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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 AUDITED RESULTS
FOR THE YEAR ENDED 31 MARCH 2023
AND RESUMPTION OF TRADING**

HIGHLIGHTS

- Revenue amounted to approximately HK\$3,969.2 million, representing an increase of 10.7% over the previous year.
- Loss for the year attributable to equity holders of the Company amounted to HK\$94.7 million after taking into account of the fair value loss on investment properties totally of HK\$109.5 million and the impairment loss on the segment of hotel and serviced apartment operations of approximately HK\$57.7 million.
- Segmented result from procurement and sales of dried cassava chips for the year of approximately HK\$97.2 million, representing an increase of 6.2% over the previous year.
- The Board of Director do not recommend payment of final dividend for the year.

Reference was made to the announcement of Asia Cassava Resources Holdings Limited (the “Company”) dated 30 June 2023, in relation to delay in publication of audited annual results of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2023 (the “Announcement”). Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Announcement.

The Board is pleased to announce that the Company’s auditor, Ernst & Young, has completed the audit of the Group’s consolidated financial statements for the year ended 31 March 2023 in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. The annual results for the year ended 31 March 2023 had been agreed and reviewed by the audit committee of the Company and approved by the Board on 11 July 2023.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2023

	Notes	2023 HK\$'000	2022 HK\$'000
REVENUE	5	3,969,276	3,585,019
Cost of sales		<u>(3,518,590)</u>	<u>(3,147,116)</u>
Gross profit		450,686	437,903
Other income, net	5	15,381	11,822
Fair value losses on investment properties, net		(109,500)	(14,244)
Other operating expenses		(2,570)	(337)
Selling and distribution expenses		(280,420)	(281,253)
General and administrative expenses		(152,700)	(82,403)
Finance costs	6	<u>(35,880)</u>	<u>(13,142)</u>
PROFIT/(LOSS) BEFORE TAX	7	(115,003)	58,346
Income tax	8	<u>(29,583)</u>	<u>(23,856)</u>
PROFIT/(LOSS) FOR THE YEAR		<u>(144,586)</u>	<u>34,490</u>
ATTRIBUTABLE TO:			
Owners of the Company		(94,711)	44,972
Non-controlling interest		<u>(49,875)</u>	<u>(10,482)</u>
		<u>(144,586)</u>	<u>34,490</u>
EARNINGS/(LOSS) PER SHARE	9		
Basic and diluted		<u>(HK\$16.20 cents)</u>	<u>HK\$7.69 cents</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
 (continued)
 Year ended 31 March 2023

	2023 HK\$'000	2022 HK\$'000
PROFIT/(LOSS) FOR THE YEAR	<u>(144,586)</u>	<u>34,490</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(12,078)	653
Debt investment at fair value through other comprehensive income:		
Change in fair value	<u>526</u>	<u>267</u>
	<u>(11,552)</u>	<u>920</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	(10,183)	75
Loss on disposal	-	(3,604)
Income tax effect	<u>2,037</u>	<u>449</u>
	<u>(8,146)</u>	<u>(3,080)</u>
Gains/(loss) on property revaluation	(4,811)	1,687
Income tax effect	<u>985</u>	<u>(285)</u>
	<u>(3,826)</u>	<u>1,402</u>
	<u>(11,972)</u>	<u>(1,678)</u>
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	<u>(23,524)</u>	<u>(758)</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	<u>(168,110)</u>	<u>33,732</u>
ATTRIBUTE TO:		
Owners of the Company	(118,235)	44,214
Non-controlling interest	<u>(49,875)</u>	<u>(10,482)</u>
	<u>(168,110)</u>	<u>33,732</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 March 2023

	Notes	2023 HK\$'000	2022 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		525,376	598,902
Investment properties		510,900	625,679
Right-of-use assets		34,323	36,042
Equity investments at fair value through other comprehensive income		25,851	38,895
Prepayments, deposits and other receivables		9,510	21,682
Club membership		2,240	2,240
Deferred tax assets		69	2,616
Total non-current assets		<u>1,108,269</u>	<u>1,326,056</u>
CURRENT ASSETS			
Inventories		390,831	869,181
Trade and bills receivables	10	209,276	548,509
Prepayments, deposits and other receivables		58,934	63,442
Equity investments at fair value through other comprehensive income		-	1,648
Debt investments at fair value through other comprehensive income		1,823	1,297
Financial assets at fair value through profit or loss		5,527	5,977
Restricted bank balance		2,945	4,092
Cash and cash equivalents		264,174	100,579
Total current assets		<u>933,510</u>	<u>1,594,725</u>
CURRENT LIABILITIES			
Trade and other payables and accruals	11	(34,039)	(288,417)
Derivative financial liabilities		(2,138)	-
Interest-bearing bank borrowings		(549,266)	(1,017,442)
Lease liabilities		(23)	(38)
Tax payables		(93,877)	(66,660)
Total current liabilities		<u>(679,343)</u>	<u>(1,372,557)</u>
NET CURRENT ASSETS		<u>254,167</u>	<u>222,168</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,362,436</u>	<u>1,548,224</u>
NON-CURRENT LIABILITIES			
Deferred tax liabilities		(12,058)	(13,342)
Amount due to a non-controlling interest of a subsidiary		(275,828)	(281,927)
Interest-bearing bank borrowings		(412,000)	(420,000)
Lease liabilities		-	(45)
Total non-current liabilities		<u>(699,886)</u>	<u>(715,314)</u>
Net assets		<u>662,550</u>	<u>832,910</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

31 March 2023

	2023 HK\$'000	2022 HK\$'000
EQUITY		
Equity attributable to owners of the Company		
Share capital	58,473	58,473
Reserves	<u>693,206</u>	<u>813,691</u>
	751,679	872,164
Non-controlling interest	<u>(89,129)</u>	<u>(39,254)</u>
	662,550	832,910
Total equity	<u><u>662,550</u></u>	<u><u>832,910</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 and serviced apartment operations in Mainland China and Hong Kong 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 consolidated 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, financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss and derivative financial instruments which have been measured at fair value. These consolidated 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 2023. 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).

Generally, there is a presumption that a majority of voting rights results in control. 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 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 following revised HKFRSs for the first time for the current year's consolidated financial statements.

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts - Cost of Fulfilling a Contract</i>
Annual Improvements to HKFRSs 2018-2020	<i>Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41</i>

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

The nature and the impact of the revised HKFRSs that are applicable to the Group are described below:

- (a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* (the “Conceptual Framework”) issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combinations that occurred during the year, the amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by HKAS 2 Inventories, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(d) Annual Improvements to HKFRSs 2018-2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendment that is applicable to the Group are as follows:

- HKFRS 9 Financial Instruments: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or 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 their 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 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, 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 derivative financial instruments, tax payables, 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 and serviced apartment operations HK\$'000	Total HK\$'000
Year ended 31 March 2023				
Segment revenue:				
Sales to external customers	3,952,226	-	-	3,952,226
Hotel room revenue, and food and beverage income	-	-	11,291	11,291
Gross rental income	-	5,759	-	5,759
Total	<u>3,952,226</u>	<u>5,759</u>	<u>11,291</u>	<u>3,969,276</u>
Segment results	<u>97,211</u>	<u>(111,698)</u>	<u>(62,545)</u>	<u>(77,032)</u>
Interest and unallocated gains				15,381
Corporate and other unallocated expenses				(17,472)
Finance costs				(35,880)
Loss before tax				<u>(115,003)</u>
Segment assets	944,205	576,830	481,897	2,002,932
Corporate and other unallocated assets				<u>38,847</u>
Total assets				<u>2,041,779</u>
Segment liabilities	404,233	886,628	7,895	1,298,756
Corporate and other unallocated liabilities				<u>80,473</u>
Total liabilities				<u>1,379,229</u>
Other segment information:				
Depreciation of items of property, plant and equipment	2,988	1,198	12,080	16,266
Depreciation of right-of-use assets	63	1,536	40	1,639
Capital expenditure	5,247	79	263	5,589
Fair value loss on investment properties	-	109,500	-	109,500
Impairment of trade receivables	-	-	8,050	8,050
Impairment of property, plant and equipment	-	45,050	12,652	57,702

4. SEGMENT INFORMATION (continued)

	Procurement and sale of dried cassava chips HK\$'000	Property investment HK\$'000	Hotel and serviced apartment operations HK\$'000	Total HK\$'000
Year ended 31 March 2022				
Segment revenue:				
Sales to external customers	3,556,152	-	-	3,556,152
Hotel room and serviced apartment revenue, and food and beverage income	-	-	22,515	22,515
Gross rental income	-	6,352	-	6,352
Total	<u>3,556,152</u>	<u>6,352</u>	<u>22,515</u>	<u>3,585,019</u>
Segment results	<u>91,547</u>	<u>(25,401)</u>	<u>3,888</u>	70,034
Interest and unallocated gains				11,822
Corporate and other unallocated expenses				(10,368)
Finance costs				(13,142)
Profit before tax				<u>58,346</u>
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>
Other segment information:				
Depreciation of items of property, plant and equipment	2,965	9,799	1,999	14,763
Depreciation of right-of-use assets	44	4,052	43	4,139
Capital expenditure	3,256	-	-	3,256
Fair value loss on investment properties	-	14,244	-	14,244
Impairment/(reversal for impairment) of trade receivables	4,210	-	(3,313)	897

4. SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	2023 HK\$'000	2022 HK\$'000
Mainland China	3,956,197	3,572,607
Hong Kong	<u>13,079</u>	<u>12,412</u>
	<u>3,969,276</u>	<u>3,585,019</u>

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

(b) Non-current assets

	2023 HK\$'000	2022 HK\$'000
Hong Kong	1,021,204	1,193,951
Mainland China	18,206	65,000
Thailand	35,940	21,396
Laos	<u>3,165</u>	<u>-</u>
	<u>1,078,515</u>	<u>1,280,347</u>

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

Information about major customers

For the year ended 31 March 2023, revenue from two customers of the procurement and sale of dried cassava chips segment, amounting to HK\$487,532,000 and HK\$401,994,000, individually accounted for over 10% of the Group's total revenue.

For the year ended 31 March 2022, revenue from a customer of the procurement and sale of dried cassava chips segment, amounting to HK\$544,532,000, individually accounted for over 10% of the Group's total revenue.

5. REVENUE AND OTHER INCOME

An analysis of revenue is as follows:

	2023 HK\$'000	2022 HK\$'000
<u>Revenue from contracts with customers</u>		
Sales of dried cassava chips and other goods	3,952,226	3,556,152
Hotel room and serviced apartment revenue, food and beverage income	11,291	22,515
<u>Revenue from other sources</u>		
Gross rental income from investment property operating leases	<u>5,759</u>	<u>6,352</u>
	<u>3,969,276</u>	<u>3,585,019</u>

An analysis of other income is as follows:

	2023 HK\$'000	2022 HK\$'000
<u>Other income</u>		
Logistic service income	-	8,918
Bank interest income	1,080	54
Modification gain on amount due to a non-controlling interest of a subsidiary	11,715	-
Others	<u>2,586</u>	<u>2,850</u>
	<u>15,381</u>	<u>11,822</u>

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2023 HK\$'000	2022 HK\$'000
Interest on bank loans	33,895	11,427
Interest on other loan	1,976	1,711
Interest on lease liabilities	<u>9</u>	<u>4</u>
	<u>35,880</u>	<u>13,142</u>

7. PROFIT/(LOSS) BEFORE TAX

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

	2023 HK\$'000	2022 HK\$'000
Cost of inventories sold	3,518,590	3,147,116
Depreciation of items of property, plant and equipment	16,266	14,763
Depreciation of right-of-use assets	1,639	4,139
Auditor's remuneration	1,669	1,831
Employee benefit expenses (including directors' remuneration):		
Wages and salaries	24,597	26,074
Pension scheme contributions	1,043	1,273
	<u>25,640</u>	<u>27,347</u>

8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 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.

	2023 HK\$'000	2022 HK\$'000
Current – Hong Kong		
Charge for the year	5,316	7,999
Overprovision in prior years	(595)	(901)
Current – Macau		
Charge for the year	13,586	10,258
Underprovision in prior years	-	3,132
Current – Thailand	9,432	3,349
Deferred	<u>1,844</u>	<u>19</u>
	<u>29,583</u>	<u>23,856</u>

9. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings/(loss) per share amount is based on the earnings/(loss) for the year attributable to owners of the Company, and the weighted average number of ordinary shares of 584,726,715 (2022: 584,726,715) in issue during the year.

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the years ended 31 March 2023 and 2022 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during these years.

10. TRADE AND BILLS RECEIVABLES

	2023 HK\$'000	2022 HK\$'000
Trade receivables	141,107	15,192
Bills receivables	59,706	325,517
Bills receivables discounted to the banks with recourse	<u>26,208</u>	<u>217,931</u>
	227,021	558,640
Impairment	<u>(17,745)</u>	<u>(10,131)</u>
	<u>209,276</u>	<u>548,509</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:

	2023 HK\$'000	2022 HK\$'000
Within 30 days	209,221	505,492
31 to 60 days	55	38,623
61 to 90 days	-	228
Over 90 days	<u>-</u>	<u>4,166</u>
	<u>209,276</u>	<u>548,509</u>

Bills receivables of HK\$26,208,000 as at 31 March 2023 (2022: HK\$217,931,000) were discounted to the banks with recourse.

11. TRADE AND OTHER PAYABLES AND ACCRUALS

	2023 HK\$'000	2022 HK\$'000
Trade payables	13,008	7,758
Other payables	8,820	7,287
Contract liabilities	3,133	6,172
Accrued liabilities	5,858	5,042
Due to a director	400	4,811
Loan from a related company	-	255,000
Rental deposits received	<u>2,820</u>	<u>2,347</u>
	<u>34,039</u>	<u>288,417</u>

Based on the invoice date, the trade payables as at the end of the reporting period would mature within one month (2022: one month). Trade and other payables are non-interest-bearing and have an average term of three months.

MANAGEMENT DISCUSSION AND ANALYSIS

During the year ended 31 March 2023 (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 (though under control), the demand for alcoholic products (to which the dried cassava chips are one of the raw materials for production in the PRC) remained strong 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\$3,952.2 million for the Current Year, representing an increase of approximately 11.1% from approximately HK\$3,556.2 million for the previous year.

As regards “338 Apartment”, upper apartment units are currently operated by the Group as serviced apartment operators during the Current Year. The remaining portion of the building was considered as investment property.

As regards the Group’s hotel operation, the revenue generated from hotel room rental and catering from restaurant was still subject to uncertainties from the coronavirus epidemic and China’s macro-economic growth.

Financial Review on Audited Results

Revenue

The Group’s revenue from procurement and sales of dried cassava chips increased by approximately HK\$396.0 million or approximately 11.1% from approximately HK\$3,556.2 million for the previous year to approximately HK\$3,952.2 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 and serviced apartment operation amounted to approximately HK\$11.3 million for the Current Year, representing a decrease of approximately 50.0% from approximately HK\$22.5 million for the previous year. During the Current Year, the Group’s PRC hotel operation was still subject to pressures from the coronavirus epidemic in China and the slowdown in China’s macro-economic growth. Under such circumstance, the Group sub-contracted certain catering facilities in the PRC hotel to independent catering service provider to achieve a stable rate from hotel operation. The Group will closely monitor the economic growth and actively adjust the relevant business models and marketing strategies for maximizing the return to shareholders as a whole.

Gross profit and gross profit margin

The Group's cost of sales from procurement and sales of dried cassava chips increased by approximately HK\$375.9 million, or approximately 12.0%, from approximately HK\$3,140.8 million for the previous year to approximately HK\$3,516.7 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\$20.1 million from approximately HK\$415.4 million for the previous year to approximately HK\$435.5 million for the Current Year, mainly due to the increase in revenue from procurement and sales of dried cassava chips and increase in average selling price.

The Group's gross profit margin from procurement and sales of dried cassava chips for the Current Year slightly decreased to approximately 11.0% from approximately 11.7% for the previous year.

The Group's cost of sales from hotel and serviced apartment operations decreased to approximately HK\$1.9 million for the Current Year from approximately HK\$6.3 million for the previous year. The Group's gross profit margin from hotel and serviced apartment operations for the Current Year increased to approximately 83.1% from approximately 72.1% for the previous year.

Selling and distribution costs

During the Current Year, the Group's selling and distribution expenses of approximately HK\$280.4 million (2022: approximately HK\$281.3 million) comprised mainly (a) ocean freight costs of approximately HK\$91.3 million (2022: approximately HK\$116.7 million), (b) warehouse, handling and inland transportation expenses of approximately HK\$182.7 million (2022: approximately HK\$153.2 million) and (c) those related to hotel operation of approximately HK\$3.6 million (2022: approximately HK\$9.4 million).

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

General and administrative expenses

General and administrative expenses of the Group increased from approximately HK\$82.4 million in the previous year to approximately HK\$152.7 million in the Current Year, mainly due to (i) the inclusion of expected credit loss on accounts receivable of hotel operation of approximately HK\$8.0 million; and (ii) the inclusion of impairment loss on the segment of hotel and serviced apartment operations of approximately HK\$57.7 million.

Finance costs

Finance expenses of the Group increased from approximately HK\$13.1 million for the previous year to approximately HK\$35.9 million for the Current Year. The increase in finance costs was mainly due to significant increase in average interest rates of the trade financing loans and bank borrowing during the Current Year as compared with the previous year.

Profit/(Loss) for the year

The Group's loss for the Current Year attributable to the owner of the Company amounted to approximately HK\$94.7 million (2022: profit of HK\$45.0 million).

Segmented result from procurement and sales of dried cassava chips for the year was a profit of approximately HK\$97.2 million, representing an increase of 6.2% over the previous year of HK\$91.6 million.

Segmented result from property investment for the year was a loss of approximately HK\$111.7 million (2022: loss of HK\$25.4 million) due to inclusion of the fair value loss on investment properties.

Segmented results from hotel and serviced apartment operation for the year was a loss of HK\$62.5 million (2022: profit of HK\$3.9 million) due to inclusion of the impairment loss on the segment of hotel and serviced apartment operations of approximately HK\$57.7 million.

Financial resources and liquidity

As at 31 March 2023, the net assets amounted to approximately HK\$662.6 million, representing a decrease of approximately HK\$170.3 million from approximately HK\$832.9 million as at 31 March 2022 which was mainly due to the fair value loss on investment properties.

Current assets amounted to approximately HK\$933.5 million (2022: HK\$1,594.7 million), including cash and cash equivalents of approximately HK\$264.2 million (2022: HK\$100.6 million), trade and bills receivables of approximately HK\$209.3 million (2022: HK\$548.5 million), inventories of approximately HK\$390.8 million (2022: HK\$869.2 million), debt investments at fair value through other comprehensive income of approximately HK\$1.8 million (2022: HK\$1.3 million), financial assets at fair value through profit or loss of approximately HK\$5.5 million (2022: HK\$6.0 million), and prepayments, deposits and other receivables of HK\$58.9 million (2022: HK\$63.4 million). The Group had non-current assets of HK\$1,108.3 million (2022: HK\$1,326.1 million) which mainly included investment properties of approximately HK\$510.9 million (2022: HK\$625.7 million), property, plant and equipment of approximately HK\$525.4 million (2022: HK\$598.9 million), right-of-use assets of approximately HK\$34.3 million (2022: HK\$36.0 million), prepayments, deposits and other receivables of approximately HK\$9.5 million (2022: HK\$21.7 million), club membership of approximately HK\$2.2 million (2022: HK\$2.2 million) and equity investments at fair value through other comprehensive income of approximately HK\$25.9 million (2022: HK\$38.9 million).

The Group's current liabilities amounted to approximately HK\$679.3 million (2022: HK\$1,372.6 million), which comprised mainly trade and other payables and accruals of approximately HK\$34.0 million (2022: HK\$288.4 million), tax payable of approximately HK\$93.9 million (2022: HK\$66.7 million) and bank borrowings of approximately HK\$549.3 million (2022: HK\$1,017.4 million). The Group's non-current liabilities included non-current bank borrowings of approximately HK\$412.0 million (2022: HK\$420 million), deferred tax liabilities of approximately HK\$12.1 million (2022: HK\$13.3 million) and the amount due to a non-controlling shareholder of approximately HK\$275.8 million (2022: HK\$281.9 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 2023, the Group had a gearing ratio of 47.1% (2022: 49.2%).

The Group's inventory turnover period is 65.4 days as at 31 March 2023, representing a decrease of 25.4 days from 90.6 days as at 31 March 2022.

The Group's debtor turnover period is 34.8 days as at 31 March 2023 (2022: 52.8 days).

Employment and remuneration policy

As at 31 March 2023, the total number of the Group's staff was approximately 250. The total staff costs (including directors' remuneration) amounted to approximately HK\$25.6 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 2023, the Group's bank borrowings are secured by:

- (i) legal charges over the Group's leasehold land, hotel properties and serviced apartment and buildings situated in Hong Kong with a carrying value of HK\$11.5 million, HK\$448.2 million and HK\$1.3 million (2022: HK\$12.3 million, HK\$503.5 million and HK\$1.2 million), respectively;
- (ii) legal charges over the Group's investment properties situated in Hong Kong with a carrying value of HK\$463.2 million (2022: HK\$564.5 million); and
- (iii) bills receivables of the Group amounting to HK\$26,208,000 (2022: HK\$217,931,000) 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 directors monitor the related foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

Contingent liabilities

As 31 March 2023, the Group did not have any material contingent liabilities.

Material acquisition

The Group had no material acquisition during the Current Year.

Event after the reporting date

As disclosed in the Company's announcement dated 18 May 2023, the Company's two wholly-owned subsidiaries (the "Purchasers") entered into three Preliminary Agreements with two sellers (the "Sellers") on the same date, under which the Purchasers agreed to purchase and the Sellers agreed to sell the Properties, at a total price of HK\$50,560,900 payable in cash. The Properties to be acquired are Unit Nos. 3, 4 and 9 on 11th Floor, Houston Centre, No. 63 Mody Road, Kowloon.

Completion of the above Acquisitions shall take place on or before 30 November 2023, upon which vacant possession of the Properties shall be delivered to the respective Purchasers and free from any encumbrances.

Since the highest of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the above Acquisitions taken together falls between 25% and 100%, the Acquisitions collectively constitute a major transaction for the Company, and are subject to the notification, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

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, Laos and Cambodia. In medium and long-run, the Group intends to set up additional procurement facilities and networks (when appropriate) in Thailand, 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 2023.

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 2023, 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 2023, 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 11 July 2023 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 Monday, 3 July 2023. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 12 July 2023.

By order of the Board

Chu Ming Chuan

Chairman

Hong Kong, 11 July 2023

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.