



## **China Bio Cassava Holdings Limited**

**中國生物資源控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 8129)

### **FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2010**

#### **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate companies to which a high investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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## **FINANCIAL HIGHLIGHTS**

- The Group recorded turnover of HK\$1,490,000 for the three months ended 31 March 2010, representing an increase of 15.1% from the corresponding period of last year.
- The Group recorded OEM licensing revenue of HK\$114,000 for the three months ended 31 March 2010, representing an increase of 86.9% from the corresponding period of last year.
- Packaged software sales of HK\$1,376,000 for the three months ended 31 March 2010, representing an increase of 11.6% from the corresponding period of previous year.
- The Group recorded a net loss attributable to shareholders for the three months ended 31 March 2010 of HK\$1,091,000, and the loss per share was HK0.01 cent (three months ended 31 March 2009: net loss attributable to shareholders of HK\$1,657,000, and loss per share of HK0.02 cent).
- The Group's total operating expenses for the three months ended 31 March 2010 was decreased by HK\$381,000 or 13.6% compared to first three months of 2009, mainly attributable to decrease in general and administrative expenses.

The unaudited consolidated results for the three months ended 31 March 2010 and the comparison with last year are set out in the accompanying table.

### THREE MONTH RESULTS (UNAUDITED)

The Board of Directors (the “Directors”) of China Bio Cassava Holdings Limited (the “Company”) are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the three months ended 31 March 2010, together with the unaudited comparative figures for the corresponding period in 2009 as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

		Three months ended	
		31 March	
		2010	2009
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Revenue</b>	3	<b>1,490</b>	1,294
Cost of sales		<u>(158)</u>	<u>(190)</u>
<b>Gross profit</b>		<b>1,332</b>	1,104
Other revenue	4	–	43
Selling and distribution expenses		(777)	(685)
Research and development expenses		(580)	(574)
General and administrative expenses		<u>(1,066)</u>	<u>(1,545)</u>
<b>Operating loss</b>		<b>(1,091)</b>	(1,657)
Finance costs		<u>–</u>	<u>–</u>
<b>Loss before income tax</b>		<b>(1,091)</b>	(1,657)
Income tax expense	5	<u>–</u>	<u>–</u>
<b>Loss for the period</b>		<b><u>(1,091)</u></b>	<b><u>(1,657)</u></b>
<b>Loss per share during the period</b>	6		
– Basic		<b><u>(HK0.01 cent)</u></b>	<b><u>(HK0.02 cent)</u></b>
– Diluted		<b><u>N/A</u></b>	<b><u>N/A</u></b>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
(UNAUDITED)**

	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2010</b>	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Loss for the period</b>	<b>(1,091)</b>	(1,657)
<b>Other comprehensive income/(loss)</b>		
Exchange differences arising on translating foreign operations	<u>6</u>	<u>(40)</u>
<b>Total comprehensive loss for the period</b>	<b><u>(1,085)</u></b>	<b><u>(1,697)</u></b>
<b>Total comprehensive loss attributable to: Owners of the Company</b>	<b><u>(1,085)</u></b>	<b><u>(1,697)</u></b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

*For the three months ended 31 March 2010*

	Share capital	Share premium	Share option reserve	Capital redemption reserve	Warrant reserve	Reorganisation reserve	Translation reserve	Accumulated losses	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January 2009	19,510	111,686	33,514	37	9,774	3,000	300	(152,792)	25,029
Loss for the period	-	-	-	-	-	-	-	(1,657)	(1,657)
Other comprehensive loss for the period	-	-	-	-	-	-	(40)	-	(40)
Total comprehensive loss for the period	-	-	-	-	-	-	(40)	(1,657)	(1,697)
Exercise of warrants issue	998	8,684	-	-	(2,097)	-	-	-	7,585
At 31 March 2009	<u>20,508</u>	<u>120,370</u>	<u>33,514</u>	<u>37</u>	<u>7,677</u>	<u>3,000</u>	<u>260</u>	<u>(154,449)</u>	<u>30,917</u>
At 1 January 2010	20,508	120,370	33,514	37	-	3,000	291	(158,696)	19,024
Loss for the period	-	-	-	-	-	-	-	(1,091)	(1,091)
Other comprehensive income for the period	-	-	-	-	-	-	6	-	6
Total comprehensive loss for the period	-	-	-	-	-	-	6	(1,091)	(1,085)
At 31 March 2010	<u>20,508</u>	<u>120,370</u>	<u>33,514</u>	<u>37</u>	<u>-</u>	<u>3,000</u>	<u>297</u>	<u>(159,787)</u>	<u>17,939</u>

**Notes:**

**1. General information**

The Company's shares are listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activity of the Company is investment holding. The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in computer software and embedded systems development, sales and licensing of the software and systems, and development of biotech and renewable energy. There were no significant changes in the Group's operations during the three months ended 31 March 2010.

**2. Summary of significant accounting policies**

The unaudited consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value. The unaudited consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants. In addition, the unaudited consolidated financial statements include applicable disclosure required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

**3. Revenue and segment information**

Revenue, which is also the Group's turnover, represents the total invoiced value of goods sold, and licensing income. Revenue recognised during the three months ended 31 March 2010 is as follows:

	<b>Unaudited</b>	
	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2010</b>	2009
	<b>HK\$'000</b>	<b>HK\$'000</b>
Sale of goods	<b>1,376</b>	1,233
Licensing income	<b>114</b>	61
	<hr/>	<hr/>
	<b>1,490</b>	1,294
	<hr/> <hr/>	<hr/> <hr/>

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Details of the business segments are summarised as follows:

- (a) Sales and licensing of software and embedded systems.
- (b) Development of biotech renewable energy.

The Group has adopted HKFRS 8 Operating Segments with effect from 1 January 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor standard (Hong Kong Accounting Standard (“HKAS”) 14, Segment Reporting) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group’s primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group’s reportable segments as compared with primary reportable segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

The chief operation decision maker considers the business from both product and geographic perspective. From a product perspective, the chief operating decision maker assesses the performance of (i) sales and licensing of software and embedded systems; and (ii) development of biotech renewable energy. In addition, the chief operating decision maker further evaluated the result on a geographical basis (Hong Kong, Mainland China and Macau).

**(a) Business segments**

The following is an analysis of the Group’s revenue and results by reportable segment for the three months ended 31 March 2010 and 2009:

	Unaudited					
	Three months ended 31 March					
	Sales and licensing of software and embedded systems		Development of biotech renewable energy		Consolidated	
	2010	2009	2010	2009	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Segment revenue:</b>						
Sales to external customers	<u>1,490</u>	<u>1,294</u>	<u>-</u>	<u>-</u>	<u>1,490</u>	<u>1,294</u>
<b>Segment results</b>	<b>21</b>	<b>(77)</b>	<b>(307)</b>	<b>(370)</b>	<b>(286)</b>	<b>(447)</b>
Bank interest income					-	43
Net fair value gain/(loss) on financial assets at fair value through profit or loss					<b>127</b>	(49)
Unallocated expenses					<u>(932)</u>	<u>(1,204)</u>
Operating loss					<b>(1,091)</b>	<b>(1,657)</b>
Finance costs					-	-
<b>Loss for the period</b>					<u><b>(1,091)</b></u>	<u><b>(1,657)</b></u>

(b) **Geographical segments**

The following table presents revenue and loss information for the Group's geographical segments for the three months ended 31 March 2010 and 2009:

	Unaudited							
	Three months ended 31 March							
	Hong Kong		Mainland China		Macau		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Segment revenue:</b>								
Sales to external customers	<u>1,488</u>	<u>1,293</u>	<u>2</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>1,490</u>	<u>1,294</u>
<b>Segment results</b>	<b>128</b>	<b>(55)</b>	<b>(42)</b>	<b>(140)</b>	<b>(262)</b>	<b>(252)</b>	<b>(176)</b>	<b>(447)</b>
Unallocated expenses							<u>(915)</u>	<u>(1,210)</u>
<b>Operating loss</b>							<u><b>(1,091)</b></u>	<u><b>(1,657)</b></u>

**4. Other revenue**

	Unaudited	
	Three months ended	
	31 March	
	2010	2009
	HK\$'000	HK\$'000
Interest income on financial assets stated at amortised cost	<u>-</u>	<u>43</u>

**5. Income tax expense**

No Hong Kong profits tax has been provided in both periods as the Group did not generate any assessable profits arising in Hong Kong during the three months ended 31 March 2010 (three months ended 31 March 2009: Nil).

During the three months ended 31 March 2010, no profits taxes have been provided for the subsidiaries operating outside Hong Kong as these subsidiaries have not generated any assessable profits in the respective jurisdictions (three months ended 31 March 2009: Nil).

At 31 March 2010, the Group has deferred tax assets mainly arising from tax losses of the subsidiaries operating in Hong Kong and in the PRC of approximately HK\$5,200,000 and HK\$1,120,000 (At 31 December 2009: HK\$5,221,000 and HK\$1,112,000) respectively. However, deferred tax assets have not been recognised as it is uncertain whether sufficient future taxable profits will be available for utilising the accumulated tax losses. The tax losses of the subsidiaries operating in the PRC can be carried forward for five years and tax losses of the companies within the Group operating in Hong Kong will not be expired under the current tax legislation.



**6. Loss per share**

The calculation of the basic loss per share attributable to the owners of the Company is based on the consolidated loss for the three months ended 31 March 2010 attributable to the owners of the Company of HK\$1,091,000 (three months ended 31 March 2009: HK\$1,657,000) and the weighted average of 8,183,350,989 (three months ended 31 March 2009: 7,808,427,273) ordinary shares of the Company in issue during the periods.

Diluted loss per share for the three months ended 31 March 2010 and 31 March 2009 are not presented as the impacts of the exercise of the outstanding share options were anti-dilutive.

**7. Interim dividend**

The Directors do not recommend the payment of interim dividend for the three months ended 31 March 2010 (three months ended 31 March 2009: Nil).

## **BUSINESS REVIEW AND PROSPECTS**

The consolidated turnover of the Company and its subsidiaries the three months ended 31 March 2010 amounted to HK\$1,490,000, representing an increase of 15.1% from the corresponding period of last year. Loss attributable to shareholders for the three months ended 31 March 2010 amounted to HK\$1,091,000 compared to a loss of HK\$1,657,000 for the corresponding period of last year. The loss per share was HK0.01 cent (three month ended 31 March 2009: HK0.02 cent).

The Group's total operating expenses for the three months ended 31 March 2010 was decreased by 13.6% compared to first three months of 2009. The decrease in the Group's total operating expenses was mainly due to the decrease in general and administrative expenses.

The OEM licensing revenue HK\$114,000 for the three months ended 31 March 2010, representing an increase of 86.9% from the corresponding period of last year.

Packaged software sales of HK\$1,376,000 for the three months ended 31 March 2010, representing an increase of 11.6% from the corresponding period of previous year.

The focus on the Group's efforts for the year 2010 will continue to diversify its business related green energy to derive new sources of revenue, while continue its marketing effort in promoting Q9 CIS. Management believes the Group has sufficient resources and ability to diversify its new business areas, and derives new sources of revenue for the Group in the near future, but in view of the current state of economic and financial market, the Group will exercise prudence in pursuing any new business projects.

## **DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES**

As at 31 March 2010, save for the interest of the directors in share options as below, neither of the directors nor the chief executive of the Company had interests and or short positions in the shares of the Company ("Shares"), underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) ("SFO")) which (i) are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) were recorded in the register required to be kept under Section 352 of the SFO, or (iii) have to be notified to the Company and the Stock Exchange pursuant to the required standards of dealing by directors as referred to in Rule 5.46 of the GEM Listing Rules.

## LONG POSITIONS IN UNDERLYING SHARES OF THE COMPANY

### Share Option

As at 31 March 2010, there were a total of 92,000,000 outstanding share options of the Company granted to the directors of the Company, details of which are summarised in the following table:

Director	Date of grant	Options to subscribe for shares of the Company				Outstanding as at 31 March 2010	Option exercise period	Exercise price per share	Approximate percentage of shareholding
		Outstanding as at 1 January 2010	Granted during the period	Exercised during the period	Lapsed during the period				
Kwan Kin Chung	29/5/2007	16,000,000	-	-	-	16,000,000	29/5/2007 to 28/5/2017	HK\$0.1125	0.195%
Tam Kam Biu William	29/5/2007	20,000,000	-	-	-	20,000,000	29/5/2007 to 28/5/2017	HK\$0.1125	0.244%
Wan Xiaolin	29/5/2007	12,000,000	-	-	-	12,000,000	29/5/2007 to 28/5/2017	HK\$0.1125	0.146%
Chen Man Lung	29/5/2007	16,000,000	-	-	-	16,000,000	29/5/2007 to 28/5/2017	HK\$0.1125	0.195%
Leung Lap Yan	29/5/2007	8,000,000	-	-	-	8,000,000	29/5/2007 to 28/5/2017	HK\$0.1125	0.098%
Leung Lap Fu Warren	29/5/2007	8,000,000	-	-	-	8,000,000	29/5/2007 to 28/5/2017	HK\$0.1125	0.098%
Ip Chi Wai	29/5/2007	4,000,000	-	-	-	4,000,000	29/5/2007 to 28/5/2017	HK\$0.1125	0.049%
Tse Wang Cheung Angus	29/5/2007	4,000,000	-	-	-	4,000,000	29/5/2007 to 28/5/2017	HK\$0.1125	0.049%
Shiu Kwok Keung	29/5/2007	4,000,000	-	-	-	4,000,000	29/5/2007 to 28/5/2017	HK\$0.1125	0.049%
Total		<u>92,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>92,000,000</u>			

#### Notes:

- (i) The above share options were granted pursuant to the Company's share option scheme adopted on 27 April 2007.
- (ii) The number of options granted and the exercise price was adjusted when the Share Subdivision became effective on 3 July 2007.
- (iii) The option exercise period is commenced from the date of grant for ten years. The options may be exercised at any time within the option period provided that the options have been vested. As at 31 March 2010, all options have been vested.

Save as disclosed above, none of the directors or the chief executives of the Company had any interest or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations at 31 March 2010.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2010, according to the register of interests kept by the Company under Section 336 of the SFO, the following parties (in addition to those disclosed above in respect of the directors and chief executives) had interests or short positions in the shares or underlying shares of the Company which were required to be recorded in the register and/or were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group:

### Long positions in shares of the Company

Name of shareholder	Number of shares	Approximate percentage holding
Step Up Co., Ltd.	657,250,000	8.01%
Mr. Kuan Sio Kai ( <i>Note (i)</i> )	657,250,000	8.01%
Winway H.K. Investments Limited	2,098,490,000	25.58%
Culturecom Holdings Limited ( <i>Note (ii)</i> )	2,098,490,000	25.58%
L & W Holding Limited	479,430,000	5.84%
Ms. Chow Lai Wah Livia ( <i>Note (iii)</i> )	669,700,000	8.16%
Mr. Basilio Dizon ( <i>Note (iv)</i> )	669,700,000	8.16%

#### Notes:

- (i) Mr. Kuan Sio Kai is deemed to be interested in 657,250,000 shares through his controlling interest (100%) in Step Up Co., Ltd.
- (ii) Winway H.K. Investments Limited is a wholly-owned subsidiary of Culturecom Investments Limited, which is, in turn, a wholly-owned subsidiary of Culturecom Holdings (BVI) Limited. Culturecom Holdings (BVI) Limited is a wholly-owned subsidiary of Culturecom Holdings Limited. Each of Culturecom Investments Limited, Culturecom Holdings (BVI) Limited and Culturecom Holdings Limited is deemed to be interested in 2,098,439,000 shares through its controlling interest (100%) in Winway H.K. Investments Limited.
- (iii) Ms. Chow Lai Wah Livia ("Ms. Chow") is beneficially interested in 162,690,000 shares in the Company. Ms. Chow is a wife of Mr. Basilio Dizon ("Mr. Dizon") and has controlling interests (65%) in L & W Holding Limited ("L & W"). Accordingly, she is deemed to be interested in 507,010,000 shares in the Company under SFO.
- (iv) Mr. Dizon is a husband of Ms. Chow and has controlling interests 35% and 90.77% in L & W and Harvest Smart Overseas Limited ("Harvest Smart") respectively. Harvest Smart is beneficially interested in 27,580,000 shares in the Company. Accordingly, he is deemed to be interested in 669,700,000 shares in the Company under SFO.

Save as disclosed above, as at 31 March 2010, the Directors are not aware of any other persons who had interests or short positions in the shares or underlying shares of the Company which were interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.

#### **DIRECTORS' INTERESTS IN COMPETING BUSINESS**

None of the Directors or management shareholders of the Company (as defined in the GEM Listing Rules) has an interest in a business which competes or may compete with the business of the Group.

#### **PURCHASE, SALE OR REDEMPTION OF SECURITIES**

The Company has not redeemed any of its shares during three months ended 31 March 2010. Neither the Company nor any of its subsidiaries purchased or sold of the Company's listed securities during the three months ended 31 March 2010.

#### **CORPORATE GOVERNANCE**

The Code on Corporate Governance Practices set out in Appendix 15 of the GEM Listing Rules ("Code") takes effect from 1 January 2005. The Company is committed to maintain a high standard of corporate governance. To maintain a good and solid framework of corporate governance will ensure the Company to run its business in the best interests of the shareholders. Throughout the three months ended 31 March 2010 under review, the Company has complied with the Code.

#### **CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company has also made specific enquiry of the directors of the Company 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 for the three months ended 31 March 2010 under review.

#### **AUDIT COMMITTEE**

The audit committee comprises three independent non-executive directors, namely Mr. Ip Chi Wai, Mr. Tse Wang Cheung Angus and Mr. Shiu Kwok Keung, with written terms of reference in compliance with code provision C.3.3 of the Code as set out in Appendix 15 of the GEM Listing Rules. Mr. Ip Chi Wai is the chairman of the audit committee.

The primary duties of the audit committee are to review and supervise the Group's financial reporting process and internal control procedures. The audit committee has reviewed with management this unaudited first quarterly report.

## **APPROVAL OF THE FINANCIAL STATEMENTS**

The financial statements were approved by the board of directors on 10 May 2010.

By order of the Board

**Leung Lap Yan**

*Chairman*

Hong Kong, 10 May 2010

*As of the date of this announcement, the Board of the Company comprises Mr. Kwan Kin Chung, Mr. Tam Kam Biu William, Mr. Wan Xiaolin and Mr. Chen Man Lung as executive Directors, Mr. Leung Lap Yan and Mr. Leung Lap Fu Warren as non-executive Directors, Mr. Ip Chi Wai, Mr. Tse Wang Cheung Angus and Mr. Shiu Kwok Keung as independent non-executive Directors.*

*This announcement will remain on the GEM website at <http://www.hkgem.com> on the “latest company announcement” page for at least 7 days from the day of its posting and on the Company’s website at [www.bio-cassava.com](http://www.bio-cassava.com).*