



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)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2011

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

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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 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.

FINANCIAL HIGHLIGHTS

The Group recorded turnover of HK\$1,238,000 for the three months ended 31 March 2011, representing a decrease of 16.9% from the corresponding period of last year.

The Group recorded OEM licensing revenue of HK\$122,000 for the three months ended 31 March 2011, representing an increase of 7.0% from the corresponding period of last year.

Packaged software sales of HK\$1,116,000 for the three months ended 31 March 2011, representing a decrease of 18.9% from the corresponding period of previous year.

The Group's total operating expenses for the three months ended 31 March 2011 increased by HK\$226,000, representing an increase of 9.3% compared to the corresponding period of previous year. The increase in the Group's total operating expenses was mainly due to increase in general and administrative expenses and research and development expenses, partially offset by a decrease in selling and distribution expenses for the three months ended 31 March 2011 compared to the corresponding period of previous year.

The Group recorded a loss attributable to owners of the Company for the three months ended 31 March 2011 of HK\$1,515,000 (three months ended 31 March 2010: HK\$1,091,000). Loss per share for the three months ended 31 March 2011 of HK0.02 cent (three months ended 31 March 2010: HK0.01 cent).

The unaudited consolidated results for the three months ended 31 March 2011 and the comparison with last year are set out in the accompanying table.

THREE MONTH RESULTS (UNAUDITED)

The board of directors (the “Board”) of China Bio Cassava Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the three months ended 31 March 2011, together with the unaudited comparative figures for the corresponding period in 2010 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

		Three months ended	
		31 March	
	<i>Notes</i>	2011	2010
		<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	3	1,238	1,490
Cost of sales		(104)	(158)
Gross profit		1,134	1,332
Other revenue		–	–
Selling and distribution expenses		(665)	(777)
Research and development expenses		(693)	(580)
General and administrative expenses		(1,291)	(1,066)
Operating loss		(1,515)	(1,091)
Finance costs		–	–
Loss before income tax		(1,515)	(1,091)
Income tax expense	4	–	–
Loss for the period		(1,515)	(1,091)
Loss per share during the period	5		
– Basic		(HK0.02 cent)	(HK0.01 cent)
– Diluted		N/A	N/A

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

	Three months ended	
	31 March	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the period	(1,515)	(1,091)
Other comprehensive (expense) income		
Exchange differences arising on translating foreign operations	<u>(2)</u>	<u>6</u>
Total comprehensive expense for the period	<u>(1,517)</u>	<u>(1,085)</u>
Total comprehensive expense attributable to: Owners of the Company	<u>(1,517)</u>	<u>(1,085)</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the three months ended 31 March 2011

	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>	Warrants 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>
At 1 January 2010	20,508	120,370	33,514	37	-	3,000	291	(158,696)	19,024
Loss for the period	-	-	-	-	-	-	-	(1,091)	(1,091)
Other comprehensive income for the period	-	-	-	-	-	-	6	-	6
Total comprehensive expense for the period	-	-	-	-	-	-	6	(1,091)	(1,085)
At 31 March 2010	<u>20,508</u>	<u>120,370</u>	<u>33,514</u>	<u>37</u>	<u>-</u>	<u>3,000</u>	<u>297</u>	<u>(159,787)</u>	<u>17,939</u>
At 1 January 2011	20,508	120,370	33,514	37	-	3,000	(145)	(164,121)	13,163
Loss for the period	-	-	-	-	-	-	-	(1,515)	(1,515)
Other comprehensive expense for the period	-	-	-	-	-	-	(2)	-	(2)
Total comprehensive expense for the period	-	-	-	-	-	-	(2)	(1,515)	(1,517)
Issue of warrants	-	-	-	-	8,000	-	-	-	8,000
Warrants issue expense	-	-	-	-	(902)	-	-	-	(902)
At 31 March 2011	<u>20,508</u>	<u>120,370</u>	<u>33,514</u>	<u>37</u>	<u>7,098</u>	<u>3,000</u>	<u>(147)</u>	<u>(165,636)</u>	<u>18,744</u>

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 three months ended 31 March 2011.

2. Summary of significant accounting policies

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants. In addition, the unaudited condensed consolidated financial statements include applicable disclosure required by the Rules Governing the Listing of Securities on GEM and by the Hong Kong Companies Ordinance.

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

3. Revenue and segment information

Revenue, which is also the Group’s turnover, represents the total invoiced value of goods sold, and licensing income. Revenue recognised during the three months ended 31 March 2011 and 31 March 2010 are as follows:

	Unaudited	
	Three months ended	
	31 March	
	2011	2010
	HK\$’000	HK\$’000
Sale of goods	1,116	1,376
Licensing income	122	114
	<hr/>	<hr/>
	1,238	1,490
	<hr/> <hr/>	<hr/> <hr/>

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 for the three months ended 31 March 2011 and 31 March 2010:

	Sales and licensing of software and embedded systems		Unaudited Three months ended 31 March Development of biotech renewable energy		Consolidated	
	2011	2010	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:						
Sales to external customers	<u>1,238</u>	<u>1,490</u>	<u>-</u>	<u>-</u>	<u>1,238</u>	<u>1,490</u>
Segment results	(50)	21	(383)	(307)	(433)	(286)
Fair value (loss) gain on financial assets at fair value through profit or loss					(55)	127
Unallocated expenses					<u>(1,027)</u>	<u>(932)</u>
Operating loss					<u>(1,515)</u>	<u>(1,091)</u>
Finance costs					<u>-</u>	<u>-</u>
Loss for the period					<u>(1,515)</u>	<u>(1,091)</u>

(b) Geographical segments

The following table presents revenue and results for the Group's geographical information for the three months ended 31 March 2011 and 31 March 2010:

	Unaudited							
	Three months ended 31 March							
	Hong Kong		Mainland China		Macau		Total	
2011	2010	2011	2010	2011	2010	2011	2010	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Segment revenue:								
Sales to external customers	<u>1,238</u>	<u>1,488</u>	<u>-</u>	<u>2</u>	<u>-</u>	<u>-</u>	<u>1,238</u>	<u>1,490</u>
Segment results	(78)	128	(9)	(42)	(372)	(262)	(459)	(176)
Unallocated expenses							<u>(1,056)</u>	<u>(915)</u>
Operating loss							<u>(1,515)</u>	<u>(1,091)</u>

4. Income tax expense

No Hong Kong profits tax has been provided in both periods as the Group did not generate any assessable profits arising in Hong Kong during the three months ended 31 March 2011 (three months ended 31 March 2010: Nil).

During the three months ended 31 March 2011, 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 (three months ended 31 March 2010: Nil).

At 31 March 2011, 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\$5,280,000 and HK\$1,160,000 (At 31 December 2010: HK\$5,254,000 and HK\$1,159,000) 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.

5. Loss per share

The calculation of the basic loss per share attributable to the owners of the Company is based on the consolidated loss for the three months ended 31 March 2011 attributable to the owners of the Company of HK\$1,515,000 (three months ended 31 March 2010: HK\$1,091,000) and the weighted average of 8,203,300,000 (three months ended 31 March 2010: 8,183,350,989) ordinary shares of the Company in issue during the periods.

Diluted loss per share for the three months ended 31 March 2011 and 31 March 2010 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 periods.

6. Interim dividend

The directors do not recommend the payment of interim dividend for the three months ended 31 March 2011 (three months ended 31 March 2010: Nil).

BUSINESS REVIEW AND PROSPECTS

The consolidated revenue of the Company and its subsidiaries for the three months ended 31 March 2011, was amounted to HK\$1,238,000, representing a decrease of 16.9% from the corresponding period of last year. Loss attributable to owners of the Company for the three months ended 31 March 2011 amounted to HK\$1,515,000 as compared to the loss of HK\$1,091,000 for the corresponding period of last year. The loss per share was HK0.02 cent (three months ended 31 March 2010: HK0.01 cent).

The Group's total operating expenses for the three months ended 31 March 2011 was increased by 9.3% compared to the corresponding period of last year. The increase in the Group's total operating expenses was mainly due to increase in general and administrative and research and development expenses, partially offset by a decrease in selling and distribution expenses for the three months ended 31 March 2011 compared to the corresponding period of last year.

The OEM licensing revenue HK\$122,000 for the three months ended 31 March 2011, representing an increase of 7.0% from the corresponding period of last year.

Packaged software sales of HK\$1,116,000 for the three months ended 31 March 2011, representing a decrease of 18.9% 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. Although a non-binding Letter of Intent regarding a Possible Acquisition was lapsed on 16 April 2011 (details of which are set out in the section headed "Other Major Event"), the Group will continue to search for new business opportunities in near future.

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 future.

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 no legally-binding formal agreement has been reached by the parties, the Letter of Intent has lapsed on 16 April 2011.

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

PRIVATE PLACING OF LISTED WARRANTS

In February 2011, the Company issued 800,000,000 listed warrants (the “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 price 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). During the period under review, none of the Warrants had been exercised.

DIRECTORS’ AND CHIEF EXECUTIVES’ INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2011, save for the interest of the directors in share options as below, neither of the directors nor the chief executive of the Company had interests and or short positions in the shares of the Company (“Shares”), underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) (“SFO”)) which (i) are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) were recorded in the register required to be kept under Section 352 of the SFO, or (iii) have to be notified to the Company and the Stock Exchange pursuant to the required standards of dealing by directors as referred to in Rule 5.46 of the GEM Listing Rules.

Long positions in underlying shares of the Company

Share Option

As at 31 March 2011, there were a total of 92,000,000 outstanding share options of the Company granted to the directors of the Company, details of which are summarised in the following table:

Director	Date of grant	Options to subscribe for shares of the Company				Outstanding as at 31 March 2011	Option exercise period	Exercise price per share	Approximate percentage of shareholding
		Outstanding as at 1 January 2011	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 31 March 2011, all options have been vested.

Save as disclosed above, none of the directors or the chief executives of the Company had any interest or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations at 31 March 2011.

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

As at 31 March 2011, 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 shareholders	Number of shares	Approximate percentage holding
Winway H.K. Investments Limited	2,098,490,000	25.58%
Culturecom Holdings Limited (<i>Note (i)</i>)	2,098,490,000	25.58%
L & W Holding Limited	479,430,000	5.84%
Ms. Chow Lai Wah Livia (<i>Note (ii)</i>)	669,700,000	8.16%
Mr. Basilio Dizon (<i>Note (iii)</i>)	669,700,000	8.16%

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 Holding (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) 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.
- (iii) Mr. Dizon is a husband of Ms. Chow and has controlling interests 35% and 90.77% in L & W and Harvest Smart Overseas Limited ("Harvest Smart") respectively. Harvest Smart is beneficially interested in 27,580,000 shares in the Company. Accordingly, he is deemed to be interested in 669,700,000 shares in the Company under SFO.

Save as disclosed above, as at 31 March 2011, 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 the three months ended 31 March 2011. Neither the Company nor any of its subsidiaries purchased or sold of the Company's listed securities during the three months ended 31 March 2011.

CORPORATE GOVERNANCE

The Code on Corporate Governance Practices set out in Appendix 15 of the GEM Listing Rules ("Code") takes effect from 1 January 2005. The Company is committed to maintain a high standard of corporate governance. To maintain a good and solid framework of corporate governance will ensure the Company to run its business in the best interests of the shareholders. Throughout the three months ended 31 March 2011 under review, the Company has complied with the Code.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company has also made specific enquiry of the directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by directors for the three months ended 31 March 2011 under review.

AUDIT COMMITTEE

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

The primary duties of the audit committee are to review and supervise the Group's financial reporting process and internal control procedures. The Group's unaudited condensed consolidated results for the three months ended 31 March 2011 have 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 those adequate disclosures have been made.

APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 11 May 2011.

By order of the Board
Leung Lap Yan
Chairman

Hong Kong, 11 May 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 GEM website at <http://www.hkgem.com> on the “latest company announcement” page for at least 7 days from the day of its posting and on the Company’s website at www.bio-cassava.com.