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)
(Warrant Code: 8187)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

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This announcement, for which the directors of China Bio Cassava Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange 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.

HIGHLIGHTS OF THE YEAR

The Group recorded turnover of approximately HK$5,808,000 for the year ended 31 December 2010, representing an increase of 2.4% from the previous year.

The Group recorded approximately HK$590,000 of OEM licensing revenue in 2010, representing a decrease of 19.2% from 2009 of approximately HK$730,000. OEM licensing revenue in 2010 represents approximately 10.2% of revenue for the year, as compared to that of approximately 12.9% in 2009. Q9 CIS and Qcode CIS package sales and software licensing revenue from institution customers was approximately HK$4,689,000 in 2010, representing an increase of 17.4% from 2009 of approximately HK$3,995,000. Sales of third party products was approximately HK$529,000 in 2010, representing a decrease of 44.2% from 2009 of approximately HK$948,000.

The Group recorded a loss attributable to owners of the Company for the year 2010 of approximately HK$5,425,000 (2009: HK$13,581,000). The Group's total operating expenses in 2010 were decreased by approximately HK$7,587,000 or 39.5% from 2009.

RESULTS (AUDITED)

The board of directors (the "Board") of China Bio Cassava Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2010, together with the audited comparative figures for the year ended 31 December 2009 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2010

	Notes	**2010** *HK$'000*	2009 *HK$'000*
Revenue	4	**5,808**	5,673
Cost of sales		**(600)**	(891)
Gross profit		**5,208**	4,782
Other revenue	5	**981**	838
Selling and distribution expenses		**(2,966)**	(2,955)
Research and development expenses		**(2,973)**	(2,240)
General and administrative expenses		**(4,713)**	(7,674)
Other operating expenses		**(962)**	(6,332)
Operating loss		**(5,425)**	(13,581)
Finance costs		**–**	–
Loss before income tax		**(5,425)**	(13,581)
Income tax expense	7	**–**	–
Loss for the year	6	**(5,425)**	(13,581)
Loss per share	8		
– Basic		**(HK0.07 cent)**	(HK0.17 cent)
– Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	2010	2009
	HK$'000	*HK$'000*
Loss for the year	**(5,425)**	(13,581)
Other comprehensive expense		
Exchange differences arising on translation of foreign operations	**–**	(9)
Reclassification adjustment for translation reserve released upon disposal of a subsidiary	**(436)**	–
Total comprehensive expense for the year	**(5,861)**	(13,590)
Total comprehensive expense attributable to:		
– Owners of the Company	**(5,861)**	(13,590)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2010

	Notes	2010 *HK$'000*	2009 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**524**	1,342
Prepaid lease payments		**–**	2,097
Intangible asset		**–**	–
Available-for-sales investment		**–**	7
Deposits paid for construction of property, plant and equipment		**–**	–
Other receivable		**–**	–
		524	3,446
CURRENT ASSETS			
Inventories		**101**	161
Financial assets at fair value through profit or loss		**1,195**	1,222
Trade receivables	10	**438**	333
Prepayments, deposits and other receivables		**3,076**	757
Amount due from a shareholder		**136**	384
Bank balances and cash		**9,527**	15,087
		14,473	17,944
CURRENT LIABILITIES			
Trade payables	11	**31**	87
Other payables and accrued expenses		**1,710**	2,254
Amount due to a related company		**2**	2
Amount due to a director		**91**	23
		1,834	2,366
NET CURRENT ASSETS		**12,639**	15,578
NET ASSETS		**13,163**	19,024
CAPITAL AND RESERVES			
Equity attributable to owners of the Company			
Share capital		**20,508**	20,508
Reserves		**(7,345)**	(1,484)
TOTAL EQUITY		**13,163**	19,024

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

	Share capital	Share premium	Share options reserve	Capital redemption reserve	Warrant reserve	Reorganisation reserve	Translation reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Note a)	*(Note b)*	*(Note c)*			
At 1 January 2009	19,510	111,686	33,514	37	9,774	3,000	300	(152,792)	25,029
Loss for the year	–	–	–	–	–	–	–	(13,581)	(13,581)
Other comprehensive expense for the year	–	–	–	–	–	–	(9)	–	(9)
Total comprehensive expense for the year	–	–	–	–	–	–	(9)	(13,581)	(13,590)
Exercise of warrants	998	8,684	–	–	(2,097)	–	–	–	7,585
Lapsed of warrants	–	–	–	–	(7,677)	–	–	7,677	–
At 31 December 2009 and 1 January 2010	20,508	120,370*	33,514*	37*	–*	3,000*	291*	(158,696)*	19,024
Loss for the year	–	–	–	–	–	–	–	(5,425)	(5,425)
Reclassification adjustment for translation reserve released upon disposal of a subsidiary	–	–	–	–	–	–	(436)	–	(436)
Total comprehensive expense for the year	–	–	–	–	–	–	(436)	(5,425)	(5,861)
At 31 December 2010	**20,508**	**120,370***	**33,514***	**37***	**–***	**3,000***	**(145)***	**(164,121)***	**13,163**

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

Notes:

(a) Capital redemption reserve of the Group represents repurchased 3,650,000 of its own shares at an aggregate consideration of HK$174,000 during the year 2002. All the shares repurchased were subsequently cancelled.

(b) 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.

(c) The reorganisation reserve of the Group represent the difference between the nominal value of the shares of the subsidiaries acquired plus the HK$7,500,000 loan capitalised and the nominal value of the shares issued by the Company as the consideration thereof.

Notes:

1. GENERAL INFORMATION

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

The Company is an investment holding company. 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 year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosure required by the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("New and Revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
Hong Kong Accounting Standard ("HKAS") 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 1 (Amendments)	Additional Exemptions from First-time Adopters
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK-Interpretation ("Int") 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
HK(IFRIC)-Int 17	Distributions of Non-Cash Assets to Owners

Except as described below, the adoption of the New and Revised HKFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

HKFRS 3 (Revised 2008) Business Combinations and HKAS 27 (Revised) Consolidated and Separate Financial Statements

The Group applies HKFRS 3 (Revised) Business Combinations prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The requirements in HKAS 27 (Revised) Consolidated and Separate Financial Statements in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010.

As there was no transaction during the current year in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the consolidated financial statements of the Group for the current or prior accounting periods.

Result of the Group in future periods, may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

The Group has not early applied the following new or revised standards, amendments or interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs 2010 except for the amendments to HKFRS 3 (Revised in 2008), HKFRS 7, HKAS 1 and HKAS 28[1]
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[3]
HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[5]
HKFRS 7 (Amendments)	Disclosures-Transfers of Financial Assets[5]
HKFRS 9	Financial Instruments[7]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[6]
HKAS 24 (Revised)	Related Party Disclosures[4]
HKAS 32 (Amendments)	Classification of Rights Issues[2]
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[4]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[3]

1 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.
2 Effective for annual periods beginning on or after 1 February 2010.
3 Effective for annual periods beginning on or after 1 July 2010.
4 Effective for annual periods beginning on or after 1 January 2011.
5 Effective for annual periods beginning on or after 1 July 2011.
6 Effective for annual periods beginning on or after 1 January 2012.
7 Effective for annual periods beginning on or after 1 January 2013.

HKFRS 9 Financial Instruments (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 Financial Instruments (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

HKAS 24 Related Party Disclosures (as revised in 2009) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government.

The Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs and the directors so far concluded that the application of these new/revised HKFRSs will have no material impact on the Group's consolidated financial statements.

4. 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 year is as follows:

	2010	2009
	HK$'000	*HK$'000*
Sale of goods	**5,218**	4,943
Licensing income	**590**	730
	5,808	5,673

The Group's operation segments, based on information reported to the board of directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focus on types of goods or services delivered or provided.

Specially, the Group's reportable segments under HKFRS 8 are as follows:

(a) Sales and licensing of software and embedded systems.

(b) Development of biotech renewable energy.

In addition, the chief operating decision maker further evaluates 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:

	Sales and licensing of software and embedded systems		Development of biotech renewable energy		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue						
Sales to external customers	**5,808**	5,673	**–**	–	**5,808**	5,673
Segment results	**(128)**	(510)	**(1,694)**	(6,240)	**(1,822)**	(6,750)
Bank interest income					**1**	97
Gain on disposal of a subsidiary					**930**	–
Sundry income					**50**	–
Net fair value (loss) gain on financial assets at fair value through profit or loss					**(27)**	741
Unallocated expenses					**(4,557)**	(7,669)
Operating loss					**(5,425)**	(13,581)
Finance costs					**–**	–
Loss for the year					**(5,425)**	(13,581)
Segment assets	**1,957**	1,935	**3,098**	6,173	**5,055**	8,108
Unallocated assets					**9,942**	13,282
Total assets					**14,997**	21,390
Segment liabilities	**(1,434)**	(1,405)	**(197)**	(163)	**(1,631)**	(1,568)
Unallocated liabilities					**(203)**	(798)
Total liabilities					**(1,834)**	(2,366)
Other segment information						
Depreciation and amortisation	**42**	47	**39**	115	**81**	162
Unallocated depreciation					**145**	102
Total depreciation and amortisation					**226**	264
Capital expenditure	**10**	21	**–**	169	**10**	190
Write-down of inventories to net realisable value	**33**	28	**–**	–	**33**	28
Impairment loss of property, plant and equipment	**–**	–	**–**	231	**–**	231
Impairment loss of intangible asset	**–**	–	**–**	1,700	**–**	1,700
Impairment loss of deposits paid for construction of property, plant and equipment	**–**	–	**–**	3,038	**–**	3,038
Unallocated write off of prepaid lease payments					**285**	–
Unallocated write off of property, plant and equipment					**610**	–

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment loss represents the loss from each segment without allocation of central administration costs and directors' salaries. This is the measure report to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.

(b) Geographical information

The following table presents revenue, assets and expenditure information for the Group's geographical information for the years ended 31 December 2010 and 2009:

	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*
Revenue								
Sales to external customers	**5,805**	5,670	**3**	3	**–**	–	**5,808**	5,673
Segment assets	**3,625**	2,106	**30**	3,551	**1,903**	1,737	**5,558**	7,394
Unallocated assets							**9,439**	13,996
Total assets							**14,997**	21,390
Capital expenditure	**10**	21	**–**	40	**–**	129	**10**	190

Sales are based on the country in which the Group's customers are located and segment assets and capital expenditure are where the assets are located.

(c) Information about major customers

Revenue from customer of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

Customer	Details	2010 HK$'000	2009 HK$'000
A	Sales and licensing of software and embedded systems	909	612

5. OTHER REVENUE

	2010	2009
	HK$'000	*HK$'000*
Interest income on financial assets stated at amortised cost	**1**	97
Gain on disposal of a subsidiary	**930**	–
Net fair value gain on financial assets at fair value through profit or loss	**–**	741
Sundry income	**50**	–
	981	838

6. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging (crediting):

	2010	2009
	HK$'000	*HK$'000*
Cost of inventories recognised as expenses, including	**600**	891
– Write-down of inventories to net realisable value	**33**	28
Auditor's remuneration		
– current year	**270**	270
– underprovision in prior year	**–**	9
Depreciation of property, plant and equipment	**226**	264
Staff costs (including directors' remuneration)	**4,830**	5,821
Net fair value loss (gain) on financial assets at fair value through profit or loss	**27**	(741)
Operating lease charges in respect of land and buildings	**1,568**	1,691
Write off of prepaid lease payments*	**285**	–
Write off of property, plant and equipment*	**610**	–
Write off of obsolete inventories*	**8**	–
Write off of non-refundable rental deposit*	**–**	30
Impairment loss of property, plant and equipment*	**–**	231
Impairment loss of intangible asset*	**–**	1,700
Impairment loss of prepayments, deposits and other receivables*	**–**	51
Impairment loss of deposits paid for construction of property, plant and equipment*	**–**	3,038
Impairment loss of other receivable*	**–**	1,200
Research and development costs recognised as an expense	**2,973**	2,240
Net foreign exchange loss	**1**	3

* included in other operating expenses

7. INCOME TAX EXPENSE

	2010	2009
	HK$'000	*HK$'000*
Current tax:		
– Hong Kong	**–**	–
– PRC Enterprise Income Tax	**–**	–
	–	–

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. No Hong Kong profits tax has been provided in both years as the Group did not generate any assessable profits arising in Hong Kong for the years ended 31 December 2010 and 2009.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25% from 1 January 2008 onwards.

No profits taxes have been provided for the subsidiaries which are operating outside Hong Kong as these subsidiaries have not generated any assessable profits in the respective jurisdictions.

The income tax expense for the year can be reconciled to the loss before income tax per the consolidated income statement as follows:

	2010	2009
	HK$'000	*HK$'000*
Loss before income tax	**(5,425)**	(13,581)
Tax calculated at the rates applicable to the tax jurisdiction concerned	**(620)**	(2,132)
Tax effect of expenses not deductible for tax purpose	**754**	1,333
Tax effect of income not taxable for tax purpose	**(155)**	(107)
Tax effect of temporary differences not recognised	**4**	3
Tax effect of tax losses not recognised	**40**	905
Utilisation of tax losses previously not recognised	**(23)**	(2)
Income tax expense for the year	**–**	–

At 31 December 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$5,254,000 and HK$1,159,000 (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 subsidiary which is operating in the PRC can be carried forward for five years and tax losses of the companies within the Group which are operating in Hong Kong will not be expired under the current tax legislation.

8. 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 year attributable to the owners of the Company of approximately HK$5,425,000 (2009: HK$13,581,000) and the weighted average of 8,203,300,000 (2009: 8,178,432,055) ordinary shares of the Company in issue during the year.

Diluted loss per share for the years ended 31 December 2010 and 31 December 2009 are not presented as the computation does not assume the exercise of the Company's outstanding share options as the exercise price of those options is higher than the average market price for shares for both 2010 and 2009.

9. DIVIDENDS

No dividend was paid or proposed for the year ended 31 December 2010, nor has any dividend been proposed since the end of the reporting period (2009: Nil).

10. TRADE RECEIVABLES

	2010	2009
	HK$'000	*HK$'000*
Trade receivables	**438**	333
Less: Allowance for doubtful debts	**–**	–
	438	333

Impairment loss on trade receivables is recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

At the end of each reporting period, the Group's trade receivables were individually determined to be impaired. The individually impaired receivables are recognised based on the credit history of its customers, such as financial difficulties or default in payments, and current market conditions. Consequently, specific provision for impairment was recognised. The Group does not hold any collateral over these balances.

The directors of the Company consider that the fair values of trade receivables are not materially different from their carrying amounts because these amounts have short maturity periods on their inception.

The Group generally allows an average credit period of 30 – 90 days to its customers. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period.

	2010	2009
	HK$'000	*HK$'000*
0 – 30 days	**285**	100
31 – 90 days	**111**	208
91 – 180 days	**42**	25
	438	333

Aged analysis of trade receivables which are not impaired is as follows:

	2010	2009
	HK$'000	*HK$'000*
Neither past due nor impaired	**280**	98
Past due but not impaired	**158**	235
	438	333

Trade receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default. Trade receivables that were past due but not impaired related to a customer with long business relationship and the trade receivables were aged within half a year. Based on past experience, management believes that no additional provision for impairment is necessary as there is no significant change in credit quality and the balances are considered to be fully recoverable.

11. TRADE PAYABLES

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period.

	2010	2009
	HK$'000	*HK$'000*
0 – 30 days	**13**	47
31 – 90 days	**7**	32
91 – 180 days	**2**	2
Over 180 days	**9**	6
	31	87

The average credit period on purchases of goods is 30 days (2009: 30 days). The Group has financial risk management policies in place to ensure that all trade payables would be settled within the credit timeframe.

MANAGEMENT'S DISCUSSION AND ANALYSIS

RESULTS

The consolidated revenue of the Company and its subsidiaries for the year ended 31 December 2010 was amounted to approximately HK$5,808,000, representing an increase of 2.4% from the previous year. Loss attributable to owners of the Company was approximately HK$5,425,000 in 2010 as compared to the loss of approximately HK$13,581,000 in 2009. The loss per share in 2010 was HK0.07 cent (2009: HK0.17 cent).

REVIEW OF OPERATIONS

During the year, the Group increased its selling and distribution expenses and research and development expenses by 0.4% and 32.7% respectively. On the other hand, the Group reduced its general and administrative expenses and other operating expenses by 38.6% and 84.8% respectively. As a result, the total operating expenses in 2010 were decreased by approximately HK$7,587,000 or 39.5% from 2009.

OTHER MAJOR EVENT

On 16 September 2010, the Company entered into a non-binding letter of intent (the "Letter of Intent") with Mr. Li Gaohua (the "Vendor") as proposed vendor and Chengdu Chenming Electric Vehicles Manufacturing Co., Ltd. (成都晨明電動車輛製造有限公司) ("Chengdu Chenming") in relation to the possible acquisition of the entire share capital of Asia World Capital Investment Holdings Limited (the "Target") ("Possible Acquisition"). It is expected that the Target, through its wholly owned subsidiary, will enter into a sino-equity joint venture with Chengdu Chenming for production and manufacturing of electric vehicles in the People's Republic of China. On 18 January 2011, the Company entered into a letter of confirmation with the Vendor and Chengdu Chenming where, it was agreed, among other things, that the validity of the Letter of Intent was extended to 16 April 2011. As at the date of this announcement, the terms and conditions of the Possible Acquisition have not yet been finalized and no agreement has been signed by the parties.

The details are set out in the announcements of the Company dated 21 September 2010, 17 December 2010 and 18 January 2011.

EVENT AFTER THE REPORTING PERIOD

Private placing of listed warrants

In February 2011, the Company issued 800,000,000 listed warrants by the way of private placing at the issue price of HK$0.01 each conferring the rights to subscribe for one new share of the Company at the subscription of HK$0.059 up to an aggregate amount of HK$47,200,000 during the period from 18 February 2011 to 17 February 2013 (both days inclusive).

The details are set out in the announcements of the Company dated 29 December 2010 and 16 February 2011 and the listing documents dated 24 January 2011.

PROSPECTS

The focus of the Group's efforts for the year 2011 will continue to explore new business opportunities to derive new sources of revenue, and continue its marketing effort in promoting Q9 CIS to OEM customers and the end user markets with minimum resources.

COMMITMENTS

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

(a) Capital commitments

	2010	2009
	HK$'000	*HK$'000*
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**–**	2,738

(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:

	2010	2009
	HK$'000	*HK$'000*
Within one year	**1,112**	928
In the second to the fifth year inclusive	**803**	17
	1,915	945

(c) Other commitment

At 31 December 2010, the Group had no other commitment (2009: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

The Group has no interest bearing debt. The Group relies on its 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 a minimum amount of cash in Renminbi in the bank account of its subsidiary in the PRC as working capital of the Group.

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

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

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

ORDER BOOK

Due to the nature of the Group's business, the Group does not maintain an order book (prospects for new business was discussed in the Management's Discussion and Analysis section).

INVESTMENT

There was no significant investment made during the year.

DISPOSAL OF A SUBSIDIARY

On 28 January 2010, Q9-Tech Energy Development Limited, a wholly owned subsidiary of the Company, as vendor, Deng 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). The details are set out in the Company's announcement dated 28 January 2010.

Save as disclosed above, the Group did not have any other material acquisition and disposal of subsidiaries or affiliated companies for the year ended 31 December 2010.

HUMAN RESOURCES

Staff number

As at 31 December 2010, the Group employed 30 staff (2009: 29). Total staff costs, including directors' emoluments were approximately HK$4.8 million for the year ended 31 December 2010 as compared with those of approximately HK$5.8 million in 2009.

* *English name for identification purposes only*

Remuneration policies

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

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

During the year, other than the aforesaid Possible Acquisition, the Group does not have any present plan for material investments or capital assets. The Group will focus its efforts in promoting existing products, Q9 CIS Chinese and English version, to OEM customers in the Greater China region.

The Group will continue to look for new business opportunities to diversify the scope of business, which requires minimum investment in capital assets.

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 31 December 2010 (2009: Nil).

CREDIT POLICY

The credit terms given to customers are generally based on the financial strengths of individual customers. The Group generally allows an average credit term of 30 - 90 days to its trade customers.

SEGMENTAL INFORMATION

Details of the segmental information are set out in Note 4 to this announcement.

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 compete 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 the year. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed securities during the year.

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 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.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

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 financial year under review, the Company has complied with the Code.

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 audited annual report has been reviewed by the audit committee together with management, which was of the opinion that the preparation of such results were complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

AUDITORS

Messrs. Grant Thornton resigned as auditors of the Company on 15 December 2009 and ZHONGLEI (HK) CPA Company Limited have been appointed as auditors of the Company to fill the casual vacancy so arising. A resolution for re-appointment of ZHONGLEI (HK) CPA Company Limited as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board
Leung Lap Yan
Chairman

Hong Kong, 21 March 2011

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 "Latest Company Announcements" page of the GEM website for at least 7 days after its date of publication.