



## **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)

### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2010**

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## **FINANCIAL HIGHLIGHTS**

The Group recorded turnover of HK\$2,921,000 for the six months ended 30 June 2010, representing an increase of 1.7% from the corresponding period of last year.

The Group recorded OEM licensing revenue of HK\$233,000 for the six months ended 30 June 2010, representing a decrease of 55.0% from the corresponding period of last year.

Packaged software sales of HK\$2,688,000 for the six months ended 30 June 2010, representing an increase of 14.1% from the corresponding period of last year.

The Group recorded a net loss attributable to owners of the Company for the six months ended 30 June 2010 of HK\$1,972,000 (Six months ended 30 June 2009: HK\$3,371,000).

The Group's total operating and other operating expenses for the six months ended 30 June 2010 were decreased by HK\$996,000, representing a decrease of 15.9% compared to the corresponding period of last year. The decrease in the Group's total operating and other operating expenses was mainly due to decrease in general and administrative expenses for the six months ended 30 June 2010 compared to the corresponding period of last year.

The unaudited consolidated results for the six months ended 30 June 2010 and the comparison with last year are set out in the accompanying tables.

## INTERIM RESULTS (UNAUDITED)

The Board of Directors of China Bio Cassava Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the three months and six months ended 30 June 2010, together with the unaudited comparative figures for the corresponding periods in 2009 as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	<i>Notes</i>	Three months ended		Six months ended	
		30 June		30 June	
		2010	2009	2010	2009
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Revenue</b>	3	<b>1,431</b>	1,579	<b>2,921</b>	2,873
Cost of sales		<b>(143)</b>	(229)	<b>(301)</b>	(419)
<b>Gross profit</b>		<b>1,288</b>	1,350	<b>2,620</b>	2,454
Other revenue	4	<b>676</b>	347	<b>676</b>	439
Selling and distribution expenses		<b>(980)</b>	(742)	<b>(1,757)</b>	(1,427)
Research and development expenses		<b>(271)</b>	(571)	<b>(851)</b>	(1,145)
General and administrative expenses		<b>(1,309)</b>	(1,561)	<b>(2,375)</b>	(3,155)
Other operating expenses		<b>(285)</b>	(537)	<b>(285)</b>	(537)
<b>Operating loss</b>		<b>(881)</b>	(1,714)	<b>(1,972)</b>	(3,371)
Finance costs		–	–	–	–
<b>Loss before income tax</b>	5	<b>(881)</b>	(1,714)	<b>(1,972)</b>	(3,371)
Income tax expense	6	–	–	–	–
<b>Loss for the period</b>		<b>(881)</b>	(1,714)	<b>(1,972)</b>	(3,371)
		<i>HKcent</i>	<i>HKcent</i>	<i>HKcent</i>	<i>HKcent</i>
<b>Loss per share for the period</b>	8				
– Basic		<b>(0.01)</b>	(0.02)	<b>(0.02)</b>	(0.04)
– Diluted		<b>N/A</b>	N/A	<b>N/A</b>	N/A

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

	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>30 June</b>		<b>30 June</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Loss for the period</b>	<b>(881)</b>	<b>(1,714)</b>	<b>(1,972)</b>	<b>(3,371)</b>
<b>Other comprehensive (loss) income</b>				
Exchange differences arising on translating foreign operations	<u>(518)</u>	<u>44</u>	<u>(512)</u>	<u>4</u>
<b>Total comprehensive loss for the period</b>	<b><u>(1,399)</u></b>	<b><u>(1,670)</u></b>	<b><u>(2,484)</u></b>	<b><u>(3,367)</u></b>
<b>Total comprehensive loss attributable to:</b>				
– Owners of the Company	<b><u>(1,399)</u></b>	<b><u>(1,670)</u></b>	<b><u>(2,484)</u></b>	<b><u>(3,367)</u></b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At <b>30 June 2010</b> <i>HK\$'000</i> <b>(unaudited)</b>	At 31 December 2009 <i>HK\$'000</i> (audited)
	<i>Notes</i>		
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	1,241	1,342
Prepaid lease payments		–	2,097
Available-for-sales investment		7	7
		<hr/>	<hr/>
		<b>1,248</b>	3,446
		<hr/>	<hr/>
<b>Current assets</b>			
Inventories	10	149	161
Financial assets at fair value through profit or loss		1,598	1,222
Trade receivables	11	529	333
Prepayments, deposits and other receivables		1,302	757
Amount due from a related company		1,435	384
Cash and cash equivalents		12,651	15,087
		<hr/>	<hr/>
		<b>17,664</b>	17,944
		<hr/>	<hr/>
<b>Current liabilities</b>			
Trade payables	12	88	87
Amount due to a related company		2	–
Other payables and accrued expenses		2,282	2,279
		<hr/>	<hr/>
		<b>2,372</b>	2,366
		<hr/>	<hr/>
<b>Net current assets</b>		<b>15,292</b>	15,578
		<hr/>	<hr/>
<b>Net assets</b>		<b>16,540</b>	19,024
		<hr/> <hr/>	<hr/> <hr/>
<b>CAPITAL AND RESERVES</b>			
Equity attributable to the owners of the Company			
Share capital	13	20,508	20,508
Reserves		(3,968)	(1,484)
		<hr/>	<hr/>
<b>Total equity</b>		<b>16,540</b>	19,024
		<hr/> <hr/>	<hr/> <hr/>

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

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Share option reserve <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Warrant reserve <i>HK\$'000</i>	Reorganisation reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
					<i>(Note a)</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	-	-	-	-	-	-	-	(3,371)	(3,371)
Other comprehensive income for the period	-	-	-	-	-	-	4	-	4
Total comprehensive income (loss) for the period	-	-	-	-	-	-	4	(3,371)	(3,367)
Exercise of warrants	998	8,684	-	-	(2,097)	-	-	-	7,585
At 30 June 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>304</u>	<u>(156,163)</u>	<u>29,247</u>
At 1 January 2010	20,508	120,370	33,514	37	-	3,000	291	(158,696)	19,024
Loss for the period	-	-	-	-	-	-	-	(1,972)	(1,972)
Other comprehensive loss for the period	-	-	-	-	-	-	(512)	-	(512)
Total comprehensive loss for the period	-	-	-	-	-	-	(512)	(1,972)	(2,484)
At 30 June 2010	<u>20,508</u>	<u>120,370*</u>	<u>33,514*</u>	<u>37*</u>	<u>-</u>	<u>3,000*</u>	<u>(221)*</u>	<u>(160,668)*</u>	<u>16,540</u>

*Note:*

- (a) The warrant reserve represents the proceeds from the placing of 249,200,000 warrants (“Warrants”) completed on 19 January 2007. The subscription period of the Warrants was expired on 23 January 2009, the outstanding Warrants were lapsed during the year ended 31 December 2009.

\* These reserve accounts comprise the consolidated reserves in the condensed consolidated statement of financial position.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)**

	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2010</b>	<b>2009</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
<b>Net cash used in operating activities</b>	<b>(2,433)</b>	<b>(4,015)</b>
<b>Net cash used in investing activities</b>	<b>(3)</b>	<b>(17)</b>
<b>Net cash from financing activities</b>	<b>—</b>	<b>7,585</b>
<b>(Decrease) increase in cash and cash equivalents</b>	<b>(2,436)</b>	<b>3,553</b>
<b>Cash and cash equivalents at 1 January</b>	<b>15,087</b>	<b>17,105</b>
<b>Cash and cash equivalents at 30 June</b>	<b>12,651</b>	<b>20,658</b>

*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 six months ended 30 June 2010.

**2. Basis of preparation and accounting policies**

The unaudited condensed consolidated interim financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value. The accounting policies and basis of preparation adopted in these interim financial statements are consistent with those adopted in the Group's annual financial statements for the year ended 31 December 2009, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (which include individual HKFRSs, Hong Kong Accounting Standards and Interpretations).

The condensed consolidated interim financial statements have not been audited by the Company's auditors but have been reviewed by the Company's audit committee.

The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2009.

In the current period, the Group has applied, for the first time, all the revised HKFRSs, Hong Kong Accounting Standards ("HKASs"), Amendments to Standards and Interpretations ("INT(s)") (hereinafter collectively referred to as "New HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are or have become effective for the Group's financial year beginning on 1 January 2010.



HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs 2008 <sup>1</sup>
HKFRSs (Amendments)	Improvements to HKFRSs 2009 <sup>2</sup>
HKAS 24 (Revised)	Related Party Disclosures <sup>3</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>4</sup>
HKAS 32 (Amendment)	Classification of Rights Issues <sup>5</sup>
HKAS 39 (Amendment)	Eligible Hedged Items <sup>4</sup>
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards <sup>4</sup>
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters <sup>6</sup>
HKFRS 2 (Amendment)	Group Cash-settled Share based Payment Transactions <sup>6</sup>
HKFRS 3 (Revised)	Business Combinations <sup>4</sup>
HKFRS 9	Financial Instruments <sup>7</sup>
HK (IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement <sup>3</sup>
HK (IFRIC) – Int 17	Distributions of Non-cash Assets to Owners <sup>4</sup>
HK (IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments <sup>8</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2009

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2011

<sup>4</sup> Effective for annual periods beginning on or after 1 July 2009

<sup>5</sup> Effective for annual periods beginning on or after 1 February 2010

<sup>6</sup> Effective for annual periods beginning on or after 1 January 2010

<sup>7</sup> Effective for annual periods beginning on or after 1 January 2013

<sup>8</sup> Effective for annual periods beginning on or after 1 July 2010

The directors of the Company anticipate that the application of the new and revised standards, amendments or INTs will have no material impact on the unaudited condensed consolidated interim financial statements.

### 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 six months ended 30 June 2010 and 30 June 2009 are as follows:

	Unaudited		Unaudited	
	Three months ended		Six months ended	
	30 June		30 June	
	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sale of goods	1,312	1,122	2,688	2,355
Licensing income	119	457	233	518
	<u>1,431</u>	<u>1,579</u>	<u>2,921</u>	<u>2,873</u>

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 (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 (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).

## Business segments

The following is an analysis of the Group's revenue and results by reportable segment for the six months ended 30 June 2010 and 2009:

	Sales and licensing of software and embedded systems		Unaudited Six months ended Development of biotech renewable energy		Consolidated	
	2010	2009	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Segment revenue:</b>						
Sales to external customers	<u>2,921</u>	<u>2,873</u>	<u>-</u>	<u>-</u>	<u>2,921</u>	<u>2,873</u>
<b>Segment results</b>	<b>19</b>	<b>9</b>	<b>(139)</b>	<b>(1,234)</b>	<b>(120)</b>	<b>(1,225)</b>
Bank interest income					1	44
Net fair value gain on financial assets at fair value through profit or loss					376	395
Gain on disposal of a subsidiary					299	-
Unallocated expenses					<u>(2,528)</u>	<u>(2,585)</u>
Operating loss					<u>(1,972)</u>	<u>(3,371)</u>
Finance costs					<u>-</u>	<u>-</u>
<b>Loss for the period</b>					<u><b>(1,972)</b></u>	<u><b>(3,371)</b></u>

## 4. Other revenue

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest income on financial assets stated at amortised cost	1	1	1	44
Net fair value gain on financial assets at fair value through profit or loss	376	346	376	395
Gain on disposal of a subsidiary	299	-	299	-
	<u>676</u>	<u>347</u>	<u>676</u>	<u>439</u>

## 5. Loss before income tax

	Unaudited		Unaudited	
	Three months ended		Six months ended	
	30 June		30 June	
	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss before income tax is arrived at after charging (crediting):				
Depreciation for property, plant and equipment	48	45	94	90
Write-off of prepaid lease payments*	285	–	285	–
Write-off of deposits paid for plant and equipment*	–	537	–	537
	<u>–</u>	<u>537</u>	<u>–</u>	<u>537</u>

\* Included in other operating expenses

## 6. Income tax expense

No Hong Kong profits tax has been provided as the Group did not generate any assessable profits arising in Hong Kong for the six months ended 30 June 2010 (Six months ended 30 June 2009: Nil).

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 during the six months ended 30 June 2010 (Six months ended 30 June 2009: Nil).

At 30 June 2010, the Group has deferred tax assets mainly arising from tax losses of the subsidiaries operating in Hong Kong and in the People's Republic of China ("PRC") of approximately HK\$6,500,000 and HK\$1,130,000 respectively (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.

## 7. Interim dividend

The Board of Directors do not recommend the payment of interim dividend for the six months ended 30 June 2010 (Six months ended 30 June 2009: Nil).

## 8. Loss per share

The calculation of the basic loss per share attributable to the owners of the Company is based on the Group's unaudited consolidated loss attributable to owners of the Company for the three months and six months ended 30 June 2010 of HK\$881,000 and HK\$1,972,000 respectively (three months and six months ended 30 June 2009: HK\$1,714,000 and HK\$3,371,000 respectively) and on the weighted average number of shares of 8,186,675,824 (three months and six months ended 30 June 2009: 8,155,037,778) ordinary shares of the Company in issue during the periods.

Diluted loss per share for the three months and six months ended 30 June 2010 and 30 June 2009 are not presented as the impacts of the exercise of the outstanding share options were anti-dilutive.

**9. Property, plant and equipment**

There was no addition of property, plant and equipment for the six months ended 30 June 2010 (2009: HK\$8,000).

**10. Inventories**

	<b>Unaudited</b> <b>30 June</b> <b>2010</b> <i>HK\$'000</i>	Audited 31 December 2009 <i>HK\$'000</i>
Merchandise	107	122
Finished goods	42	39
	<hr/>	<hr/>
	<b>149</b>	161
	<hr/> <hr/>	<hr/> <hr/>

**11. Trade receivables**

	<b>Unaudited</b> <b>30 June</b> <b>2010</b> <i>HK\$'000</i>	Audited 31 December 2009 <i>HK\$'000</i>
Trade receivables	529	333
	<hr/> <hr/>	<hr/> <hr/>

The Group generally allows an average credit term of 30-90 days to its trade customers. The ageing analysis of the trade receivables was as follows:

	<b>Unaudited</b> <b>30 June</b> <b>2010</b> <i>HK\$'000</i>	Audited 31 December 2009 <i>HK\$'000</i>
0 - 30 days	176	100
31-90 days	353	208
91-180 days	-	25
	<hr/>	<hr/>
	<b>529</b>	333
	<hr/> <hr/>	<hr/> <hr/>

The carrying amounts of trade receivables approximate to their fair value.

## 12. Trade payables

The Group was granted by its suppliers for a credit period of 30 days. The following is an aged analysis of trade payables presented based on the invoice date:

	<b>Unaudited 30 June 2010 HK\$'000</b>	<b>Audited 31 December 2009 HK\$'000</b>
0 - 30 days	63	47
31-90 days	14	32
91-180 days	1	2
Over 180 days	10	6
	<u>88</u>	<u>87</u>

The carrying amounts of trade payables approximate to their fair value.

## 13. Share capital

	<i>Note</i>	<b>Number of shares of HK\$0.0025 each '000</b>	<b>Share capital HK\$'000</b>
Authorised:			
At 1 January 2009 and 31 December 2009 (audited)		200,000,000	500,000
At 1 January 2010 and 30 June 2010 (unaudited)		<u>200,000,000</u>	<u>500,000</u>
Issued and fully paid:			
At 1 January 2009		7,804,100	19,510
Exercise of warrants	(a)	399,200	998
<b>At 31 December 2009 (audited) and 30 June 2010 (unaudited)</b>		<u><b>8,203,300</b></u>	<u><b>20,508</b></u>

*Note:*

(a) Exercise of warrants

On 13 December 2006, the Company entered into the placing agreement with the placing agent in connection with the placing, on a fully underwritten basis, to place up to 249,200,000 warrants conferring rights to subscribe up to 249,200,000 shares at an initial subscription price of HK\$0.076 per share. The warrants are placed at an issue price of HK\$0.025 per warrant. Each warrant entitles the holder thereto to subscribe for 1 share of HK\$0.01 each at an initial subscription price of HK\$0.076 per share, subject to adjustment, during the two-year period commencing from the date of listing of the warrants. The placing was completed on 19 January 2007 and 249,200,000 warrants were fully placed. Dealings in the warrants on the Hong Kong Stock Exchange commenced on 29 January 2007.

Pursuant to an ordinary resolution passes on 29 June 2007, with effective from 3 July 2007, 1 share of HK\$0.01 each in the issued and unissued share capital of the Company were subdivided into 4 shares of HK\$0.0025 each (the “Share Subdivision”).

During the period ended 30 June 2009, warrant subscription amounting to HK\$7,584,800 was received, representing 399,200,000 warrants converted into 399,200,000 shares of HK\$0.0025 each with the subscription price of HK\$0.019 per share.

The subscription period of the remaining 271,600,000 warrants for subscribing 271,600,000 shares were expired on 23 January 2009.

#### 14. Share-based employee compensation

The share options vest upon the commencement of the exercise period, which is determined by the directors of the Company at the date of grant.

All share-based employee compensation will be settled in equity. The Group has no legal or constructive obligation to repurchase or settle the options. There were no share options granted and cancelled during the six months ended 30 June 2010. There is no movement for the share options during the six months ended 30 June 2010 and 30 June 2009.

	2010	2010	2009	2009
		Weighted		Weighted
		average		average
		exercise price		exercise price
	<i>Number</i>	<i>HK\$</i>	<i>Number</i>	<i>HK\$</i>
At 30 June 2009 and 30 June 2010	<u>756,760,000</u>	<u>0.1125</u>	<u>756,760,000</u>	<u>0.1125</u>

All share options as at 30 June 2009 and 30 June 2010 are accounted for under HKFRS 2 “Share-based Payment”. The options outstanding at 30 June 2010 had a weighted average remaining contractual life of 6.9 years. The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

	<b>2010</b>	<b>2010</b>	2009	2009
		<b>Weighted</b>		Weighted
		<b>average</b>		average
		<b>exercise price</b>		exercise price
	<i>Number</i>	<i>HK\$</i>	<i>Number</i>	<i>HK\$</i>
Exercisable period:				
29 May 2007 to 28 May 2017	<b><u>756,760,000</u></b>	<b><u>0.1125</u></b>	<u>756,760,000</u>	<u>0.1125</u>

The options may be exercised at any time of the option period provided that the options have been vested. The options were vested upon commencement of exercise period.

The fair value of options granted on 29 May 2007 of HK\$33,514,000, in which HK\$4,461,000 was granted to directors and employees and HK\$29,053,000 was granted to consultants, were determined by an independent third party valuer using the Binomial Model, with modification to reflect the exit rate and exercise pattern on the option value.

The fair value of services received from consultants was measured, indirectly, by reference to the fair value of the options granted as the fair value of the services received could not be estimated reliably by the Company.

Key assumptions used in the valuation of the options granted on 29 May 2007 include: (i) an expected nil dividend yield per annum, (ii) volatility of share price of about 105% per annum (estimation of volatility for underlying stock price has considered the history price movement of the Company, and it is projected on a constant annualised standard deviation on the price movement of 105% to be applied throughout the option’s life), (iii) a risk free rate of 4.47%, by reference to the yield of 10-year of Exchange Fund Notes, (iv) that the directors, employees and consultants will exercise their share options if the share price is above the exercise price by 2 times, 1.5 times and 1.5 times respectively and (v) exit rate for directors, employees and consultants of 27%, 43% and 0% per annum respectively.

A total of HK\$33,514,000 of share-based compensation expenses was included in the consolidated income statement for the year ended 31 December 2007 which gave rise to share option reserve. No liabilities were recognised due to share-based payment transactions.



## 15. Commitments

### (a) Capital commitments

	<b>Unaudited</b> <b>30 June</b> <b>2010</b> <i>HK\$'000</i>	Audited 31 December 2009 <i>HK\$'000</i>
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	<u>2,738</u>	<u>2,738</u>

### (b) Commitments under operating leases

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancelable operating leases which fall due as follows:

	<b>Unaudited</b> <b>30 June</b> <b>2010</b> <i>HK\$'000</i>	Audited 31 December 2009 <i>HK\$'000</i>
Within one year	<u>649</u>	928
In the second to the fifth year inclusive	<u>98</u>	17
	<u>747</u>	<u>945</u>

## 16. Material related party transactions

- (a) Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

	<i>Notes</i>	<b>Unaudited</b>		<b>Unaudited</b>	
		<b>Three months ended</b>		<b>Six months ended</b>	
		<b>30 June</b>		<b>30 June</b>	
		<b>2010</b>	2009	<b>2010</b>	2009
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Office rental expenses					
– Culturecom Centre Limited	(i)	<b>95</b>	95	<b>189</b>	189
– Winway H.K. Investments Limited	(ii)	<b>138</b>	138	<b>276</b>	276
		<u>233</u>	<u>233</u>	<u>465</u>	<u>465</u>
Consultancy fees					
– Ms. Heidi Leung	(iii)	<b>90</b>	90	<b>180</b>	180

*Notes:*

- (i) Rental agreement for office in Kwun Tong was entered into with Culturecom Centre Limited, a subsidiary of Culturecom Holdings Limited, one of the substantial shareholders of the Company, with rental charged at fixed monthly fees.
  - (ii) Rental agreement for office was entered into with Winway H.K. Investments Limited, a subsidiary of Culturecom Holdings Limited, with rental charged at fixed monthly fees.
  - (iii) The Group paid monthly consultancy fees of HK\$30,000 to Ms. Heidi Leung, who provides marketing and public relationship services, is the daughter of one of the non-executive directors of the Company, Mr. Leung Lap Yan.
- (b) During the six months ended 30 June 2010, the compensation (including short-term employee benefits and post-employment benefits) amounting to HK\$715,000 was paid to key management personnel (Six months ended 30 June 2009: HK\$1,214,000).
- (c) Included in other payables and accrued expenses is amount due to Mr. Leung Lap Yan, one of the non-executive directors of the Company, approximately of HK\$73,900 (31 December 2009: HK\$23,000). The amount due to a director is unsecured, interest free and repayable on demand.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **Liquidity and financial resources**

The Group has no interest bearing debt. The Group relies on the internal resources, the net proceeds from its IPO and the subsequent issue of warrants and rights issue as the sources of funding. The Group keeps most of its cash in Hong Kong dollars in the bank accounts and short term deposits as working capital of the Group. The Group keeps a minimum amount of cash as working capital in the bank account of its subsidiary in PRC in Renminbi and the balance in Hong Kong dollars.

The Group had no credit facilities and no borrowing outstanding as at 30 June 2010 (31 December 2009: Nil).

There was no charge on the Group's assets as at 30 June 2010 (31 December 2009: Nil).

The Group had no debt as at 30 June 2010 (31 December 2009: Nil).

The gearing ratio of the Group, based on total debt to total equity, was nil as at 30 June 2010 (31 December 2009: Nil).

### **Order book**

Due to the nature of the Group's business, the Group does not maintain an order book.

### **Investment**

Since 31 December 2009, there was no other significant investment held by the Group.

### **Acquisition, disposal of subsidiary and affiliated companies**

On 28 January 2010, Q9-Tech Energy Development Limited, a wholly owned subsidiary of the Company, as vendor, Den Jiankun, Xie Yueyuan and Deng Jing, collectively as Purchasers, and 羅定市豐智發展有限公司 (Luoding Fengzhi Development Company Limited)\* as Guarantor entered into a sale and purchase agreement regarding discloseable transaction. Pursuant to the sale and purchase agreement, the purchasers agreed to purchase and the vendor agreed to sell the entire equity interest in 雲浮市九方農業科技發展有限公司 (Yunfu City Jiufang Agriculture Science and Technology Development Company Limited)\*, a wholly owned subsidiary of the Company, at a cash consideration of RMB2,000,000 (approximately HK\$2,298,851). Details of the information were contained in the Company's announcement dated 28 January 2010.

\* English name for identification purposes only

Except the above, the Group did not have any material acquisition or disposal of subsidiaries or affiliated companies for the six months ended 30 June 2010 (30 June 2009: Nil).

### **Employee information**

As at 30 June 2010, the Group employed 28 staff (30 June 2009: 35). Total staff costs, including directors' emoluments were approximately HK\$2.6 million for the six months ended 30 June 2010 as compared with that of approximately HK\$3.0 million for the corresponding period of the preceding financial year.

The Group remunerated its employees mainly based on industry practices and individual's performance and experience. On top of regular remuneration, discretionary bonuses and share options may be granted to eligible staff by reference to the Group's performance as well as the individuals' performance.

### **Future plans for material investments and capital assets**

The Group will continue to promote its existing products, Q9 CIS Chinese and English version, to OEM customers in the Greater China region, and the Group will continue to identify new business opportunities and diversify its business to new business areas so as to derive new sources of revenue.

### **Segment information**

Details of the segment information have been set out in Note 3 under notes to the unaudited interim financial statements.

### **Hedging policy**

The Group does not have any material exposure to fluctuations in exchange or interest rates. Therefore, no hedging measures have been taken at present.

### **Contingent liabilities**

The Group does not have any contingent liabilities as at 30 June 2010 (31 December 2009: Nil).

## **BUSINESS REVIEW AND PROSPECTS**

The consolidated turnover of the Company and its subsidiaries the six months ended 30 June 2010, amounted to HK\$2,921,000, representing an increase of 1.7% from the corresponding period of last year. Loss attributable to owners of the Company for the six months ended 30 June 2010 amounted to HK\$1,972,000 compared to a loss of HK\$3,371,000 for the corresponding period of last year. The loss per share was HK0.02 cent (Six month ended 30 June 2009: loss per share of HK0.04 cent).

The Group's total and other operating expenses for the six months ended 30 June 2010 was decreased by HK\$996,000, representing a decrease of 15.9% compared to the corresponding period of last year. The decrease in the Group's total operating expenses was mainly due to decrease in general and administrative expenses for the six months ended 30 June 2010 compared to the corresponding period of last year.

The OEM licensing revenue HK\$233,000 for the six months ended 30 June 2010, representing a decrease of 55.0% from the corresponding period of last year.

Packaged software sales of HK\$2,688,000 for the six months ended 30 June 2010, representing an increase of 14.1% from the corresponding period of previous year.

In addition to the continuing focus of the Group in promoting its existing products, Q9 CIS Chinese and English version, to OEM customers in the Greater China region, the Group is contemplating to diversify its business to new business areas and identify new business opportunities so as to derive new sources of revenue. Management believes the Group has sufficient resources and ability to diversify its new business areas related to the new business, and derives new sources of revenue for the Group in the near future.

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

As at 30 June 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 provision 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 30 June 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 30 June 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		92,000,000	-	-	-	92,000,000			

#### Note:

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 30 June 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 30 June 2010.

## SHARE OPTION SCHEMES

On 27 April 2007, a new share option scheme (the “New Share Option Scheme”) was adopted by the shareholders of the Company and the share option scheme adopted by the Company on 30 April 2002 (the “Old Share Option Scheme”) was terminated accordingly on the same date. No share option was outstanding under the Old Share Option Scheme.

As at 30 June 2010, options to subscribe for up to an aggregate of 756,760,000 shares of HK\$0.0025 each had been granted by the Company under the New Share Option Scheme. Details of the share options which had been granted under the Share Option Scheme are as follows:

Category of participant	Date of grant	Options to subscribe for shares of the Company				Outstanding as at 30 June 2010	Option exercise period	Exercise price per share
		Outstanding as at 1 January 2010	Granted during the period	Exercised during the period	Lapsed during the period			
Directors of the Company	29/5/2007	92,000,000	-	-	-	92,000,000	29/5/2007 to 28/5/2017	HK\$0.1125
Employees other than the directors of the Company	29/5/2007	12,000,000	-	-	-	12,000,000	29/5/2007 to 28/5/2017	HK\$0.1125
Consultants	29/5/2007	652,760,000	-	-	-	652,760,000	29/5/2007 to 28/5/2017	HK\$0.1125
Total		<u>756,760,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>756,760,000</u>		

### Notes:

- (i) 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 30 June 2010, all options have been vested.
- (ii) During the period, there were no options being exercised, cancelled or lapsed.

Details of options granted to directors of the Company under the Share Option Scheme are set out in the sub-section headed “Long Positions in Underlying Shares of the Company” under the section headed “Directors’ and Chief Executive’s Interests and Short Positions in Shares, Underlying Shares and Debentures”.

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

As at 30 June 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.	652,990,000	7.96%
Mr. Kuan Sio Kai ( <i>Note (i)</i> )	652,990,000	7.96%
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 652,990,000 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 2,098,490,000 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 30 June 2010, the directors of the Company 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 six months ended 30 June 2010. Neither the Company nor any of its subsidiaries purchased or sold of the Company's listed securities during the six months ended 30 June 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 six months ended 30 June 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 with 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 six months ended 30 June 2010.

### **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 Group's unaudited condensed consolidated interim results for the six months ended 30 June 2010 have been reviewed by the audit committee together with management, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

## **APPROVAL OF THE INTERIM FINANCIAL STATEMENTS**

The interim financial statements were approved by the Board of Directors on 13 August 2010.

By order of the Board

**Leung Lap Yan**

*Chairman*

Hong Kong, 13 August 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 [www.hkgem.com](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).*