



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)



2008

First Quarterly Report

*For identification purpose only

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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\$1,593,000 for the three months ended 31 March 2008, representing an increase of 6.0% from the corresponding period of last year.
- The Group recorded OEM licensing revenue of HK\$35,900 for the three months ended 31 March 2008, representing a decrease of 44.7% from the corresponding period of last year.
- Packaged software sales of HK\$1,183,000 for the three months ended 31 March 2008, representing a decrease of 1.2% from the corresponding period of previous year.
- The Group recorded a net loss attributable to shareholders for the three months ended 31 March 2008 of HK\$2,702,000 (first three months of 2007 : net loss attributable to shareholders of HK\$1,389,000).
- The Group's total operating expenses for the three months ended 31 March 2008 was increased by HK\$1,326,000 or 46.4% compared to first three months of 2007, mainly attributable to increase in general and administrative expenses to support new business development activities.
- The Group commenced construction of production lines and the production centre in Yunfu City Guangdong Province, PRC, for the production and fermentation of cassava ethanol, which is expected to be completed and ready for production during second half of 2008.

The unaudited consolidated results for the three months ended 31 March 2008 and the comparison with last year are set out in the accompanying table.

THREE MONTH 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 ended 31 March 2008, together with the unaudited comparative figures for the corresponding period in 2007 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	Notes	Three months ended 31 March	
		2008 HK\$'000	2007 HK\$'000
Revenue	2	1,593	1,502
Cost of sales		(311)	(291)
Gross profit		1,282	1,211
Other revenue	3	202	260
Selling and distribution expenses		(968)	(1,124)
Research and development expenses		(326)	(292)
General and administrative expenses		(2,892)	(1,444)
Operating loss		(2,702)	(1,389)
Finance costs		—	—
Loss before income tax		(2,702)	(1,389)
Income tax expense	4	—	—
Loss for the three months ended 31 March 2008		(2,702)	(1,389)
			(Restated)
Loss per share	6		
– Basic		(HK0.04 cent)	(HK0.02 cent)
– Diluted		N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the three months ended 31 March 2008

	Share capital	Share premium	Share option reserve	Capital redemption reserve	Warrants 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
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 issue	183	1,665	—	—	(458)	—	—	—	1,390
Loss for the three months ended 31 March 2007	—	—	—	—	—	—	—	(1,389)	(1,389)
At 31 March 2007	<u>18,878</u>	<u>105,267</u>	<u>—</u>	<u>37</u>	<u>12,022</u>	<u>3,000</u>	<u>—</u>	<u>(99,978)</u>	<u>39,226</u>
At 1 January 2008	19,429	110,982	33,514	37	9,944	3,000	49	(139,814)	37,141
Exercise of warrants issue	40	364	—	—	(100)	—	—	—	304
Loss for the three months ended 31 March 2008	—	—	—	—	—	—	—	(2,702)	(2,702)
At 31 March 2008	<u>19,469</u>	<u>111,346</u>	<u>33,514</u>	<u>37</u>	<u>9,844</u>	<u>3,000</u>	<u>49</u>	<u>(142,516)</u>	<u>34,743</u>

Notes:

1 Basis of preparation

The Group's unaudited condensed consolidated results are prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the "GEM Listing Rules").

The accounting policies adopted in preparing the Group's unaudited condensed consolidated results for the three months ended 31 March 2008 and 2007 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2007.

2 Revenue and segment information

Revenue, which is also the Group's turnover, represents the total invoiced value of goods sold, services rendered and licensing income. Revenue recognised during the three months ended 31 March 2008 is as follows:

	Unaudited Three months ended 31 March	
	2008	2007
	HK\$'000	HK\$'000
Sale of goods	1,557	1,449
Licensing income	36	53
	1,593	1,502

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Details of the business segments are summarized as follows:

- (a) Sales and licensing of software and embedded systems
- (b) Development of biotech renewable energy

The development of biotech renewable energy is a new operation of the Group during Year 2007. This business has not yet generated any revenue for the three months ended 31 March 2008.

(a) Business segments

The following table presents revenue and loss information for the Group's business segments for three months ended 31 March 2008 and 2007:

	Unaudited					
	Three months ended 31 March					
	Sales and licensing of software and embedded systems		Development of biotech renewable energy		Consolidated	
	2008	2007	2008	2007	2008	2007
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Segment revenue:						
Sales to external customers	1,593	1,502	—	—	1,593	1,502
Segment results	(427)	(605)	(22)	(12)	(449)	(617)
Bank interest income					202	259
Fair value loss on financial assets at fair value through profit or loss					(101)	—
Unallocated expenses					(2,354)	(1,031)
Operating loss					(2,702)	(1,389)
Finance costs					—	—
Loss for the period					(2,702)	(1,389)

(b) Geographical segments

The following table presents revenue and loss information for the Group's business segments for three months ended 31 March 2008 and 2007:

	Unaudited							
	Three months ended 31 March							
	Hong Kong		Mainland China		Macau		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Segment revenue:								
Sales to external customers	1,578	1,502	15	—	—	—	1,593	1,502
Segment results	(372)	(470)	(52)	(123)	(482)	—	(906)	(593)
Unallocated expenses							(1,796)	(796)
Operating loss							(2,702)	(1,389)

3 Other revenue

	Unaudited Three months ended 31 March	
	2008 HK\$'000	2007 HK\$'000
Interest income	202	259
Sundry income	—	1
	<u>202</u>	<u>260</u>

4 Income tax expense

No Hong Kong profits tax has been provided as the Group did not generate any assessable profits arising in Hong Kong during the three months ended 31 March 2008 (three months ended 31 March 2007: Nil).

During the three months ended 31 March 2008, no profits tax for the subsidiaries operating outside Hong Kong has been provided as these subsidiaries have not generated any assessable profits in the respective jurisdictions (three months ended 31 March 2007: Nil).

At 31 March 2008, the Group had deferred tax assets mainly arising from tax losses of approximately HK\$6,500,000 (31 December 2007: HK\$4,630,000). However, the deferred tax assets have not been recognised as it is uncertain whether sufficient 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.

5 Interim dividend

The Directors do not recommend the payment of interim dividend for the three months ended 31 March 2008 (three months ended 31 March 2007: Nil).

6 Loss per share

The calculation of the basic loss per share is based on the consolidated loss for the three months ended 31 March 2008 attributable to equity holders of the Company of HK\$2,702,000 (three months ended 31 March 2007: HK\$1,389,000) and the weighted average of 7,661,903,491 (three months ended 31 March 2007 restated: 7,489,915,730) ordinary shares of the Company in issue during the periods.

The weighted average number of shares for the purposes of calculating basic loss per share for the three months ended 31 March 2007 has been restated to reflect the share subdivision during the year 2007.

Diluted per share amount for the three months ended 31 March 2008 and 31 March 2007 is not presented as the impact of the exercise of the outstanding share options and warrants were anti-dilutive.

BUSINESS REVIEW AND PROSPECTS

The consolidated turnover of the Company and its subsidiaries the three months ended 31 March 2008, amounted to HK\$1,593,000, representing an increase of 6.0% from the corresponding period of last year. Loss attributable to shareholders for the three months ended 31 March 2008 amounted to HK\$2,702,000 compared to a loss of HK\$1,389,000 for the corresponding period of last year. The loss per share was HK0.04 cent (First three months of 2007: loss per share of HK0.02 cent).

The Group's total operating expenses for the three months ended 31 March 2008 was increased by 46.4% compared to first three months of 2007. The increase in the Group total operating expenses was mainly due to the increase in general and administrative expenses of HK\$1,326,000 to support new business development activities.

The OEM licensing revenue HK\$35,900 for the three months ended 31 March 2008, representing a decrease of 44.7% from the corresponding period of last year.

Packaged software sales of HK\$1,183,000 for the three months ended 31 March 2008, representing a decrease of 1.2% from the corresponding period of previous year.

During the first quarter of 2008, the Group commenced construction of production lines and the production centre in Yunfu City Guangdong Province, PRC, for the production and fermentation of cassava ethanol, which is expected to be completed and ready for production during second half of 2008. The Group will continue its marketing effort in promoting Q9 CIS, and to develop the new biotech and renewable energy business to derive new sources of revenue. 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.

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

As at 31 March 2008, 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, 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) (the "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 2008, 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 summarized in the following table:

Director	Date of grant	Options to subscribe for shares of the Company					Option exercise period	Exercise price per share
		Outstanding as at 1 January 2008	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 31 March 2008		
Kwan Kin Chung	29/5/2007	16,000,000	—	—	—	16,000,000	29/5/2007 to 28/5/2017	HK\$0.1125
Tam Kam Biu William	29/5/2007	20,000,000	—	—	—	20,000,000	29/5/2007 to 28/5/2017	HK\$0.1125
Wan Xiaolin	29/5/2007	12,000,000	—	—	—	12,000,000	29/5/2007 to 28/5/2017	HK\$0.1125
Chen Man Lung	29/5/2007	16,000,000	—	—	—	16,000,000	29/5/2007 to 28/5/2017	HK\$0.1125
Leung Lap Yan	29/5/2007	8,000,000	—	—	—	8,000,000	29/5/2007 to 28/5/2017	HK\$0.1125
Leung Lap Fu Warren	29/5/2007	8,000,000	—	—	—	8,000,000	29/5/2007 to 28/5/2017	HK\$0.1125
Ip Chi Wai	29/5/2007	4,000,000	—	—	—	4,000,000	29/5/2007 to 28/5/2017	HK\$0.1125
Tse Wang Cheung Angus	29/5/2007	4,000,000	—	—	—	4,000,000	29/5/2007 to 28/5/2017	HK\$0.1125
Shiu Kwok Keung	29/5/2007	4,000,000	—	—	—	4,000,000	29/5/2007 to 28/5/2017	HK\$0.1125
Total		92,000,000	—	—	—	92,000,000		

Note:

The number of options granted and the exercise price was adjusted when the Share Subdivision became effective on 3 July 2007.

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 2008, 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 2008.

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

As at 31 March 2008, 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.	1,636,490,000	21.01%
Mr. Kuan Sio Kai (Note (i))	1,636,490,000	21.01%
Winway H.K. Investments Limited	2,023,430,000	25.98%
Culturecom Holdings Limited (Note (ii))	2,023,430,000	25.98%

Notes:

- (i) Mr. Kuan Sio Kai is deemed to be interested in 1,636,490,000 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 Holdings Limited. Each of Culturecom Investments Limited, Culturecom Holding (BVI) Limited and Culturecom Holdings Limited is deemed to be interested in 2,023,430,000 shares through its controlling interest (100%) in Winway H.K. Investments Limited.

Save as disclosed above, as at 31 March 2008, 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 three months ended 31 March 2008. Neither the Company nor any of its subsidiaries purchased or sold of the Company's listed securities during the three months ended 31 March 2008.

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 2008 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 the 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 three months ended 31 March 2008 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 audit committee has reviewed with management this unaudited first quarterly report.

APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 14 May 2008.

By order of the Board
Leung Lap Yan
Chairman

Hong Kong, 14 May 2008

As of the date of this report, 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.