the period | - | - | - | - | - | - | - | 23,758 | - | 23,758 | (1,220) | 22,538 |
| Other comprehensive income for the period: | | | | | | | | | | | | |
| Change in fair value of debt instrument at fair value through other comprehensive income | - | - | - | - | - | 376 | - | - | - | 376 | - | 376 |
| Exchange differences arising on translation of foreign operations | - | - | - | - | - | - | 425 | - | - | 425 | - | 425 |
| Total comprehensive income for the period | - | - | - | - | - | 376 | 425 | 23,758 | - | 24,559 | (1,220) | 23,339 |
| At 30 September 2021 | <u>58,473</u> | <u>424,931</u> | <u>8,229</u> | <u>(249,726)</u> | <u>46</u> | <u>36,945</u> | <u>(6,518)</u> | <u>581,736</u> | <u>-</u> | <u>854,116</u> | <u>(29,992)</u> | <u>824,124</u> |

Notes:

- (i) The Group's contributed surplus represents the excess of the nominal value of the shares of the subsidiaries acquired pursuant to a group reorganisation (the "Group Reorganisation") prior to the listing of the Company's shares, over the nominal value of the Company's shares issued in exchange therefor.
- (ii) The merger reserve represents (1) the excess of the consideration paid over the net asset value of the subsidiaries acquired pursuant to the Group Reorganisation in the prior year and (2) the difference between the consideration paid and the net assets value of the acquiree arising from the business combination under common control.
- (iii) In accordance with the provisions of the Macau Commercial Code, the Group's subsidiary incorporated in Macau is required to transfer 25% of the annual net profit to the legal reserve before the appropriation of profits to dividends until the reserve equals half of the capital. This reserve is not distributable to the respective shareholders.
- (iv) The Group's non-controlling interest represents the aggregate of (i) 10% of equity interest in subsidiaries, Asiafame Enterprises Limited and Artsun Resources Company Limited and (ii) 40% of equity interest in a subsidiary, Profit Sky Corporation Limited.

* These reserve accounts comprise the consolidated reserves of HK\$835,706,000 (30 September 2021: HK\$795,643,000) in the consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

| | Six months ended 30 September | |
|--|----------------------------------|------------------|
| | 2022 | 2021 |
| | HK\$000 | HK\$000 |
| NET CASH INFLOW FROM OPERATING ACTIVITIES | 620,360 | 451,568 |
| NET CASH OUTFLOW FROM INVESTING ACTIVITIES | (386) | (774) |
| NET CASH OUTFLOW FROM FINANCING ACTIVITIES | <u>(602,093)</u> | <u>(426,020)</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 17,881 | 24,774 |
| Cash and cash equivalents at beginning of period | 100,579 | 66,150 |
| Effect of foreign exchange rate changes, net | <u>(574)</u> | <u>289</u> |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | <u>117,886</u> | <u>91,213</u> |

1. CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 8 May 2008. The registered office of the Company is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The principal activities of the Group are the procurement of dried cassava chips in Southeast Asian countries and the sales of dried cassava chips in Mainland China and Thailand, the hotel and serviced apartment operations in the Mainland China and Hong Kong and property investment.

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

2. ACCOUNTING POLICIES AND BASIS OF PRESENTATION

These interim condensed consolidated financial information have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), and the disclosure requirements set out in Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange. The accounting policies and basis of preparation adopted in the preparation of the interim condensed consolidated financial statements are the same as those used in the annual financial statements for the year ended 31 March 2022, except for the adoption of certain new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include HKASs and Interpretation) for the first time in the current period as disclosed in note 2.1 below.

2.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

| | |
|-----------------------|--|
| Amendments to HKAS 16 | Property, Plant and Equipment – Proceeds before Intended Use |
| Amendments to HKAS 37 | Onerous Contracts – Cost of Fulfilling a Contract |
| Amendment to HKFRSs | Annual Improvements to HKFRS 2018 - 2020 |

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

3. SEGMENT INFORMATION

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

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

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, non-leased 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 instrument at fair value through other comprehensive income, debt instrument at fair value through other comprehensive income, financial assets at fair value through profit or loss, 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 assets as these liabilities are managed on a group basis.

3. SEGMENT INFORMATION (continued)

| | Procurement and sales of dried cassava chips HK\$'000 | Property investment HK\$'000 | Hotel & serviced apartment operation HK\$'000 | Total HK\$'000 |
|---|--|------------------------------------|---|-------------------|
| Six months ended 30 September 2022 | | | | |
| Segment revenue: | | | | |
| Sales to external customers | 2,102,365 | - | - | 2,102,365 |
| Gross rental income | - | 3,080 | - | 3,080 |
| Hotel and serviced apartment room revenue, food and beverage | - | - | 6,112 | 6,112 |
| Total | <u>2,102,365</u> | <u>3,080</u> | <u>6,112</u> | <u>2,111,557</u> |
| Segment results | <u>48,899</u> | <u>2,597</u> | <u>(95)</u> | 51,401 |
| Interest and unallocated gains | | | | 69 |
| Corporate and other unallocated expenses | | | | (2,419) |
| Finance costs | | | | <u>(9,002)</u> |
| Profit before tax | | | | <u>40,049</u> |
| Other segment information: | | | | |
| Depreciation of property, plant and equipment | 1,474 | 4,935 | 962 | 7,371 |
| Depreciation of right-of-use assets | 22 | 2,037 | 21 | 2,080 |
| Capital expenditure | <u>386</u> | <u>-</u> | <u>-</u> | <u>386</u> |
| Six months ended 30 September 2021 | | | | |
| Segment revenue: | | | | |
| Sales to external customers | 1,525,011 | - | - | 1,525,011 |
| Gross rental income | - | 4,326 | - | 4,326 |
| Hotel and serviced apartment room revenue, food and beverage | - | - | 9,520 | 9,520 |
| Total | <u>1,525,011</u> | <u>4,326</u> | <u>9,520</u> | <u>1,538,857</u> |
| Segment results | <u>29,048</u> | <u>4,003</u> | <u>(48)</u> | 33,003 |
| Interest and unallocated gains | | | | 330 |
| Corporate and other unallocated expenses | | | | (2,349) |
| Finance costs | | | | <u>(5,373)</u> |
| Profit before tax | | | | <u>25,611</u> |
| Other segment information: | | | | |
| Depreciation of property, plant and equipment | 1,855 | 145 | 930 | 2,930 |
| Depreciation of right-of-use assets | 350 | 720 | 28 | 1,098 |
| Capital expenditure | <u>-</u> | <u>-</u> | <u>500</u> | <u>500</u> |

3. SEGMENT INFORMATION (continued)

| | Procurement and sales of dried cassava chips HK\$'000 | Property investment HK\$'000 | Hotel & serviced apartment operation HK\$'000 | Total HK\$'000 |
|---|--|------------------------------------|---|-------------------|
| As at 30 September 2022 | | | | |
| Segment assets | 735,548 | 1,150,531 | 75,288 | 1,961,367 |
| Corporate and other unallocated assets | | | | <u>176,802</u> |
| Total assets | | | | <u>2,138,169</u> |
| Segment liabilities | 298,806 | 889,514 | 6,374 | 1,194,694 |
| Corporate and other unallocated liabilities | | | | <u>92,378</u> |
| Total liabilities | | | | <u>1,287,072</u> |
| | | | | |
| | Procurement and sales of dried cassava chips HK\$'000 | Property investment HK\$'000 | Hotel & serviced apartment operation HK\$'000 | Total HK\$'000 |
| As at 31 March 2022 | | | | |
| Segment assets | 1,515,418 | 1,171,884 | 74,314 | 2,761,616 |
| Corporate and other unallocated assets | | | | <u>159,165</u> |
| Total assets | | | | <u>2,920,781</u> |
| Segment liabilities | 1,103,705 | 889,267 | 6,415 | 1,999,387 |
| Corporate and other unallocated liabilities | | | | <u>88,484</u> |
| Total liabilities | | | | <u>2,087,871</u> |

Geographical information

(a) Revenue from external customers

| | Six months ended 30 September | |
|----------------|----------------------------------|------------------|
| | 2022 HK\$'000 | 2021 HK\$'000 |
| Hong Kong | 3,080 | 4,326 |
| Mainland China | <u>2,108,477</u> | <u>1,534,531</u> |
| | <u>2,111,557</u> | <u>1,538,857</u> |

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

(b) Non-current assets

| | 30 September 2022 HK\$'000 | 31 March 2022 HK\$'000 |
|----------------|----------------------------------|------------------------------|
| Hong Kong | 1,169,355 | 1,193,951 |
| Mainland China | 62,354 | 65,000 |
| Thailand | 20,865 | 21,396 |
| | <u>1,252,574</u> | <u>1,280,347</u> |

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

4. REVENUE AND OTHER INCOME

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

An analysis of revenue for six months ended 30 September 2021 and 2022 is as follows:

| | 2022 HK\$'000 | 2021 HK\$'000 |
|---|------------------|------------------|
| <u>Revenue</u> | | |
| Sales of dried cassava chips | 2,102,365 | 1,525,011 |
| Hotel and serviced apartment room revenue, food and beverage | 6,112 | 9,520 |
| Gross rental income | 3,080 | 4,326 |
| | <u>2,111,557</u> | <u>1,538,857</u> |

An analysis of other income for six months ended 30 September 2021 and 2022 is as follows:

| | 2022 HK\$'000 | 2021 HK\$'000 |
|----------------------|------------------|------------------|
| <u>Other income</u> | | |
| Bank interest income | 69 | 92 |
| Others | 500 | 238 |
| | <u>569</u> | <u>330</u> |

5. PROFIT BEFORE TAX

The Group's profit before tax for six months ended 30 September 2021 and 2022 is arrived at after charging/(crediting):

| | 2022 HK\$'000 | 2021 HK\$'000 |
|---|------------------|------------------|
| Cost of inventories sold | 1,865,010 | 1,352,020 |
| Depreciation | 7,371 | 2,930 |
| Depreciation of right-of-use assets | 2,080 | 1,098 |
| Employee benefit expenses | | |
| Wages and salaries | 13,053 | 12,932 |
| Pension scheme contributions | 622 | 505 |
| | <u>13,675</u> | <u>13,437</u> |
| Rental income on investment properties less direct operating expense of HK\$210,000 (2021: HK\$210,000) | <u>(2,870)</u> | <u>(4,116)</u> |

6. INCOME TAX

Hong Kong profits tax has been provided at the rates of 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

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

The calculation of basic earnings per share amounts is based on the profit for the six months ended 30 September 2022 and 2021 attributable to ordinary equity holders of the Company and the weighted average number of 584,726,715 (2021: 584,726,715) ordinary shares in issue during the period.

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 September 2022 and 2021 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those periods.

8. INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | 30 September 2022 HK\$'000 | 31 March 2022 HK\$'000 |
|--|----------------------------------|------------------------------|
| Debt investments at fair value through other comprehensive income: | | |
| Listed debt securities | <u>1,338</u> | <u>1,297</u> |
| Equity investments at fair value through other comprehensive income: | | |
| Changting China Newtown Plaza Development Co., Limited | 34,878 | 38,895 |
| 臨沂雅禾新置業有限公司 | <u>1,478</u> | <u>1,648</u> |
| | 36,356 | 40,543 |
| Less: current portion | <u>(1,478)</u> | <u>(1,648)</u> |
| Non-current portion | <u>34,878</u> | <u>38,895</u> |

Notes:

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

9. TRADE AND BILLS RECEIVABLES

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

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

| | 30 September 2022 HK\$'000 | 31 March 2022 HK\$'000 |
|----------------|----------------------------------|------------------------------|
| Within 30 days | 216,270 | 505,492 |
| 31 – 60 days | 1,863 | 38,623 |
| 61 – 90 days | 357 | 228 |
| Over 90 days | <u>2,561</u> | <u>4,166</u> |
| | <u>221,051</u> | <u>548,509</u> |

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

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 30 September 2022 HK\$'000 | 31 March 2022 HK\$'000 |
|--|----------------------------------|------------------------------|
| Listed equity securities, at fair value | 4,072 | 4,814 |
| Other unlisted fund investments, at fair value | <u>1,313</u> | <u>1,163</u> |
| | <u>5,385</u> | <u>5,977</u> |

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

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

11. TRADE AND OTHER PAYABLES AND ACCRUALS

| | 30 September 2022 HK\$'000 | 31 March 2022 HK\$'000 |
|-----------------------------|----------------------------------|------------------------------|
| Trade payables | 1,029 | 7,758 |
| Other payables | 9,433 | 7,287 |
| Contract liabilities | 5,976 | 6,172 |
| Accrued liabilities | 7,882 | 5,042 |
| Due to a director | - | 4,811 |
| Loan from a related company | 58,000 | 255,000 |
| Rental deposits received | 2,465 | 2,347 |
| | <u>84,785</u> | <u>288,417</u> |

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

| | 30 September 2022 HK\$'000 | 31 March 2022 HK\$'000 |
|----------------|----------------------------------|------------------------------|
| Within 1 month | <u>1,029</u> | <u>7,758</u> |

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

Business review

During the six months ended 30 September 2022 (the "Current Period"), as the coronavirus epidemic still persists, the demand for alcoholic products (to which the dried cassava chips are one of the raw materials for production in the PRC) was 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\$2,102.4 million for the Current Period, representing an increase of approximately 37.9% from approximately HK\$1,525.0 million for the corresponding period of previous year.

As regards the Group's hotel operation, the catering services were outsourced in return of a fixed annual income and the revenue generated from hotel room rental was stabilised during the Current Period. However, the Group will continue to put efforts on overcoming unfavourable factors and capitalising opportunities, 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 the remaining rentable upper apartment units are currently operated by the Group as serviced apartment or leased to third party tenants.

Financial review

Revenue

The Group's revenue from procurement and sales of dried cassava chips increased by approximately HK\$577.4 million or approximately 37.9% from approximately HK\$1,525.0 million in the corresponding period of previous year to approximately HK\$2,102.4 million for the Current Period. Increase in the Group's revenue was mainly attributable to the increase in the Group's sales volume and average selling price of dried cassava chips during the Current Period.

The Group's revenue from hotel operation was decreased due to the outsourcing of catering services during the Current Period. The Group intended to continue to capitalise opportunities, such as putting resources in carrying out promotions and optimising staff allocation so as to improve profitability.

Gross profit and gross profit margin

The Group's cost of sales from procurement and sales of dried cassava chips increased by approximately HK\$513.0 million, or approximately 37.9%, from approximately HK\$1,352.0 million for the corresponding period of the previous year to approximately HK\$1,865.0 million in the Current Period, mainly due to the increase in sales of dried cassava chips in the Current Period.

The Group's gross profit from procurement and sales of dried cassava chips increased by approximately HK\$64.4 million from approximately HK\$173.0 million for the corresponding period of previous year to approximately HK\$237.4 million for the Current Period, mainly due to increase in sales.

The Group's gross profit margin from procurement and sales of dried cassava chips for the Current Period remained at approximately 11.3%.

Selling and distribution costs

During the Current Period, the Group's selling and distribution expenses of approximately HK\$161.8 million (2021: approximately HK\$127.4 million), comprised mainly (a) ocean freight costs of approximately HK\$72.1 million (2021: approximately HK\$45.5 million), (b) warehouse, handling and inland transportation expenses of approximately HK\$86.5 million (2021: approximately HK\$76.8 million) and (c) those related to hotel operation of approximately HK\$3.2 million (2021: approximately HK\$5.1 million) .

The Group's selling and distribution expenses increased mainly due to increase in the Group's sale volume and increase in ocean freight unit costs during the Current Period.

The Group's selling and distribution expenses represented 7.7% of the total sales revenue for the Current Period (2021: 8.2%).

General and administrative expenses

General and administrative expenses of the Group was approximately HK\$25.8 million for the Current Period compared with approximately HK\$25.7 million for the corresponding period of previous year.

Finance costs

Finance expenses of the Group increased from approximately HK\$5.4 million for the corresponding period of previous year to approximately HK\$9.0 million for the Current Period. Increase in finance costs was mainly due to increase in the effective interest rate during the Current Period.

Profit for the period

The Group's profit for the Current Period attributable to the owner of the Company amounted to approximately HK\$34.1 million (2021: HK\$23.8 million).

Financial resources and liquidity

As at 30 September 2022, the net assets amounted to approximately HK\$851.1 million, representing an increase of approximately HK\$18.2 million from approximately HK\$832.9 million as at 31 March 2022 due to the profit for the Current Period.

Current assets as at 30 September 2022 amounted to approximately HK\$845.9 million (31 March 2022: HK\$1,594.7 million), including cash and cash equivalents of approximately HK\$117.9 million (31 March 2022: HK\$100.6 million), trade and bills receivables of approximately HK\$221.1 million (31 March 2022: HK\$548.5 million) pledged deposits and a restricted bank balance of HK\$ 4.1 million (31 March 2022: HK\$4.1 million), inventories of approximately HK\$432.2 million (31 March 2022: HK\$869.2 million), financial assets at fair value through profit or loss of approximately HK\$5.4 million (31 March 2022: HK\$6.0 million) and prepayments, deposits and other receivables of HK\$62.5 million (31 March 2022: HK\$63.4 million). As at 30 September 2022, The Group had non-current assets of HK\$1,292.3 million (31 March 2022: HK\$1,326.1 million) which mainly included the investment properties of approximately HK\$615.5 million (31 March 2022: HK\$625.7 million), property, plant and equipment of approximately HK\$582.3 million (31 March 2022: HK\$598.9 million) and equity investment at fair value through other comprehensive income of HK\$34.9 million in aggregate (31 March 2022: HK\$38.9 million).

The Group's current liabilities amounted to approximately HK\$572.9 million (31 March 2022: HK\$1,372.6 million), which comprised mainly trade and other payables and accruals of approximately HK\$84.8 million (31 March 2022: HK\$288.4 million), tax payable of approximately HK\$72.8 million (31 March 2022: HK\$66.7 million) and bank borrowings of approximately HK\$415.3 million (31 March 2022: HK\$1,017.4 million).

The Group's non-current liabilities included deferred tax liabilities of approximately HK\$12.2 million (31 March 2022: HK\$13.3 million), the amount due to a non-controlling shareholder of approximately HK\$281.9 million (31 March 2022: HK\$281.9 million) and non-current portion of interest-bearing bank borrowings of HK\$420.0 million (31 March 2022: HK\$420.0 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 30 September 2022, the Group had a gearing ratio of 39.0% (31 March 2022: 49.2%) which was mainly due to the decrease in trade-related bank borrowings.

The Group's inventory turnover period is 63.7 days as at 30 September 2022, representing a decrease of 26.9 days from 90.6 days as at 31 March 2022.

The Group's debtor turnover period is 33.3 days as at 30 September 2022, representing a decrease of 19.5 days from 52.8 days as at 31 March 2022.

Employment and remuneration policy

As at 30 September 2022, the total number of the Group's staff was approximately 250. The total staff costs (including directors' remuneration) amounted to approximately HK\$ 13.7 million for the six months ended 30 September 2022. The Group remunerates its employees based on their performance, experience and prevailing industry practice. The Group provides retirement benefit for its employees in Hong Kong in form of mandatory provident fund and provides similar schemes for its employees in the PRC, Macau, Vietnam and Thailand.

Charge on group assets

As at 30 September 2022, the Group's bank borrowings are secured by:

- (i) legal charges over the Group's leasehold land and buildings situated in Hong Kong with a carrying value of HK\$500,000,000 and HK\$1,100,000 (31 March 2022: leasehold land and buildings of HK\$503,500,000 and HK\$1,200,000), respectively; and
- (ii) legal charges over the Group's investment properties situated in Hong Kong with a carrying value of HK\$560,000,000 (31 March 2022: HK\$564,500,000).

Foreign currency exposure

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

Material acquisition and disposal

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

Capital commitment

As 30 September 2022, the Group did not have material capital commitment.

Contingent liabilities

As 30 September 2022, 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. We anticipate that the demand of dried cassava chips in the PRC ethanol fuel industry will be growing which is beneficial to the Group's long-term business development.

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

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

As regards the hotel operation, influenced by the slowdown in China's macro-economic growth, the Group not only puts more effort on controlling costs but also continues to allocate resources on promoting services 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 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 AND CLOSURE OF REGISTER OF MEMBERS

The Board do not recommend payment of an interim dividend for the six months ended 30 September 2022 and hence, no closure of register of members is necessary.

PURCHASE, REDEMPTION OR SALE OF THE COMPANY'S LISTED SECURITIES

There were no purchases, redemption or sale of the Company's listed securities by the Company or its subsidiaries during the Current Period.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the six months ended 30 September 2022, 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 (“CG Code”) as set out in Appendix 14 to the Listing Rules for the six months ended 30 September 2022, save for the deviation from the code provision A.2.1 of the CG Code.

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

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors of the Company. The Audit Committee held a meeting on 30 November 2022 and has reviewed with the management the accounting principles and practices adopted by the Group, the interim report and interim financial information of the Group for the Current Period and to give recommendations to the Board.

By order of the Board
Chu Ming Chuan
Chairman

Hong Kong, 30 November 2022

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, Mr. Hong Sijie and Ms. Amporn Lohathanulert.