

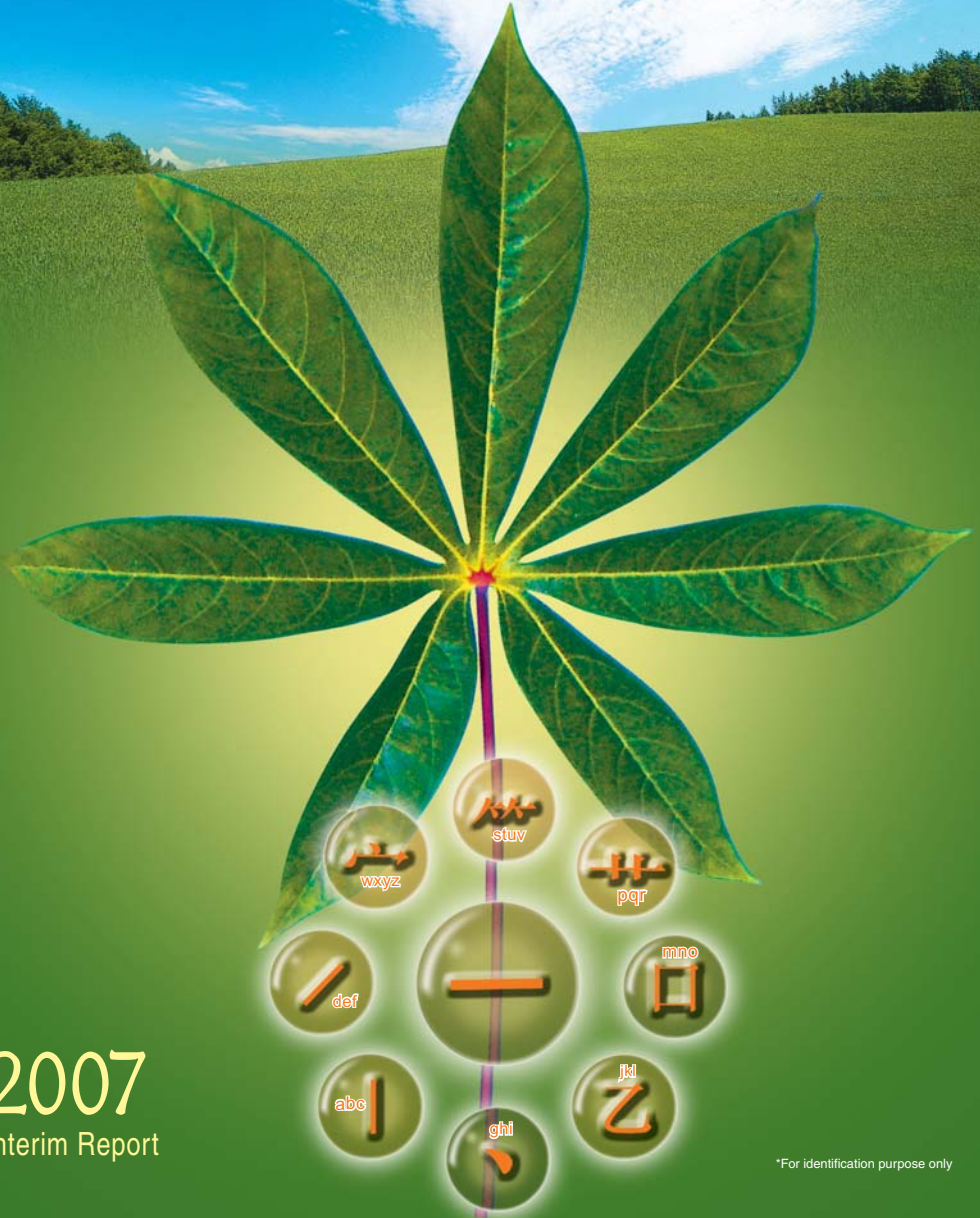


# Bio Cassava Technology Holdings Limited

九方科技控股有限公司\*

(Incorporated in the Cayman Islands with limited liability)

(stock Code: 8129)



# 2007

Interim Report

\*For identification purpose only

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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. 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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM listed issuers.

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*This report, for which the directors of Bio Cassava Technology Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market ("GEM Listing Rules") of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: - (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*



## FINANCIAL HIGHLIGHTS

The Group recorded turnover of HK\$2,837,000 for the six months ended 30 June 2007, representing an increase of 64.8% from the corresponding period of last year.

The Group recorded OEM licensing revenue of HK\$96,000 for the six months ended 30 June 2007, representing a decrease of 75.3% from the corresponding period of last year.

Packaged software sales of HK\$2,169,000 for the six months ended 30 June 2007, representing an increase of 73.9% from the corresponding period of previous year.

The Group recorded a net loss attributable to shareholders for the six months ended 30 June 2007 of HK\$18,579,000 (first six months of 2006: HK\$3,194,000).

The Group's total operating expenses for the six months ended 30 June 2007 increased by 324.0% compared to first six months of 2006. The increase in the Group's total operating expenses was mainly due to the provision of share-based payments of HK\$15,221,000.

The unaudited consolidated results for the six months ended 30 June 2007 and the comparison with last year are set out in the accompanying table.



## INTERIM RESULTS (UNAUDITED)

The Board of Directors (the "Directors") of Bio Cassava Technology Holdings Limited (the "Company") are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the three months and six months ended 30 June 2007, together with the unaudited comparative figures for the corresponding periods in 2006 as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	Notes	Three months ended 30 June		Six months ended 30 June	
		2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Revenue	2	1,335	839	2,837	1,722
Cost of sales		(262)	(62)	(553)	(142)
<b>Gross profit</b>		<b>1,073</b>	<b>777</b>	<b>2,284</b>	<b>1,580</b>
Other operating income	3	221	112	481	260
Selling and distribution expenses		(965)	(386)	(2,089)	(1,013)
Research and development expenses		(284)	(318)	(576)	(617)
General and administrative expenses		(17,235)	(1,813)	(18,679)	(3,404)
<b>Loss before income tax</b>	4	<b>(17,190)</b>	<b>(1,628)</b>	<b>(18,579)</b>	<b>(3,194)</b>
Income tax expense	5	—	—	—	—
<b>Loss for the period</b>		<b>(17,190)</b>	<b>(1,628)</b>	<b>(18,579)</b>	<b>(3,194)</b>
			(Restated)		(Restated)
<b>Loss per share</b>	7				
– Basic		(HK\$0.23 cent)	(HK\$0.03 cent)	(HK\$0.25 cent)	(HK\$ 0.05 cent)
– Diluted		N/A	N/A	N/A	N/A

## CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited 30 June 2007 HK\$'000	Audited 31 December 2006 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current asset</b>			
Property, plant and equipment		496	157
<b>Current assets</b>			
Inventories	8	164	116
Trade receivables	9	305	490
Prepayments, deposits and other receivables		1,228	862
Cash and cash equivalents		39,183	34,147
		<u>40,880</u>	<u>35,615</u>
<b>Current liabilities</b>			
Trade payables	10	101	72
Other payables and accrued expenses		1,350	1,711
		<u>1,451</u>	<u>1,783</u>
<b>Net current assets</b>		<u>39,429</u>	<u>33,832</u>
<b>Net assets / Total assets less current liabilities</b>		<u><u>39,925</u></u>	<u><u>33,989</u></u>
<b>EQUITY</b>			
Share capital	11	19,229	18,695
Reserves		20,696	15,294
<b>Total equity</b>		<u><u>39,925</u></u>	<u><u>33,989</u></u>



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

For the six months ended 30 June 2007

	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Warrants reserve HK\$'000	Share option reserve HK\$'000	Reorganisation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2006	12,464	87,601	37	6,250	—	3,000	(91,488)	17,864
Loss for the period	—	—	—	—	—	—	(3,194)	(3,194)
At 30 June 2006	<u>12,464</u>	<u>87,601</u>	<u>37</u>	<u>6,250</u>	<u>—</u>	<u>3,000</u>	<u>(94,682)</u>	<u>14,670</u>
At 1 January 2007	18,695	104,596	37	6,250	—	3,000	(98,589)	33,989
Issuance of warrants issue	—	—	—	6,230	—	—	—	6,230
Warrants issue expenses	—	(994)	—	—	—	—	—	(994)
Exercise of warrants	534	4,859	—	(1,335)	—	—	—	4,058
Recognition of equity-settled share-based payments	—	—	—	—	15,221	—	—	15,221
Loss for the period	—	—	—	—	—	—	(18,579)	(18,579)
At 30 June 2007	<u>19,229</u>	<u>108,461*</u>	<u>37*</u>	<u>11,145*</u>	<u>15,221*</u>	<u>3,000*</u>	<u>(117,168)*</u>	<u>39,925</u>

\* As at 30 June 2007, the aggregated amount of the above balances of HK\$20,696,000 (As at 31 December 2006: HK\$15,294,000) in surplus represented the reserves in the condensed consolidated balance sheet.



## CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

	Six months ended 30 June	
	2007 HK\$'000	2006 HK\$'000
Net cash (used in) / from operating activities	(3,867)	7,149
Net cash (used in) / from investing activities	(391)	155
Net cash from financing activities	9,294	—
Increase in cash and cash equivalents	5,036	7,304
Cash and cash equivalents at 1 January	34,147	7,272
Cash and cash equivalents at 30 June	39,183	14,576



Notes:

**1 Basis of presentation and accounting policies**

The Group’s unaudited condensed consolidated interim financial statements have been prepared in accordance with the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements as set out in Chapter 18 of the GEM Listing Rules.

The unaudited condensed consolidated interim financial statements have been prepared under the historical cost basis. The accounting policies and basis of preparation adopted in these interim financial statements are consistent with those adopted in the Group’s annual financial statements for the year ended 31 December 2006.

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

From 1 January 2007, the Group has adopted the following new and amended Hong Kong Financial Reporting Standards (“HKFRSs”), which are first effective on 1 January 2007.

HKAS 1(Amendment)	Presentation of Financial Statements – Capital Disclosures
HKFRS 7	Financial Instruments – Disclosures
HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC) – Int 8	Scope of HKFRS 2
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment

The adoption of these new and amended HKFRSs did not result in significant changes in the Group’s accounting policies.



New or amended HKFRSs that have been issued but are not yet effective

The Group has not early adopted the following HKFRSs that have been issued but are not yet effective. The directors of the Company anticipate that the adoption of such HKFRSs will not result in material financial impact on the Group's financial statements.

HK(IFRIC) – Int 11	HKFRS 2: Group and Treasury Share Transactions <sup>1</sup>
HK(IFRIC) – Int 12	Service Concession Arrangements <sup>2</sup>
HKFRS 8	Operating Segments <sup>3</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>3</sup>

Notes:

- <sup>1</sup> Effective for annual periods beginning on or after 1 March 2007
- <sup>2</sup> Effective for annual periods beginning on or after 1 January 2008
- <sup>3</sup> Effective for annual periods beginning on or after 1 January 2009

## 2 Revenue and segment information

The Group is principally engaged in software and embedded systems development. Revenue, which is also the Group's turnover recognised during the relevant periods are as follows:

	Unaudited		Unaudited	
	Three months ended		Six months ended	
	30 June		30 June	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Turnover</b>				
Sale of goods	1,292	690	2,741	1,334
Licensing income	43	149	96	388
	<u>1,335</u>	<u>839</u>	<u>2,837</u>	<u>1,722</u>

In accordance with the Group's internal financial reporting, the Group has determined that business segment is presented as the primary reporting format and geographic segment as the secondary reporting format.

No business segment analysis is provided as sales and licensing of software and embedded systems is the Group's only major business segment.



Geographical segment analysis is as follows:

	Segment revenue		Segment results	
	Unaudited		Unaudited	
	Six months		Six months	
	ended 30 June		ended 30 June	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	2,837	1,601	(18,386)	(2,660)
Mainland China	—	121	(193)	(196)
Unallocated costs	—	—	—	(338)
	<u>2,837</u>	<u>1,722</u>	<u>(18,579)</u>	<u>(3,194)</u>

	Segment assets		Capital expenditures	
	Unaudited	Audited	Unaudited	
	30 June	31 December	Six months	
	2007	2006	ended 30 June	
	HK\$'000	HK\$'000	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	39,758	33,774	413	32
Mainland China	1,618	1,998	—	—
	<u>41,376</u>	<u>35,772</u>	<u>413</u>	<u>32</u>

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.

Unallocated costs represent corporate expenses. Segment assets consist primarily of property, plant and equipment, inventories, receivables and operating cash.

Capital expenditure comprises additions to property, plant and equipment.

## 3 Other operating income

	Unaudited		Unaudited	
	Three months ended		Six months ended	
	30 June		30 June	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest income	221	74	480	187
Sundry income	—	38	1	73
	<u>221</u>	<u>112</u>	<u>481</u>	<u>260</u>

## 4 Loss before income tax

	Unaudited		Unaudited	
	Three months ended		Six months ended	
	30 June		30 June	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss before income tax				
is arrived at after				
charging / (crediting):				
Depreciation	39	101	73	202
Write back of provision				
for obsolete stocks	(107)	—	(107)	—
Share-based payment				
expenses	15,221	—	15,221	—
	<u>15,221</u>	<u>—</u>	<u>15,221</u>	<u>—</u>

## 5 Income tax expense

No Hong Kong profits tax has been provided as the Group did not generate any assessable profits arising in Hong Kong for the six months ended 30 June 2007 (six months ended 30 June 2006: Nil).

During the six months ended 30 June 2007, provision for the profits tax of subsidiaries operating outside Hong Kong has not been provided as the subsidiaries did not generate any assessable profits in the respective jurisdictions (six months ended 30 June 2006: Nil).

At 30 June 2007, the Group has net deferred tax assets mainly arising from tax losses of approximately HK\$6,000,000 (As at 31 December 2006: HK\$2,961,000). However, the net deferred tax assets have not been recognised as it is uncertain whether future taxable profit will be available for utilising the accumulated tax losses. Under the current tax legislation, the tax losses can be carried forward indefinitely.



**6 Interim dividend**

The Directors do not recommend the payment of interim dividend for the six months ended 30 June 2007 (six months ended 30 June 2006: Nil).

**7 Loss per share**

The calculation of the basic loss per share is based on the Group's unaudited consolidated loss attributable to equity holders of the Company for the three months and six months ended 30 June 2007 of HK\$17,190,000 and HK\$18,579,000 respectively (three months and six months ended 30 June 2006: HK\$1,628,000 and HK\$3,194,000 respectively) and on the weighted average number of shares of 7,523,920,652 and 7,550,301,104 respectively (three months and six months ended 30 June 2006 (restated): 6,012,541,962) ordinary shares of the Company in issue during the periods.

No diluted loss per share has been presented in the current period (2006: Nil) because the exercise of the Company's outstanding share options and warrants would reduce loss per share.

The weighted average number of shares for the purposes of calculating basic and diluted loss per share for the three months and six months ended 30 June 2007 and 30 June 2006 has been adjusted to reflect the share subdivision effective on 3 July 2007. Details of the share subdivision are disclosed in note 11.

The weighted average number of shares for the purposes of calculating basic loss per share for the three months and six months ended 30 June 2006 has also been adjusted to reflect the issuance of rights shares issued on 23 November 2006.

**8 Inventories**

	Unaudited 30 June 2007 HK\$'000	Audited 31 December 2006 HK\$'000
Merchandise	104	65
Finished goods	60	51
	<u>164</u>	<u>116</u>

## 9 Trade receivables

	Unaudited 30 June 2007 HK\$'000	Audited 31 December 2006 HK\$'000
Trade receivables	2,948	3,133
Less: Provision for impairment of receivables	<u>(2,643)</u>	<u>(2,643)</u>
Trade receivables – net	<u>305</u>	<u>490</u>

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

	Unaudited 30 June 2007 HK\$'000	Audited 31 December 2006 HK\$'000
Current	260	87
31-90 days	33	178
91-180 days	10	225
Over 180 days	<u>2</u>	<u>—</u>
	<u>305</u>	<u>490</u>

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



10 Trade payables

The ageing analysis of the trade payables was as follows:

	Unaudited 30 June 2007 HK\$'000	Audited 31 December 2006 HK\$'000
Current	84	61
31-90 days	17	11
	<u>101</u>	<u>72</u>

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

11 Share capital

	Number of shares		Share capital	
	30 June 2007 (Unaudited) '000	31 December 2006 (Audited) '000	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
Authorised:				
Ordinary shares of HK\$0.01 each	<u>50,000,000</u>	<u>50,000,000</u>	<u>500,000</u>	<u>500,000</u>
Issued and fully paid:				
At the beginning of the period / year	1,869,525	1,246,350	18,695	12,464
Issuance of rights shares	—	623,175	—	6,231
Exercise of warrants (Note)	53,400	—	534	—
	<u>1,922,925</u>	<u>1,869,525</u>	<u>19,229</u>	<u>18,695</u>



*Note:*

A resolution was passed on 11 October 2006 to approve a rights issue on the basis of one rights share for every two shares held by the shareholders in the register of members on 1 November 2006 at the subscription price of HK\$0.039 each. The rights issue resulted in the issue of 623,175,000 shares of HK\$0.01 each for a total cash consideration before share issue expenses of approximately HK\$24 million.

On 13 December 2006, the Company entered into the placing agreement with the placing agent in connection with the placing, on a fully underwritten basis, to place up to 249,200,000 warrants conferring rights to subscribe up to 249,200,000 shares at an initial subscription price of HK\$0.076 per share. The warrants are to be placed at an issue price of HK\$0.025 per warrant. Each warrant will entitle the holder thereof to subscribe for one share at an initial subscription price of HK\$0.076 per share during the two-year period commencing from the date of listing of the warrants. The placing is completed on 24 January 2007. Dealings in the warrants on the Hong Kong Stock Exchange commenced on 29 January 2007.

During the period, the issued share capital of the Company was increased from approximately HK\$18,695,000 to HK\$19,229,000 by part of warrants issue were exercised for 53,400,000 shares of HK\$0.01 each with subscription price of HK\$0.076 per warrant.

On 4 June 2007, the Company announced a proposed subdivision of shares. The Company proposed that each of the existing issued and unissued shares of par value of HK\$0.01 in the share capital of the Company be subdivided into 4 subdivided shares of par value of HK\$0.0025 each. On 29 June 2007, the Company announced that at the extraordinary general meeting ("EGM") held on that date, the share subdivision were duly passed by the shareholders and following the approval at the EGM, the listing committee has granted approval for the listing of and the permission to deal in the subdivided shares on GEM. The share subdivision will become effective on 3 July 2007. Upon the share subdivision becoming effective, the authorised share capital of the Company will be HK\$500,000,000 divided into 200,000,000,000 subdivided shares with par value of HK\$0.0025 each. For further details, please refer to note 15.



## 12. Share-based payment transactions

### (i) Share option scheme

Movements in share options granted during the period ended 30 June 2007 were as follows:

	Options to subscribe for shares of the Company					Outstanding as at 30 June 2007	Option exercise period	Exercise price per share
	Outstanding	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding			
	as at 1 January 2007				as at 30 June 2007			
Director								
Kwan Kin Chung	29/5/2007	—	4,000,000	—	—	4,000,000	29/5/2007 to 28/5/2017	HK\$0.45
Tam Kam Biu William	29/5/2007	—	5,000,000	—	—	5,000,000	29/5/2007 to 28/5/2017	HK\$0.45
Wan Xiaolin	29/5/2007	—	3,000,000	—	—	3,000,000	29/5/2007 to 28/5/2017	HK\$0.45
Chen Man Lung	29/5/2007	—	4,000,000	—	—	4,000,000	29/5/2007 to 28/5/2017	HK\$0.45
Leung Lap Yan	29/5/2007	—	2,000,000	—	—	2,000,000	29/5/2007 to 28/5/2017	HK\$0.45
Leung Lap Fu Warren	29/5/2007	—	2,000,000	—	—	2,000,000	29/5/2007 to 28/5/2017	HK\$0.45
Ip Chi Wai	29/5/2007	—	1,000,000	—	—	1,000,000	29/5/2007 to 28/5/2017	HK\$0.45
Tse Wang Cheung	29/5/2007	—	1,000,000	—	—	1,000,000	29/5/2007 to 28/5/2017	HK\$0.45
Angus								
Shiu Kwok Keung	29/5/2007	—	1,000,000	—	—	1,000,000	29/5/2007 to 28/5/2017	HK\$0.45
Employees in aggregate	29/5/2007	—	3,000,000	—	—	3,000,000	29/5/2007 to 28/5/2017	HK\$0.45
Consultants	29/5/2007	—	163,190,000	—	—	163,190,000	29/5/2007 to 28/5/2017	HK\$0.45
Total		—	189,190,000	—	—	189,190,000		





## (ii) Valuation of options

During the period, 189,190,000 options were granted on 29 May 2007. The estimated fair value of the options granted to directors, certain employees and consultants is HK\$15,221,000. As the fair value of the services provided by them could not be estimated reliably, the fair value of the services is measured by the reference to the fair value of options granted at the date the services are performed.

The fair value was calculated using the Black-Scholes pricing model (the "Model"). The following table lists the significant inputs to the Model used for the period ended 30 June 2007.

Stock price at grant date	HK\$0.45
Exercise price	HK\$0.45
Expected volatility	41.4%
Expected life	1 year
Risk free rate	3.5%
Expected dividend yield	0.0%

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous 6 months. The expected life used in the model was based on management's best estimation taking into account non-transferability and other behavioral consideration. Risk free rate was determined by reference to the yield of 1 year Exchange Fund Notes at the date of grant. Expected dividend yield was based on historical dividend yield of the shares of the Company.

## 13 Commitments

## (a) Capital commitments

	Unaudited 30 June 2007 HK\$'000	Audited 31 December 2006 HK\$'000
Contracted, but not provided for:		
– Acquisition of technical know-how	2,000	—



(b) Commitments under operating leases

As at 30 June 2007, the total future minimum lease payments under non-cancellable operating leases in respect of land and buildings of the Group were payable as follows:

	Unaudited 30 June 2007 HK\$'000	Audited 31 December 2006 HK\$'000
Within one year	1,170	1,608
In the second to the fifth year	348	827
	<u>1,518</u>	<u>2,435</u>

## 14 Related party transactions

Significant related party transactions, which were carried out in the normal course of the Group's business, were as follows:

	Notes	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
		2007	2006	2007	2006
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Office and warehouse rental expenses					
– Culturecom Centre Limited	(i)	155	22	305	45
– Tilpifa Company Limited	(ii)	—	119	—	238
		<u>155</u>	<u>141</u>	<u>305</u>	<u>283</u>
Building management fees					
– Prosperity Land Estate Management Limited	(ii)	—	39	—	79
Company secretarial fees					
– Asia Orient Company Limited	(ii)	—	30	—	54
		<u>—</u>	<u>30</u>	<u>—</u>	<u>54</u>

## Notes:

- (i) Office and warehouse rental agreements were entered into with Culturecom Centre Limited, a subsidiary of Culturecom Holdings Limited, one of the substantial shareholders of the Company, with the rents charged at fixed monthly fees.
- (ii) Office rental agreement was entered into with Tilpifa Company Limited, a subsidiary of Asia Orient Holdings Limited, with rental charged at fixed monthly fees. Building management and company secretarial fees were paid to Prosperity Land Estate Management Limited and Asia Orient Company Limited, subsidiaries of Asia Orient Holdings Limited, and were charged at fixed monthly rates. Asia Orient Holdings Limited has ceased to be one of the substantial shareholders of the Company after its disposals of its indirectly equity interests in the Company in 2006.



15. Events after the period ended 30 June 2007

With respect to the share subdivision, as approved in the EGM dated 29 June 2007, each outstanding share option to subscribe for one share will be able to subscribe for 4 subdivided shares. The exercise price of the share option will be adjusted from HK\$0.45 per share to HK\$0.1125 per subdivided share. The subscription price of the warrants will be adjusted from HK\$0.076 per share to HK\$0.019 per subdivided share in accordance with the terms of the warrants. For further details, please refer to the announcement dated 14 June 2007 and 29 June 2007.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Liquidity and financial resources

The Group has no interest bearing debt. During the six months ended 30 June 2007, the issued share capital of the Company was increased from approximately HK\$18,695,000 to HK\$19,229,000 by part of warrants issue were exercised for 53,400,000 shares of HK\$0.01 each with subscription price of HK\$0.076 per warrant. The Group relies on the internal resources, the net proceeds from its IPO and the subsequent issue of warrants as sources of funding. The Group keeps most of its cash in Hong Kong dollars as short term fixed deposit at banks, and balances of cash are kept in bank accounts as working capital of the Group.

The Group kept a minimum amount of cash as working capital in a bank account of its subsidiary in China in Renminbi and the balance in Hong Kong dollars.

The Group has no credit facilities and no borrowing outstanding as at 30 June 2007 (As at 30 June 2006: Nil).

There is no charge on the Group's assets as at 30 June 2007 (As at 30 June 2006: Nil).

The Group has no debt as at 30 June 2007 (As at 30 June 2006: Nil).

The gearing ratio of the Group, based on total debt to total equity, was nil as at 30 June 2007 (As at 30 June 2006: Nil).

### Order book

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

### Investment

Since 31 December 2006, there is no other significant investment held by the Group.

### Acquisition, disposal of subsidiary and affiliated companies

The Group did not have any material acquisition or disposal of subsidiaries or affiliated companies for the six months ended 30 June 2007.



### Employee information

As at 30 June 2007, the Group employed 30 staff (As at 30 June 2006: 27). Total staff costs, including directors' emoluments were approximately HK\$3.3 million for the six months ended 30 June 2007 as compared with that of approximately HK\$2.7 million for the corresponding period of the preceding financial year.

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


### Future plans for material investments and capital assets

The Company has developed a strategic alliance with Becky Agric Bio Energy Co., Limited, to perform research and development of biotechnology and related manufacturing technology, which will be applied to convert cassava into ethanol, which could be used as a renewable source of energy. The founder of Becky Agric Bio Energy has over four decades of experience in micro-organism and bacteria technology. Becky's technology of their proprietary *Luoding Rhodobacteriineae* offers high yield on ethanol fermentation generated from cassava and the Company expects that the project could be launched to market within year 2007. As at 30 June 2007, the Company signed a joint project in R&D of related technology at a cost of HK\$2 million.

The Group plans to build a factory in Yun Fu, China for the development of biotech and renewable energy business. The Group will focus its efforts to diversify its products and service offerings related to biotech and renewable energy market to derive new sources of revenue and to promote its existing products, Q9 CIS Chinese and English version, to OEM customers in the Greater China region. Accordingly, the business objective relating to the promotion of Q9 CIS into other markets, as stated in the Prospectus of the Group will be adjusted.

### Segment information

Details of the segment information have been set out in note 2 under notes to the unaudited interim financial statements and further elaborated under "Business Review and Prospects".



### Hedging policy

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

### Contingent liabilities

The Group does not have any contingent liabilities as at 30 June 2007 (As at 30 June 2006: Nil).

## CHANGE OF THE NAME OF THE COMPANY

On 27 April 2007, the name of the Company was changed from "Q9 Technology Holdings Limited" to "Bio Cassava Technology Holdings Limited". The Chinese name of the Company "九方科技控股有限公司", which is for identification purpose only, remains unchanged.

## BUSINESS REVIEW AND PROSPECTS

The consolidated turnover of the Company and its subsidiaries for the six months ended 30 June 2007, amounted to HK\$2,837,000, representing an increase of 64.8% from the corresponding period of last year. Loss attributable to shareholders for the six months ended 30 June 2007 amounted to HK\$18,579,000 compared to a loss of HK\$3,194,000 for the corresponding period of last year. The loss per share was HK\$0.25 cent (six months ended 2006 (restated): loss per share of HK\$0.05 cent).

The Group's total operating expenses for the six months ended 30 June 2007 increased by 324.0% compared to the first six months of 2006. The increase in the Group's total operating expenses was mainly due to the provision of share-based payments of HK\$15,221,000.

The OEM licensing revenue amounted to HK\$96,000 for the six months ended 30 June 2007, representing a decrease of 75.3% from the corresponding period of last year.

Packaged software sales of HK\$2,169,000 for the six months ended 30 June 2007, representing an increase of 73.9% from the corresponding period of previous year.



The focus of the Group's efforts for the year 2007 will be to diversify its products and service offerings related to biotech and renewable energy market to derive new sources of revenue, while continue its marketing effort in promoting Q9 CIS to OEM customers, and the end user markets. Management believes the Group has sufficient resources and ability to diversify its new business areas related to the biotech and renewable energy market, and derives new sources of revenue for the Group in the near future.

The Company has developed a strategic alliance with Becky Agric Bio Energy Co., Limited, to perform research and development of biotechnology and related manufacturing technology, which will be applied to convert cassava into ethanol, which could be used as a renewable source of energy. The founder of Becky Agric Bio Energy has over four decades of experience in micro-organism and bacteria technology. Becky's technology of their proprietary Luoding Rhodobacteriineae offers high yield on ethanol fermentation generated from cassava and the Company expects that the project could be launched to market within year 2007.

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

As at 30 June 2007, save for the interest of the directors in share options as below, neither of the Directors nor the chief executive 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 ("SFO")) which (i) are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provision of the SFO); or (ii) were recorded in the register required to be kept under Section 352 of the SFO, or (iii) have to be notified to the Company and the Stock Exchange pursuant to the required standards of dealing by Directors as referred to in Rule 5.46 of the GEM Listing Rules.



## LONG POSITIONS IN UNDERLYING SHARES OF THE COMPANY

## Share Option

As at 30 June 2007, there were a total of 23,000,000 outstanding share options of the Company granted to the directors of the Company, details of which are summarized in the following table:

Director	Options to subscribe for shares of the Company						Option exercise period	Exercise price per share
	Outstanding	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding	Exercise price per share		
	as at 1 January 2007				as at 30 June 2007			
Kwan Kin Chung	29/5/2007	—	4,000,000	—	—	4,000,000	29/5/2007 to 28/5/2017	HK\$0.45
Tam Kam Biu								
William	29/5/2007	—	5,000,000	—	—	5,000,000	29/5/2007 to 28/5/2017	HK\$0.45
Wan Xiaolin	29/5/2007	—	3,000,000	—	—	3,000,000	29/5/2007 to 28/5/2017	HK\$0.45
Chen Man Lung	29/5/2007	—	4,000,000	—	—	4,000,000	29/5/2007 to 28/5/2017	HK\$0.45
Leung Lap Yan	29/5/2007	—	2,000,000	—	—	2,000,000	29/5/2007 to 28/5/2017	HK\$0.45
Leung Lap Fu								
Warren	29/5/2007	—	2,000,000	—	—	2,000,000	29/5/2007 to 28/5/2017	HK\$0.45
Ip Chi Wai	29/5/2007	—	1,000,000	—	—	1,000,000	29/5/2007 to 28/5/2017	HK\$0.45
Tse Wang Cheung								
Angus	29/5/2007	—	1,000,000	—	—	1,000,000	29/5/2007 to 28/5/2017	HK\$0.45
Shiu Kwok Keung	29/5/2007	—	1,000,000	—	—	1,000,000	29/5/2007 to 28/5/2017	HK\$0.45
Total		—	23,000,000	—	—	23,000,000		

## Note:

The option exercise period is commenced from the date of grant for ten years. The options may be exercised at any time within the option period provided that the options have been vested. As at 30 June 2007, all options have been vested.

The closing price of the shares immediately before the date of grant of options was HK\$0.45.

Save as disclosed above, none of the Directors or the chief executives of the Company had any interest or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations at 30 June 2007.

The above share options are granted pursuant to the Company's share option scheme adopted on 27 April 2007.



## SHARE OPTION SCHEMES

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

As at 30 June 2007, options to subscribe for up to an aggregate of 189,190,000 shares of HK\$0.01 each had been granted by the Company under the New Share Option Scheme. Details of the share options which had been granted under the New Share Option Scheme are as follows:

Category of participant	Options to subscribe for shares of the Company						Option exercise period	Exercise price per share
	Outstanding			Outstanding				
	Date of grant	as at 1 January 2007	Granted during the period	Exercised during the period	Lapsed during the period	as at 30 June 2007		
Directors	29/5/2007	—	23,000,000	—	—	23,000,000	29/5/2007 to 28/5/2017	HK\$0.45
Employees other than the directors of the Company	29/5/2007	—	3,000,000	—	—	3,000,000	29/5/2007 to 28/5/2017	HK\$0.45
Consultants	29/5/2007	—	163,190,000	—	—	163,190,000	29/5/2007 to 28/5/2017	HK\$0.45
Total		—	189,190,000	—	—	189,190,000		

### Note:

The option exercise period is commenced from the date of grant for ten years. The options may be exercised at any time within the option period provided that the options have been vested. As at 30 June 2007, all options have been vested.

The closing price of the shares immediately before the date of grant of options was HK\$0.45.

During the period, there were no options being exercised, cancelled or lapsed.

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

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

As at 30 June 2007, according to the register of interests kept by the Company under Section 336 of the SFO, the following parties (in addition to those disclosed above in respect of the Directors and chief executives) had interests or short positions in the shares or underlying shares of the Company which were required to be recorded in the register and/or were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group:

### *Long positions in shares of the Company*

Name of shareholder	Number of shares	Approximate percentage holding
Step Up Co., Ltd.	409,122,500	21.28%
Mr. Kuan Sio Kai ( <i>Note (i)</i> )	409,122,500	21.28%
Winway H.K. Investments Limited	450,952,500	23.45%
Culturecom Holdings Limited ( <i>Note (iii)</i> )	450,952,500	23.45%

### Notes:

- (i) Mr. Kuan Sio Kai is deemed to be interested in 409,122,500 shares through his controlling interest (100%) in Step Up Co., Ltd..
- (ii) Winway H.K. Investments Limited is a wholly-owned subsidiary of Culturecom Investments Limited, which is, in turn, a wholly-owned subsidiary of Culturecom Holding (BVI) Limited. Culturecom Holding (BVI) Limited is a wholly-owned subsidiary of Culturecom Holding Limited. Each of Culturecom Investments Limited, Culturecom Holding (BVI) Limited and Culturecom Holdings Limited is deemed to be interested in 450,952,500 shares through its controlling interest (100%) in Winway H.K. Investments Limited.

Save as disclosed above, as at 30 June 2007, the Directors are not aware of any other persons who had interests or short positions in the shares or underlying shares of the Company which were interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.



## **DIRECTORS' INTERESTS IN COMPETING BUSINESS**

None of the Directors or management shareholders of the Company (as defined in the GEM Listing Rules) has an interest in a business which competes or may compete with the business of the Group.

## **PURCHASE, SALE OR REDEMPTION OF SECURITIES**

The Company has not redeemed any of its shares during six months ended 30 June 2007. Neither the Company nor any of its subsidiaries purchased or sold of the Company's listed securities during the six months ended 30 June 2007.

## **CORPORATE GOVERNANCE**

The Code on Corporate Governance Practices set out in Appendix 15 of the GEM Listing Rules ("Code") takes effect from 1 January 2005. The Company is committed to maintain a high standard of corporate governance. To maintain a good and solid framework of corporate governance will ensure the Company to run its business in the best interests of the shareholders. Throughout the six months ended 30 June 2007 under review, the Company has complied with the Code.

## **DIRECTOR'S SECURITIES TRANSACTIONS**

The Company has adopted Rules 5.48 to 5.67 of the GEM Listing Rules as its code of conduct for securities transactions by Directors of the Company ("Code for Director's Dealings"). The Company has made specific enquiry with Directors and all Directors have complied with the requirements set out in the Code for Director's Dealing for the six months ended 30 June 2007 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 interim results for the six months ended 30 June 2007 have been reviewed by the audit committee together with management, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

## **APPROVAL OF THE FINANCIAL STATEMENTS**

The financial statements were approved by the board of directors on 13 August 2007.

By order of the Board  
**Leung Lap Yan**  
*Chairman*

Hong Kong, 13 August, 2007

*As of the date of this report, the Board 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, and Mr. Ip Chi Wai, Mr. Tse Wang Cheung Angus and Mr. Shiu Kwok Keung as independent non- executive Directors.*