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)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

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

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

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

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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.

HIGHLIGHTS OF THE YEAR

The Group recorded turnover of HK$4,936,000 for the year ended 31 December 2011, representing a decrease of 15% from the previous year.

The Group recorded HK$553,000 of OEM licensing revenue for the year 2011, representing a decrease of 6.2% from that of the previous year. OEM licensing revenue for the year 2011 represents about 11.2% of turnover for the year, as compared to 10.2% in the year of 2010. Q9 CIS and Qcode CIS package sales and software licensing revenue to institution customers for the year 2011 recorded a decrease of 13.9% from the previous year. Sales of third party products for the year recorded a decrease of 45.6% from the previous year.

The Group's total operating expenses in 2011 increased by HK$20,588,000 from 2010, representing an increase of 177.3% from that of the previous year, mainly attributable to a significant increase in equity-settled share-based remuneration expenses of HK$19,346,000, as a result of share options granted during the year; such equity-settled share-based remuneration expenses were not existed for the year ended 31 December 2010.

The Group recorded a loss attributable to owners of the Company for the year 2011 of HK$27,725,000 (2010: HK$5,425,000). The loss per share was HK$0.34 cent (2010: HK$0.07 cent).

RESULTS (AUDITED)

The board of directors (the "Directors") 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 2011, together with the audited comparative figures for the year ended 31 December 2010 as follows:

Consolidated Income Statement

For the year ended 31 December 2011

	Notes	**2011** *HK$'000*	2010 *HK$'000*
Revenue	4	**4,936**	5,808
Cost of sales		**(486)**	(600)
Gross profit		**4,450**	5,208
Other revenue	5	**27**	981
Selling and distribution expenses		**(1,752)**	(2,966)
Research and development expenses		**(2,982)**	(2,973)
General and administrative expenses		**(7,603)**	(4,713)
Equity-settled share-based payment		**(19,346)**	–
Other operating expenses		**(519)**	(962)
Operating loss		**(27,725)**	(5,425)
Finance costs		**–**	–
Loss before income tax		**(27,725)**	(5,425)
Income tax expense	7	**–**	–
Loss for the year	6	**(27,725)**	(5,425)
Loss per share	8		
– Basic		**(HK$0.34 cent)**	(HK$0.07 cent)
– Diluted		**N/A**	N/A

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2011

	2011	2010
	HK$'000	*HK$'000*
Loss for the year	**(27,725)**	(5,425)
Other comprehensive expense		
Reclassification adjustment for translation reserve released upon disposal of a subsidiary	**–**	(436)
Total comprehensive expense for the year	**(27,725)**	(5,861)
Total comprehensive expense attributable to:		
– Owners of the Company	**(27,725)**	(5,861)

Consolidated Statement of Financial Position
At 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**347**	524
Prepaid lease payments		**–**	–
Intangible asset		**–**	–
Available-for-sales investment		**–**	–
		347	524
CURRENT ASSETS			
Inventories		**77**	101
Financial assets at fair value through profit or loss		**299**	1,195
Trade receivables	10	**421**	438
Prepayments, deposits and other receivables		**2,116**	3,076
Amount due from a shareholder		**–**	136
Amount due from a director		**30**	–
Bank balances and cash		**10,667**	9,527
		13,610	14,473
CURRENT LIABILITIES			
Trade payables	11	**51**	31
Other payables and accrued expenses		**1,936**	1,710
Amount due to a related company		**–**	2
Amount due to a director		**96**	91
		2,083	1,834
NET CURRENT ASSETS		**11,527**	12,639
NET ASSETS		**11,874**	13,163
CAPITAL AND RESERVES			
Share capital		**20,508**	20,508
Reserves		**(8,634)**	(7,345)
TOTAL EQUITY		**11,874**	13,163

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

	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 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 and 1 January 2011	20,508	120,370*	33,514*	37*	–*	3,000*	(145)*	(164,121)*	13,163
Loss for the year, representing total comprehensive expense for the year	–	–	–	–	–	–	–	(27,725)	(27,725)
Recognition of share-based payments	–	–	19,346	–	–	–	–	–	19,346
Transfer to reserves upon lapse of share options	–	–	(176)	–	–	–	–	176	–
Placement of new warrants *(Note b)*	–	–	–	–	8,000	–	–	–	8,000
Transactions costs attributable to issue of warrants *(Note b)*	–	–	–	–	(910)	–	–	–	(910)
At 31 December 2011	**20,508**	**120,370***	**52,684***	**37***	**7,090***	**3,000***	**(145)***	**(191,670)***	**11,874**

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 800,000,000 warrants ("Warrants") completed on 16 February 2011. The subscription period of the Warrants will be expired on 17 February 2013.

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

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

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 Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange 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 values. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

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

In the current year, the Group has applied a number of new and revised standards, amendments and interpretations ("New and Revised HKFRSs") issued by the HKICPA that are mandatorily effect for 2011 financial year ends.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010
HKAS 24 (Revised in 2009)	Related Party Disclosures
HKAS 32 (Amendments)	Classification of Rights Issues
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the new and revised HKFRSs in the current year has had no material effect on the consolidated financial statements of the Group for the current and prior and/or on the disclosures set out in these consolidated financial statements.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets[1]
	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[5]
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets[4]
HKAS 19 (Revised in 2011)	Employee Benefits[2]
HKAS 27 (Revised in 2011)	Separate Financial Statements[2]
HKAS 28 (Revised in 2011)	Investments in Associates and Joint Ventures[2]
HKAS 32 (Amendments)	Presentation – Offsetting Financial Assets and Financial Liabilities[6]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

[1] Effective for annual periods beginning on or after 1 July 2011
[2] Effective for annual periods beginning on or after 1 January 2013
[3] Effective for annual periods beginning on or after 1 January 2015
[4] Effective for annual periods beginning on or after 1 January 2012
[5] Effective for annual periods beginning on or after 1 July 2012
[6] Effective for annual periods beginning on or after 1 January 2014

Amendments to HKFRS 7 Disclosures – Transfers of Financial Assets

The amendments to HKFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The directors anticipate that the application of the amendments to HKFRS 7 will affect the Group's disclosures regarding transfers of financial assets in the future.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities and amendments to HKFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realization and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amended offsetting disclosures are required for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

– HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at 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 reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

– The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. 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 recognition 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 2015, with earlier application permitted.

The directors anticipate that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK (SIC)-Int 12 *Consolidation – Special Purpose Entities*. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK (SIC)-Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The directors anticipate that the application of these five standards would not have significant impact on amounts reported in the consolidated financial statements.

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 *Financial Instruments: Disclosures* will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new Standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2013. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

HKAS 19 (as revised in 2011) Employee Benefits

The amendments to HKAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of HKAS 19. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

The amendments to HKAS 19 are effective for annual periods beginning on or after 1 January 2013 and require retrospective application with certain exceptions. The directors anticipate that the amendments to HKAS 19 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the amendments to HKAS 19 would not have significant impact on amounts reported in the 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:

	2011	2010
	HK$'000	*HK$'000*
Sale of goods	**4,323**	5,218
Licensing income	**613**	590
	4,936	5,808

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 and operating 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 and operating segment:

	Sales and licensing of software and embedded systems		**Development of biotech renewable energy**		**Total**	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue						
Sales to external customers	**4,936**	5,808	**–**	–	**4,936**	5,808
Segment results	**(797)**	(128)	**(2,396)**	(1,694)	**(3,193)**	(1,822)
Interest income					**1**	1
Gain on disposal of subsidiaries					**12**	930
Reversal of provision of unpaid annual leave					**7**	–
Reversal of provision of obsolete stock					**7**	–
Sundry income					**–**	50
Loss on disposal of financial assets at fair value through profit or loss					**(16)**	–
Net fair value loss on financial assets at fair value through profit or loss					**(502)**	(27)
Equity-settled share-based payment					**(19,346)**	–
Unallocated expenses					**(4,695)**	(4,557)
Operating loss					**(27,725)**	(5,425)
Finance costs					**–**	–
Loss for the year					**(27,725)**	(5,425)
Segment assets	**1,789**	1,957	**2,530**	3,098	**4,319**	5,055
Unallocated assets					**9,638**	9,942
Total assets					**13,957**	14,997
Segment liabilities	**(1,507)**	(1,434)	**(251)**	(197)	**(1,758)**	(1,631)
Unallocated liabilities					**(325)**	(203)
Total liabilities					**(2,083)**	(1,834)

	Sales and licensing of software and embedded systems		Development of biotech renewable energy		Total	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Other segment information						
Depreciation and amortisation	**34**	42	**38**	39	**72**	81
Unallocated depreciation					**151**	145
Total depreciation and amortisation					**223**	226
Capital expenditure	**–**	10	**11**	–	**11**	10
Write-down of inventories to net realisable value	**–**	33	**–**	–	**–**	33
Write-off of obsolete inventories					**1**	8
Unallocated write-off of prepaid lease payments					**–**	285
Unallocated write-off of property, plant and equipment					**–**	610

The accounting policies of the operating 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 2011 and 2010:

	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*
Revenue								
Sales to external customers	**4,936**	5,805	**–**	3	**–**	–	**4,936**	5,808
Segment assets	**2,300**	3,625	**20**	30	**2,097**	1,903	**4,417**	5,558
Unallocated assets							**9,540**	9,439
Total assets							**13,957**	14,997
Capital expenditure	**11**	10	**–**	–	**–**	–	**11**	10

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**	**2011**	2010
		HK$'000	*HK$'000*
A	Sales and licensing of software and embedded systems	**916**	909

5. OTHER REVENUE

	2011	2010
	HK$'000	*HK$'000*
Interest income	**1**	1
Gain on disposal of subsidiaries	**12**	930
Reversal of provision of obsolete stock	**7**	–
Reversal of provision of unpaid annual leave	**7**	–
Sundry income	**–**	50
	27	981

6. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	2011	2010
	HK$'000	*HK$'000*
Cost of inventories recognised as expenses, including	**486**	600
– Write-down of inventories to net realisable value	**–**	33
Auditor's remuneration		
– current year	**270**	270
Depreciation of property, plant and equipment	**223**	226
Staff costs (including directors' emoluments)	**6,365**	4,830
Loss on disposal of financial assets at fair value through profit or loss*	**16**	–
Net fair value loss on financial assets at fair value through profit or loss*	**502**	27
Operating lease charges in respect of land and buildings	**1,398**	1,568
Write-off of prepaid lease payments*	**–**	285
Write-off of property, plant and equipment*	**–**	610
Write-off of obsolete inventories*	**1**	8
Research and development costs recognised as an expense	**2,982**	2,973
Net foreign exchange loss	**3**	1
Equity-settled share-based payment	**19,346**	–

* *included in other operating expenses*

7. INCOME TAX EXPENSE

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 2011 and 2010.

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:

	2011	2010
	HK$'000	*HK$'000*
Loss before income tax	**(27,725)**	(5,425)
Tax calculated at the rates applicable to the tax jurisdiction concerned	**(4,233)**	(620)
Tax effect of expenses not deductible for tax purpose	**4,122**	754
Tax effect of income not taxable for tax purpose	**(24)**	(155)
Tax effect of temporary differences not recognised	**–**	4
Tax effect of tax losses not recognised	**135**	40
Utilisation of tax losses previously not recognised	**–**	(23)
Income tax expense for the year	**–**	–

At 31 December 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$6,006,000 and HK$1,001,000 (2010: HK$5,254,000 and HK$927,000) 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$27,725,000 (2010: HK$5,425,000) and the weighted average of 8,203,300,000 (2010: 8,203,300,000) ordinary shares of the Company in issue during the year.

Diluted loss per share for the year ended 31 December 2011 and 2010 is not presented because the existences of outstanding share options and warrants during the year have anti-dilutive effect on the basic loss per share.

9. DIVIDENDS

The Directors do not recommend the payment of a dividend for the year (2010: Nil).

10. TRADE RECEIVABLES

	2011	2010
	HK$'000	*HK$'000*
Trade receivables	**421**	438
Less: Allowance for doubtful debts	**–**	–
	421	438

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.

	2011	2010
	HK$'000	*HK$'000*
0 – 30 days	**232**	285
31 – 90 days	**189**	111
91 – 180 days	**–**	42
	421	438

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

	2011	2010
	HK$'000	*HK$'000*
Neither past due nor impaired	**232**	280
Past due but not impaired	**189**	158
	421	438

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.

	2011	2010
	HK$'000	*HK$'000*
0 – 30 days	**12**	13
31 – 90 days	**28**	7
91 – 180 days	**1**	2
Over 180 days	**10**	9
	51	31

The average credit period on purchases of goods is 30 days (2010: 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 turnover of the Company and its subsidiaries for the year ended 31 December 2011 amounted to approximately HK$4,936,000, representing a decrease of 15% from the previous year. Loss attributable to owners of the Company for the year 2011 of approximately HK$27,725,000 (2010: HK$5,425,000). The loss per share was HK$0.34 cent (2010: HK$0.07 cent).

REVIEW OF OPERATIONS

During the year, the Group substantially increased its equity-settled share-based remuneration expenses of HK$19,346,000, as a result of share options granted during the year; such equity-settled share-based remuneration expenses were not existed for the year ended 31 December 2010. As a result, the Group's total operating expenses in 2011 was increased by HK$20,588,000 from 2010, representing an increase of 177.3% from that of the previous year.

EVENT AFTER THE REPORTING PERIOD

(i) The Company's head office and principle place of business in Hong Kong has changed to Room B, 10th Floor, 47 Hung To Road, Kwun Tong, Kowloon with effect from 9 March 2012.

(ii) Pursuant to the announcement of the Company dated 22 March 2012, on 22 February 2012, the Company as purchaser entered into the conditional Agreement with a citizen in PRC and a substantial shareholder of the PRC Company who is an independent third party (the "Guarantor") and Harvest Time Global Investments Limited (the "Vendor") in relation to the acquisition of the entire equity interests of New Crown Alliance Limited (the "Target Company"). The Agreement would constitute a major transaction on the part of the Company.

    The Target Company is a company incorporated in the British Virgin Islands with limited liabilities and is principally engaged in investment holdings. The Target Company is indirectly holding 20% equity interests of the PRC Company, which in turn is principally engaged in rare earth related business in the PRC.

    After the entering into the Agreement, the Company and the Vendor entered into further negotiations in respect of certain terms and conditions of the Agreement. Up to the date of this announcement, the negotiations are still in progress.

PROSPECTS

The focus of the Group's efforts for the year 2012 will be to continue to explore and develop new business opportunities to derive new sources of revenue, and continue its marketing effort in promoting Q9 CIS to institutional customers and the end user markets with minimum resources.

COMMITMENTS

The Group has no credit facilities and no borrowing outstanding as at 31 December 2011 (2010: Nil).

(a) Capital commitments

At 31 December 2011, the Group had no capital commitment (2010: Nil).

(b) Commitments under operating leases

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

	2011	2010
	HK$'000	*HK$'000*
Within one year	**1,005**	1,112
In the second to the fifth year inclusive	**74**	803
	1,079	1,915

(c) Other commitment

At 31 December 2011, the Group had no other commitment (2010: 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 2011 (2010: Nil).

The Group had no debt as at 31 December 2011 (2010: Nil).

The gearing ratio of the Group, based on total debt to shareholder's equity, was nil as at 31 December 2011 (2010: 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

Other than the establishment of the two new subsidiaries during the year ended 31 December 2011 (31 December 2010: Nil), there was no significant investment made.

ACQUISITION, DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

On 17 January 2011, Q9-Tech Energy Development Limited, a wholly owned subsidiary of the Company, acquired a subsidiary, named as Growlong Company Limited from Culturecom Limited, which is a subsidiary of Culturecom Holdings Limited, one of the substantial shareholders of the Company at a consideration of HK$35,000.

On 26 August 2011, Q9-Tech Energy Development Limited, a wholly owned subsidiary of the Company, entered into a sale and purchase agreement for the disposal of the entire equity interest of China Mahjong Super League Group Limited at a consideration of HK$2,680 to Culture.com Technology Limited, which is a subsidiary of Culturecom Holdings Limited, one of the substantial shareholders of the Company.

On 26 August 2011, the Company entered into a sale and purchase agreement for the disposal of the entire equity interest of China Super Mahjong League Group Limited at a consideration of HK$129,050 to Culture.com Technology Limited, which is a subsidiary of Culturecom Holdings Limited, one of the substantial shareholders of the Company.

Save at disclosed above, the Group did not have any other material acquisition and disposal of subsidiaries or affiliated companies for the year ended 31 December 2011.

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 at 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.

* *English name for identification purposes only*

HUMAN RESOURCES

Staff number

As at 31 December 2011, the Group employed 29 staff (2010: 30). Total staff costs, including directors' emoluments were approximately HK$6.4 million for the year ended 31 December 2011 as compared with those of approximately HK$4.8 million in 2010.

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

Except for the plan to acquire the entire equity interests of the Target Company as announced by the Company on 22 March 2012, which indirectly holding 20% equity interests of the PRC Company, which in turn is principally engaged in rare earth related business in the PRC. As at the date hereof, the negotiations are still in progress and further announcement will be made by the Company in compliance with the GEM Listing Rules should there be any significant progress in the negotiations.

Except for the above, the Group does not have any other plan for material investments or capital assets. The Group will continue to focus its efforts in promoting Q9 CIS to institutional customers and end users in the Greater China region and to explore and develop new business opportunities to diversify the scope of business.

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 2011 (2010: 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.

DIRECTOR' 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 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 adapted 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 Rule. The Company has also made specific enquiry of the directors of the Company and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by directors.

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. The Company has complied with the Code throughout the year.

AUDIT COMMITTEE

The audit committee comprises three independent non-executive directors, namely Mr. Ip Chi Wai, Mr. Tse Wang Cheung Angus and Mr. Tsang Wai Wa, 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. Tsang Wai Wa 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 complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

AUDITORS

The consolidated financial statements have been audited by ZHONGLEI (HK) CPA Company Limited, who will retire and being eligible at the forthcoming annual general meeting.

On behalf of the Board
Leung Lap Yan
Chairman

Hong Kong, 26 March 2012

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. Tsang Wai Wa 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.

* *For identification purposes only*