



**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)



**2008**

**Interim Report**

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

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*This report, 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 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\$3,266,000 for the six months ended 30 June 2008, representing an increase of 15.1% from the corresponding period of last year.

The Group recorded OEM licensing revenue of HK\$161,000 for the six months ended 30 June 2008, representing an increase of 67.7% from the corresponding period of last year.

Packaged software sales of HK\$2,343,000 for the six months ended 30 June 2008, representing an increase of 8.0% from the corresponding period of last year.

The Group recorded a net loss attributable to shareholders for the six months ended 30 June 2008 of HK\$5,325,000 (Six months ended 30 June 2007: HK\$18,579,000).

The Group's total operating expenses for the six months ended 30 June 2008 decreased by HK\$13,135,000, representing a decrease of 61.5% compared to corresponding period of last year. The decrease in the Group's total operating expenses was mainly due to the absence of share based payments for the six months ended 30 June 2008, which amounted to HK\$15,221,000 for the six months ended 30 June 2007.



**INTERIM RESULTS (UNAUDITED)**

The Board of Directors (the "Directors") of China Bio Cassava Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the three months and the six months ended 30 June 2008, together with the unaudited comparative figures for the corresponding periods in 2007 as follows:

**CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)**

	Notes	Three months ended 30 June		Six months ended 30 June	
		2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Revenue	2	1,673	1,335	3,266	2,837
Cost of sales		(317)	(262)	(628)	(553)
<b>Gross profit</b>		<b>1,356</b>	<b>1,073</b>	<b>2,638</b>	<b>2,284</b>
Other operating income	3	44	221	246	481
Selling and distribution expenses		(971)	(965)	(1,939)	(2,089)
Research and development expenses		(318)	(284)	(644)	(576)
General and administrative expenses		(2,734)	(17,235)	(5,626)	(18,679)
<b>Loss before income tax</b>	4	<b>(2,623)</b>	<b>(17,190)</b>	<b>(5,325)</b>	<b>(18,579)</b>
Income tax expense	5	-	-	-	-
<b>Loss for the period</b>		<b>(2,623)</b>	<b>(17,190)</b>	<b>(5,325)</b>	<b>(18,579)</b>
Loss per share for loss attributable to the equity holders of the Company during the period	7				
- Basic		<u>(HK0.03 cent)</u>	<u>(HK0.23 cent)</u>	<u>(HK0.07 cent)</u>	<u>(HK0.25 cent)</u>
- Diluted		<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

**CONDENSED CONSOLIDATED BALANCE SHEET**

		Unaudited 30 June 2008	Audited 31 December 2007
	Notes	HK\$'000	HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		1,031	816
Prepaid lease payments		2,215	2,025
Intangible assets		1,900	1,900
Deposits paid for plant and equipment		4,279	1,419
		<u>9,425</u>	<u>6,160</u>
<b>Current assets</b>			
Inventories	8	333	231
Financial assets at fair value through profit or loss		1,006	894
Trade receivables	9	460	512
Prepayments, deposits and other receivables		1,159	908
Cash and cash equivalents		23,327	30,820
		<u>26,285</u>	<u>33,365</u>
<b>Current liabilities</b>			
Trade payables	10	104	102
Other payables and accrued expenses		3,066	2,282
		<u>3,170</u>	<u>2,384</u>
<b>Net current assets</b>		<u>23,115</u>	<u>30,981</u>
<b>Net assets/Total assets less current liabilities</b>		<u><u>32,540</u></u>	<u><u>37,141</u></u>
<b>EQUITY</b>			
Share capital	11	19,469	19,429
Reserves		13,071	17,712
<b>Total equity</b>		<u><u>32,540</u></u>	<u><u>37,141</u></u>

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

For the six months ended 30 June 2008

	Share capital	Share premium	Share option 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
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 (Total recognised income and expense for the period)	-	-	-	-	-	-	-	(18,579)	(18,579)
At 30 June 2007	<u>19,229</u>	<u>108,461</u>	<u>15,221</u>	<u>37</u>	<u>11,145</u>	<u>3,000</u>	<u>-</u>	<u>(117,168)</u>	<u>39,925</u>
At 1 January 2008	19,429	110,982	33,514	37	9,944	3,000	49	(139,814)	37,141
Exercise of warrants	40	348	-	-	(84)	-	-	-	304
Currency translation (Net gain recognised directly in equity)	-	-	-	-	-	-	420	-	420
Loss for the period	-	-	-	-	-	-	-	(5,325)	(5,325)
Total recognised income and expense for the period	-	-	-	-	-	-	420	(5,325)	(4,905)
At 30 June 2008	<u>19,469</u>	<u>111,330*</u>	<u>33,514*</u>	<u>37*</u>	<u>9,860*</u>	<u>3,000*</u>	<u>469*</u>	<u>(145,139)*</u>	<u>32,540</u>

\* As at 30 June 2008, these reserve accounts comprise the consolidated reserves of HK\$13,071,000 (As at 31 December 2007: HK\$17,712,000) in the condensed consolidated balance sheet.



## CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

	Six months ended	
	30 June	
	2008	2007
	HK\$'000	HK\$'000
Net cash used in operating activities	(4,350)	(3,867)
Net cash used in investing activities	(3,447)	(391)
Net cash from financing activities	304	9,294
(Decrease)/Increase in cash and cash equivalents	(7,493)	5,036
Cash and cash equivalents at 1 January	30,820	34,147
Cash and cash equivalents at 30 June	<u>23,327</u>	<u>39,183</u>

Notes:

**1 Basis of presentation and accounting policies**

The Group's unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standards ("HKASs") 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 Rules Governing the Listing of Securities on The Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules").

The unaudited condensed consolidated interim financial statements have been prepared under the historical cost convention except for the revaluation of certain financial assets. 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 2007.

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 2008, the Group has adopted the following new and amended Hong Kong Financial Reporting Standards ("HKFRSs"), which are first effective on 1 January 2008.

HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on Defined Benefit Asset, Minimum Funding Requirements and Their Interaction

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

**New and revised HKFRSs that have been issued but are not yet effective**

The Group has not early adopted the following standards and interpretations that have been issued but are not yet effective. The directors of the Company are currently assessing the impact of the new and revised HKFRSs but are not yet in a position to state whether they would have material financial impact on the Group's financial statements.





HKAS 1 (Revised)	Presentation of Financial Statements <sup>1</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>2</sup>
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation <sup>1</sup>
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations <sup>1</sup>
HKFRS 3 (Revised)	Business Combinations <sup>2</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK(IFRIC) – Int 13	Customer Loyalty Programmes <sup>3</sup>

## Notes:

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

## 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 relevant periods are as follows:

	Unaudited		Unaudited	
	Three months ended		Six months ended	
	30 June		30 June	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sale of goods	1,548	1,292	3,105	2,741
Licensing income	125	43	161	96
	<u>1,673</u>	<u>1,335</u>	<u>3,266</u>	<u>2,837</u>

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 last year. This business has not yet generated any revenue for the six months ended 30 June 2008 and 30 June 2007.

(a) **Business segments**

The following table presents revenue and result information for the Group's business segments for the six months ended 30 June 2008 and 2007:

	Unaudited Six months ended 30 June					
	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
<b>Segment revenue:</b>						
Sales to external customers	<u>3,266</u>	<u>2,837</u>	<u>-</u>	<u>-</u>	<u>3,266</u>	<u>2,837</u>
<b>Segment results</b>	(704)	(1,052)	(135)	-	(839)	(1,052)
Bank interest income					246	480
Fair value loss on financial assets at fair value through profit or loss					(220)	-
Unallocated expenses					<u>(4,512)</u>	<u>(18,007)</u>
Operating loss					(5,325)	(18,579)
Finance costs					-	-
<b>Loss for the period</b>					<u>(5,325)</u>	<u>(18,579)</u>

(b) **Geographical segments**

The following table presents revenue and result information for the Group's geographical segments for the six months ended 30 June 2008 and 2007:

	Unaudited Six months ended 30 June							
	Hong Kong		Mainland China		Macau		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Segment revenue:</b>								
Sales to external customers	<u>3,237</u>	<u>2,837</u>	<u>29</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,266</u>	<u>2,837</u>
<b>Segment results</b>	(623)	(840)	(198)	(193)	(787)	-	(1,608)	(1,033)
Unallocated expenses							<u>(3,717)</u>	<u>(17,546)</u>
<b>Operating Loss</b>							<u>(5,325)</u>	<u>(18,579)</u>

Sales are based on the country in which the Group's customers are located.

## 3 Other operating income

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest income	44	221	246	480
Sundry income	–	–	–	1
	<u>44</u>	<u>221</u>	<u>246</u>	<u>481</u>

## 4 Loss before income tax

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss before income tax is arrived at after charging/(crediting):				
Depreciation	48	39	96	73
Fair value loss on financial assets at fair value through profit or loss	(119)	–	(220)	–
Write back of provision for obsolete stocks	–	(107)	–	(107)
Share-based payment expenses	–	15,221	–	15,221
	<u>–</u>	<u>15,221</u>	<u>–</u>	<u>15,221</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 2008 (Six months ended 30 June 2007: Nil).

During the six months ended 30 June 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 during the period (Six months ended 30 June 2007: Nil).

At 30 June 2008, the Group has deferred tax assets mainly arising from tax losses of approximately HK\$9,000,000 (As at 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.

## 6 Interim dividend

The Directors do not recommend the payment of interim dividend for the six months ended 30 June 2008 (Six months ended 30 June 2007: 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 2008 of HK\$2,623,000 and HK\$5,325,000 respectively (Three months and six months ended 30 June 2007: HK\$17,190,000 and HK\$18,579,000 respectively) and on the weighted average number of shares of 7,781,883,425 (Three months and six months ended 30 June 2007: 7,523,920,652 and 7,550,301,104 respectively) ordinary shares of the Company in issue during the periods.

No diluted loss per share has been presented in the current period (2007: Nil) as the impact of the exercise of the Company's outstanding share options and warrants were anti-dilutive.

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 has been adjusted in last interim period to reflect the share subdivision effective on 3 July 2007.

## 8 Inventories

	Unaudited 30 June 2008 HK\$'000	Audited 31 December 2007 HK\$'000
Merchandise	254	183
Finished goods	79	48
	<u>333</u>	<u>231</u>

## 9 Trade receivables

	Unaudited 30 June 2008 HK\$'000	Audited 31 December 2007 HK\$'000
Trade receivables	2,893	2,945
Less : Provision for impairment of receivables	(2,433)	(2,433)
Trade receivables – net	<u>460</u>	<u>512</u>

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

	Unaudited 30 June 2008 HK\$'000	Audited 31 December 2007 HK\$'000
Current	259	272
31-90 days	181	239
91-180 days	20	1
	<u>460</u>	<u>512</u>

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

#### 10 Trade payables

The Group was granted by its suppliers for a credit period of 30 days. Ageing analysis of trade payables was as follows:

	Unaudited 30 June 2008 HK\$'000	Audited 31 December 2007 HK\$'000
Current	78	73
31-90 days	20	28
91-180 days	4	1
Over 180 days	2	-
	<u>104</u>	<u>102</u>

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

## 11 Share capital

	Notes	Number of shares of HK\$0.01 each '000	Number of shares of HK\$0.0025 each '000	Share capital HK\$'000
Authorised:				
At 1 January 2007		50,000,000	–	500,000
Share Subdivision	(a)	(50,000,000)	200,000,000	–
<hr/>				
At 31 December 2007, 1 January 2008 and 30 June 2008 (unaudited)		–	200,000,000	500,000
<hr/> <hr/>				
Issued and fully paid:				
At 1 January 2007		1,869,525	–	18,695
Exercise of warrants	(b)(i)	53,400	–	534
Share Subdivision	(a)	(1,922,925)	7,691,700	–
Exercise of warrants	(b)(i)	–	80,000	200
<hr/>				
At 31 December 2007 and 1 January 2008		–	7,771,700	19,429
Exercise of warrants	(b)(ii)	–	16,000	40
<hr/>				
At 30 June 2008 (unaudited)		–	7,787,700	19,469
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Notes:

## (a) Share subdivision

Pursuant to an ordinary resolutions passed on 29 June 2007, with effective from 3 July 2007, one share of HK\$0.01 each in the issued and unissued share capital of the Company were subdivided into four shares of HK\$0.0025 each (the "Share Subdivision").

Upon the Share Subdivision becoming effective, the authorised share capital of the Company remained at HK\$500,000,000 but was divided into 200,000,000,000 subdivided shares with par value of HK\$0.0025 each. The issued share capital of the Company was changed from 1,922,925,000 ordinary shares of HK\$0.01 each to 7,691,700,000 ordinary shares of HK\$0.0025 each.



**(b) Exercise of warrants**

- (i) 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 thereto to subscribe for one share of HK\$0.01 each at an initial subscription price of HK\$0.076 per share, subject to adjustment, during the two-year period commencing from the date of listing of the warrants. The placing was completed on 19 January 2007 and 249,200,000 warrants had been fully placed. Dealings in the warrants on the Hong Kong Stock Exchange commenced on 29 January 2007.

During the year ended 31 December 2007, before the Share Subdivision, amounting to HK\$4,058,400 warrant subscription was received, representing 53,400,000 warrants to be converted into 53,400,000 shares of HK\$0.01 each with then the subscription price of HK\$0.076 per share. After the Share Subdivision, amounting to HK\$1,520,000 warrants subscription was received, representing 80,000,000 warrants to be converted into 80,000,000 shares of HK\$0.0025 each with the subscription price of HK\$0.019 per share.

- (ii) During the period ended 30 June 2008, amounting to HK\$304,000 warrant subscription was received, representing 16,000,000 warrants to be converted into 16,000,000 shares of HK\$0.0025 each with the subscription price of HK\$0.019 per share.

As at 30 June 2008, the Company had 687,200,000 (As at 31 December 2007: 703,200,000) warrants outstanding. The exercise in full of such warrants would, under the present capital structure of the Company, result in the issue of 687,200,000 (As at 31 December 2007: 703,200,000) additional shares of HK\$0.0025 each.

## 12 Share-based payment transactions (unaudited)

## (i) Share option scheme

Movements in share options granted during the period ended 30 June 2008 were as follows:

	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 30 June 2008		
<b>Director</b>								
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
Employees in aggregate	29/5/2007	12,000,000	-	-	-	12,000,000	29/5/2007 to 28/5/2017	HK\$0.1125
Consultants	29/5/2007	652,760,000	-	-	-	652,760,000	29/5/2007 to 28/5/2017	HK\$0.1125
<b>Total</b>		<b>756,760,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>756,760,000</b>		

## (ii) Valuation of options

During the period ended 30 June 2007, the fair value of options granted to directors, certain employees and consultants was 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\$0.1125
Exercise price	*HK\$0.1125
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.

\* Stock price and exercise price were adjusted to reflect the effect of Share Subdivision on 3 July 2007.

### 13 Commitments

#### (a) Capital commitments

	Unaudited 30 June 2008 HK\$'000	Audited 31 December 2007 HK\$'000
Property, plant and equipment Contracted but not provided for	<u>5,965</u>	<u>3,311</u>

#### (b) Commitments under operating leases

As at 30 June 2008, 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 2008 HK\$'000	Audited 31 December 2007 HK\$'000
Within one year	1,069	1,354
In the second to the fifth year	113	45
	<u>1,182</u>	<u>1,399</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:

	Unaudited		Unaudited	
	Three months ended		Six months ended	
	30 June		30 June	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Office and warehouse rental expenses				
– Culturecom Centre Limited ( <i>Note i</i> )	150	155	300	305
– Winway H.K. Investments Ltd ( <i>Note ii</i> )	138	–	230	–
	<u>138</u>	<u>–</u>	<u>230</u>	<u>–</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 Winway H.K. Investments Limited, a subsidiary of Culturecom Holdings Limited, one of the substantial shareholders of the Company, with the rents charged at fixed monthly fees.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Liquidity and financial resources

The Group has no interest bearing debt. During the six months ended 30 June 2008, the issued share capital of the Company was increased from approximately HK\$19,429,000 to HK\$19,469,000 as a result of the exercise of the warrants issued for 16,000,000 shares of HK\$0.0025 each with subscription price of HK\$0.019 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 deposits at banks, and balances of cash are kept in bank accounts as working capital of the Group.

The Group keeps 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 2008 (As at 31 December 2007: Nil).

There is no charge on the Group's assets as at 30 June 2008 (As at 31 December 2007: Nil).

The Group has no debts as at 30 June 2008 (As at 31 December 2007: Nil).

The gearing ratio of the Group, based on total debt to total equity, was nil as at 30 June 2008 (As at 31 December 2007: Nil).

### Order book

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

### Investment

Since 31 December 2007, there is no other significant investment held by the Group other than investments in financial assets at fair value through profit or loss.

### 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 2008.

### Employee information

As at 30 June 2008, the Group employed 46 staff (As at 31 December 2007: 38). Total staff costs, including directors' emoluments were approximately HK\$4.4 million for the six months ended 30 June 2008 as compared with that of approximately HK\$3.3 million for the corresponding period of the last 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 track records 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 2008.

The Group is looking for a site in China to build a factory 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 2008 (As at 31 December 2007: Nil).

### **CHANGE OF THE NAME OF THE COMPANY**

Pursuant to a special resolution passed at an extraordinary general meeting held on 16 June 2008, the name of the Company was changed from "Bio Cassava Technology Holdings Limited (九方科技控股有限公司\*)" to "China Bio Cassava Holdings Limited (中國生物資源控股有限公司)", which became effective on 16 June 2008.

\* for identification purpose only





## **BUSINESS REVIEW AND PROSPECTS**

The consolidated turnover of the Company and its subsidiaries the six months ended 30 June 2008, amounted to HK\$3,266,000, representing an increase of 15.1% from the corresponding period of last year. Loss attributable to shareholders for the six months ended 30 June 2008 amounted to HK\$5,325,000 compared to a loss of HK\$18,579,000 for the corresponding period of last year. The loss per share was HK0.07 cent (Six months ended 30 June 2007: loss per share of HK0.25 cent).

The Group's total operating expenses for the six months ended 30 June 2008 decreased by 61.5% compared to the six months ended 30 June 2007. The decrease in the Group's total operating expenses was mainly due to the absence of share based payments for the six months ended 30 June 2008, which amounted to HK\$15,221,000 for the six months ended 30 June 2007.

The OEM licensing revenue HK\$161,000 for the six months ended 30 June 2008, representing an increase of 67.7% from the corresponding period of last year.

Packaged software sales of HK\$2,343,000 for the six months ended 30 June 2008, representing an increase of 8.0% from the corresponding period of last year.

The focus of the Group's efforts for the year 2008 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 expects there is a delay in developing an ethanol plant in Yunfu City, as the site which the Company identified for building the plant is subsequently found to be unsuitable, due to changes in local Government policies in setting out the uses of the land concerned. The Company will continue to negotiate with local Government to establish a suitable site to build its first ethanol plant, and management will strive to locate and develop the ethanol plant within reasonable time frame.

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

As at 30 June 2008, 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 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				Outstanding as at 30 June 2008	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			
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		<u>92,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>92,000,000</u>		

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 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 30 June 2008.

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 2008, options to subscribe for up to an aggregate of 756,760,000 shares of HK\$0.0025 each had been granted by the Company under the New Share Option Scheme. Details of the share options which had been granted under the Share Option Scheme are as follows:

Category of participant	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 30 June 2008		
Directors	29/5/2007	92,000,000	-	-	-	92,000,000	29/5/2007 to 28/5/2017	HK\$0.1125
Employees other than the directors of the Company	29/5/2007	12,000,000	-	-	-	12,000,000	29/5/2007 to 28/5/2017	HK\$0.1125
Consultants	29/5/2007	652,760,000	-	-	-	652,760,000	29/5/2007 to 28/5/2017	HK\$0.1125
<b>Total</b>		<b>756,760,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>756,760,000</b>		

Notes :

- (i) 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 2008, all options have been vested.
- (ii) During the period, there were no options being exercised, cancelled or lapsed.

Details of options granted to Directors under the 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 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 Holdings (BVI) Limited. Culturecom Holdings (BVI) Limited is a wholly-owned subsidiary of Culturecom Holdings Limited. Each of Culturecom Investments Limited, Culturecom Holdings (BVI) Limited and Culturecom Holdings Limited is deemed to be interested in 2,023,430,000 shares through its controlling interest (100%) in Winway H.K. Investments Limited.

Save as disclosed above, as at 30 June 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 six months ended 30 June 2008. Neither the Company nor any of its subsidiaries purchased or sold of the Company's listed securities during the six months ended 30 June 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 six months ended 30 June 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 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 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 Group's unaudited condensed consolidated interim results for the six months ended 30 June 2008 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 11 August 2008.

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

Hong Kong, 11 August, 2008

*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.*