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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)

PRIVATE PLACING OF UP TO 800,000,000 LISTED WARRANTS

Placing Agent



KINGSTON SECURITIES LTD.

Financial adviser to the Company



KINGSTON CORPORATE FINANCE LTD.

THE PLACING

On 29 December 2010 (after trading hours), the Company entered into the Placing Agreement with the Placing Agent in connection with the Placing, on a best effort basis, to place up to 800,000,000 Warrants conferring rights to subscribe up to HK\$47,200,000 in aggregate in cash for up to 800,000,000 Shares at an initial subscription price of HK\$0.059 per Share (subject to adjustments under certain circumstances, including consolidation or subdivision of Shares, capitalisation of profits or reserves or capital distribution) to more than 100 professional, institutional and/or other investors and securities dealers who are independent of and not connected with, and not being parties acting in concert with the Company and its subsidiaries and their connected persons (as defined in the GEM Listing Rules). The Warrants are to be placed at an issue price of HK\$0.01 per Warrant.

The Placing is conditional upon several conditions. The maximum gross proceeds from the Placing will be HK\$8,000,000 and the maximum net proceeds from the Placing will be approximately HK\$7,030,000 which are intended to be used by the Group as general working capital of the Group and any additional proceeds from the

issue of new Shares upon exercise of the subscription rights attaching to the Warrants in future up to a maximum amount of approximately HK\$47,200,000 will be applied as general working capital of the Group.

The Placing Agreement contains provisions entitling the Placing Agent to terminate its obligations thereunder in its absolute discretion on the occurrence of certain events (see the section with heading “Force majeure” below for details). If the obligations of the Placing Agent under the Placing Agreement are so terminated, the Placing will not proceed.

GENERAL

Application will be made to the GEM Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Warrants and any Shares that may fall to be issued upon the exercise of the subscription rights attaching to the Warrants. Subject to the fulfillment of the conditions set out in the section headed “Conditions of the Placing” below, it is expected that dealings in the Warrants on the Stock Exchange will commence on 18 February 2011.

Placing Agreement dated 29 December 2010

Placing Agent

The Placing Agent has conditionally agreed to place the Warrants, as agent for the Company, by way of private placement on a best effort basis and will receive a placing commission of 2% on the gross issue proceeds of such number of Warrants successfully placed by it. The placing commission was negotiated on arm’s length basis between the Company and the Placing Agent and determined with reference to, amongst other things, the market rate and the price performance of the Shares. The Directors (including the independent non-executive Directors) consider that the terms of the Placing, including the placing commission, are fair and reasonable based on the current market conditions and the Placing is in the interests of the Company and Shareholders as a whole.

To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owners are third parties independent of and are not connected with the Company and its connected persons (as defined in the GEM Listing Rules).

Amount of securities to be issued by the Company and to be placed by the Placing Agent

The Company has agreed to issue, and the Placing Agent has conditionally agreed to place, up to 800,000,000 Warrants conferring rights in registered form to subscribe up to HK\$47,200,000 in aggregate in cash for up to 800,000,000 Shares at an initial subscription price of HK\$0.059 per Share (subject to adjustments under certain circumstances, including consolidation or subdivision of Shares, capitalisation of profits or reserves or capital distribution). Further announcement will be made by the Company if the number of Warrants being placed is less than 800,000,000. Further details of the applicable adjustment events will be set out in the Prospectus.

As at the date of this announcement, the Company has 8,203,300,000 Shares in issue. Assuming all of the 800,000,000 Warrants are subscribed for and exercised in full, the Shares to which the Warrants relate represent approximately 9.75% of the issued share capital of the Company as at the date of this announcement and approximately 8.89% of the issued share capital of the Company as enlarged by the allotment and issue of the 800,000,000 Shares to upon exercise of 800,000,000 Warrants.

Save for the outstanding 756,760,000 Share Options granted entitling the holders thereof to subscribe for up to 756,760,000 Shares, the Company has no outstanding options or warrants or other convertible securities as at the date of this announcement.

Placees

The placees shall be professional, institutional and/or other investors and securities dealers independent of and not connected with, and not being parties acting in concert with the Company and its subsidiaries and their connected persons (as defined in the GEM Listing Rules).

The total number of holders of Warrants will be no less than 100 placees as required by Rule 11.23(3)(b)(ii) of the GEM Listing Rules at the time of listing of the Warrants. The market capitalisation of the listed Warrants upon listing will be approximately HK\$8,000,000 and the Company has complied with Rule 11.23(3)(b)(i) of the GEM Listing Rules.

Placing Price

The Placing Price is HK\$0.01 per Warrant and is determined based on negotiations on arm's length basis (with reference to the Company's share price performance) between the Company and the Placing Agent. The Directors (including the independent non-executive Directors) consider that the Placing Price is fair and reasonable.

Terms of the Warrants

The Warrants will be issued in registered form subject to and with the benefit of the Instrument to be executed by the Company by way of a deed poll.

Each Warrant will give the holder thereof the right to subscribe for a Share based on an initial subscription price of HK\$0.059 per Share (subject to adjustments). The aggregate of the Placing Price of HK\$0.01 per Warrant and the initial subscription price of HK\$0.059 per Share, i.e. HK\$0.069, represented (i) a premium of approximately 25.45% over the closing price of HK\$0.055 per Share quoted on the Stock Exchange on 29 December 2010, being the date of the Placing Agreement; (ii) a premium of approximately 23.21% over the average closing price of HK\$0.056 per Share quoted on the Stock Exchange for the last five trading days immediately prior to the date of the Placing Agreement; and (iii) a premium of approximately 11.29% over the average closing price of approximately HK\$0.062 per Share quoted on the Stock Exchange for the last ten trading days immediately prior to the date of Placing Agreement.

The initial subscription price of HK\$0.059 per Share (subject to adjustments) represented: (i) a premium of approximately 7.27% over the closing price of HK\$0.055 per Share quoted on the Stock Exchange on 29 December 2010, being the date of the Placing Agreement; (ii) a premium of approximately 5.36% over the average closing price of HK\$0.056 per Share quoted on the Stock Exchange for the last five trading days immediately prior to the date of Placing Agreement; and (iii) a discount of approximately 4.84% to the average closing price of approximately HK\$0.062 per Share quoted on the Stock Exchange for the last ten trading days immediately prior to the date of Placing Agreement.

The subscription rights attaching to the Warrants may be exercised within the two-year period from the date of commencement of dealings of the Warrants on the Stock Exchange, which is expected to be from 18 February 2011 to 17 February 2013, both days inclusive. Any subscription rights attaching to the Warrants which have not been exercised on or before the last day of the Subscription Period will lapse and the Warrants will cease to be valid for all purposes following such date. For the purpose of dealings on the Stock Exchange, the board lot of the Warrants will be 200,000.

The new Shares falling to be issued upon exercise of the subscription rights attaching to the Warrants will rank *pari passu* in all respects with the then existing issued Shares.

Under the terms of the Warrants, the Company shall be at liberty to issue further warrants to subscribe for Shares in the capital of the Company in such manner and on such terms as it sees fit.

Force majeure

The Placing Agent shall have the right to terminate the Placing Agreement by notice in writing to the Company at any time prior to 5:30 p.m. on the Completion Date if in the absolute opinion of the Placing Agent, the success of the Placing contemplated hereunder would be materially and adversely affected by:

- (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the absolute opinion of the Placing Agent materially and adversely affect the business or the financial or trading position or prospects of the Company as a whole or is materially adverse in the context of the subscription contemplated hereunder; or
- (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic or other nature (whether or not *eiusdem generis* with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the absolute opinion of the Placing Agent materially and adversely affect the business or the financial

or trading position or prospects of the Company as a whole or materially and makes it inexpedient or inadvisable to proceed with the subscription contemplated hereunder; or

- (c) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the absolute opinion of the Placing Agent is likely to materially or adversely affect the success of the subscription contemplated hereunder or otherwise makes it inexpedient or inadvisable to proceed with the subscription contemplated hereunder; or
- (d) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or
- (e) any material breach of any of the representations, warranties or undertakings contained hereinabove (as the case may be) comes to the knowledge of the Placing Agent; or
- (f) any suspension in the trading of all securities listed on the Stock Exchange generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive Business Days, excluding any suspension in connection with the clearance of this announcement or the prospectus or other announcements in connection with the Placing.

Reasons for the Placing and use of proceeds

The Directors consider that the Placing is a suitable opportunity to raise capital for the Company. In particular, (i) it does not have an instant dilution effect on the shareholding of the existing Shareholders; (ii) it raises funds immediately upon completion of the Placing, and if the Warrants are exercised, further funds will be raised for additional general working capital and the financial conditions and shareholder base of the Company will accordingly be strengthened; and (iii) it provides investors with an alternative means to invest in the Company.

The maximum gross proceeds from the Placing will be HK\$8,000,000 and the maximum net proceeds from the Placing will be approximately HK\$7,030,000 which are intended to be used by the Group as general working capital of the Group and any additional proceeds from the issue of new Shares upon exercise of the subscription rights attaching to the Warrants in future up to a maximum amount of approximately HK\$47,200,000 will be applied as general working capital of Group. As at the date of this announcement, no specific investment projects have been identified by the Group. The Company will bear the expenses related to the Placing, which is expected to amount to approximately HK\$970,000.

The Warrants will be issued under the general mandate granted to the Directors at the annual general meeting of the Company held on 18 May 2010 and such mandate has not been utilized as at the date of this announcement. As such, no specific Shareholders' approval is required for the issue of the Warrants and the Shares to be issued upon exercise of the subscription rights attached to the Warrants. Assuming the full exercise of the subscription rights attaching to the Warrants, the total funds, including the funds raised by the Placing and exercise of the subscription rights attaching to the Warrants, to be raised is approximately HK\$54,130,000, net of, among other fees, the commission of the Placing, the administration fee, the printing expenses and the fees for the application of listing the new Shares. Based on the above, the net issue price per Share issued pursuant to the funds raised by the Placing and exercise of the subscription rights attached to the Warrants is approximately HK\$0.068.

Conditions of the Placing

Completion of the Placing Agreement is conditional on the fulfillment of the following conditions on or before 5:30 p.m. on the Completion Date:

- (a) the GEM Listing Committee of the Stock Exchange having granted (either unconditionally or subject only to conditions to which the Company and Placing Agent do not reasonably object) listing of and permission to deal in the Shares to be issued upon exercise of subscription rights attaching to the Warrants and such permission and listing not subsequently being revoked or withdrawn prior to Completion;
- (b) the registration of one or more duly signed copies of the Prospectus (with all the documents required by section 342C of the Companies Ordinance to be attached thereto) by the Registrar of Companies in Hong Kong; and
- (c) the warranties being true and accurate on and as of the date of the Placing Agreement and the dates on which they are deemed to be repeated under the Placing Agreement.

In the event that the above conditions are not fulfilled and/or waived (as the case may be) by 5:30 p.m. on the Completion Date, the Placing Agreement will lapse and none of the parties will have any liabilities to the other save for any antecedent breaches thereof. For the avoidance of doubt, conditions (a) and (b) cannot be waived.

Application for listing

Application will be made to the GEM Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Warrants and any Shares that may fall to be issued upon the exercise of the subscription rights attaching to the Warrants. Subject to the fulfillment of the above conditions, it is expected that dealings in the Warrants on the Stock Exchange will commence on 18 February 2011.

Shareholding structure of the Company

The existing shareholding structure of the Company and the shareholding structure of the Company upon exercise in full of the subscription rights attaching to the Warrants (assuming that the Placing is completed in full and none of the outstanding Share Options and other convertible securities of the Group (if any) is exercised or converted) are set out as below:

Name of shareholder	As at the date of this announcement		Immediately after full exercise of the subscription rights attaching to the Warrants (assuming that the Placing is completed in full)	
	Number of Shares	%	Number of Shares	%
Winway H.K. Investments Limited (<i>Note (i)</i>)	2,098,490,000	25.58	2,098,490,000	23.31
Step Up Co., Ltd. (<i>Note (ii)</i>)	486,630,000	5.93	486,630,000	5.40
L & W Holding Limited (<i>Note (iii)</i>)	479,430,000	5.84	479,430,000	5.33
Placees	–	–	800,000,000	8.89
Other public Shareholders	5,138,750,000	62.65	5,138,750,000	57.07
Total	8,203,300,000	100	9,003,300,000	100

Notes:

- (i) 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.
- (ii) Mr. Kuan Sio Kai is deemed to be interested in 486,630,000 shares through his controlling interest (100%) in Step Up Co., Ltd.
- (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. 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.

Fund raising activities of the Company in the past 12 months

The Company has not conducted any equity fund raising activity in the past 12 months immediately before the date of this announcement.

Shareholders and potential investors should note that the Placing Agreement is subject to conditions precedent. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

General

The Company is an investment holding company. The Group is principally engaged in computer software and embedded systems development and sales and licensing of software and systems.

The Prospectus containing further information relating to the Placing and the Warrants will be despatched to Shareholders for information as soon as practicable.

DEFINITIONS

In this announcement, the following expressions have the respective meanings set out below unless the context otherwise requires.

“Board”	the board of Directors
“Business Day”	a day (excluding Saturday, Sunday and public holiday) on which banks are generally open for business in Hong Kong
“Company”	China Bio Cassava Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the GEM
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Completion Date”	not later than three Business Days following the fulfillment of conditions of the Placing or such later date as the parties to the Placing Agreement may agree
“Director(s)”	director(s) of the Company
“GEM”	the Growth Enterprise Market operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM

“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Instrument”	a separate instrument to be executed by the Company by way of a deed poll containing terms of the Warrants, including the adjustment mechanisms of the initial subscription price for Shares
“Placing”	the placing, on a best effort basis, of up to 800,000,000 Warrants pursuant to the Placing Agreement
“Placing Agent”	Kingston Securities Limited, a licensed corporation to carry out business in type 1 regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Placing Agreement”	the conditional placing agreement entered into by the Company and the Placing Agent dated 29 December 2010 in relation to the Placing
“Placing Price”	HK\$0.01, being the issue price per Warrant payable in full on application under the Placing
“PRC”	the People’s Republic of China
“Prospectus”	the prospectus to be issued by the Company relating to the issue of the Warrants by the Company
“Shares”	ordinary shares of HK\$0.0025 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Share Option(s)”	the share option(s) granted and to be granted under the share option scheme(s) adopted by the Company on 27 April 2007
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Period”	the two-year period from the date of commencement of dealings of the Warrants on the Stock Exchange, which is expected to be from 18 February 2011 to 17 February 2013, both days inclusive

“Warrant(s)”	warrant(s) of the Company in registered form conferring rights to holders thereof to subscribe for one Share(s) at an initial subscription price of HK\$0.059 (subject to adjustments under certain circumstances, including consolidation or subdivision of Shares, capitalisation of profits or reserves or capital distribution) at any time during the Subscription Period
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

By order of the Board
China Bio Cassava Holdings Limited
Leung Lap Yan
Chairman

Hong Kong, 29 December 2010

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

This announcement, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

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 the Company’s website at <http://www.bio-cassava.com>.