2008 Annual Report

2008

Bio Cassava

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)

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

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

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

Contents

HIGHLIGHTS OF THE YEAR

The Group recorded turnover of HK$6,527,000 for the year ended 31 December 2008, representing a decrease of 4.1% from the previous year.

Included in the Group's licensing income, the OEM licensing revenue of HK$312,000 during the year representing a decrease of 33.3% from the previous year. OEM licensing revenue represents about 4.8% of the Group's turnover during the year, as compared to 6.9% in 2007. Q9 CIS and Qcode CIS package sales and software licensing revenue to the institutional customers for the year 2008 recorded a mild decrease of 2.0% from the previous year, and sales of third party products for the year 2008 decreased by 1.9% from the previous year.

The Group recorded a net loss attributable to shareholders for the year of HK$12,978,000 (2007: HK$41,225,000). The Group's total operating and other operating expenses in 2008 decreased by HK$29,598,000 from 2007, representing a decrease of 61.1%. The decrease is mainly due to the share based payments of HK$33,514,000 made in 2007. The Group's total operating and other operating expenses, excluding the share based payments, in 2008 increased by HK$3,916,000 from 2007, representing an increase of 26.3% from the previous year and the increase is mainly attributable to net fair value loss on financial assets at fair value through profit or loss of HK$1,242,000, provision for impairment of property, plant and equipment of HK$1,073,000, provision for impairment of prepaid land lease payments of HK$61,000 and other expenses incurred for the renewable energy project of HK$1,396,000.

RESULTS

The consolidated turnover of the Group for the year ended 31 December 2008 amounted to HK$6,527,000, representing a decrease of 4.1% from the previous year. Loss attributable to shareholders for the year amounted to HK$12,978,000, compared to that of HK$41,225,000 in 2007. Loss per share was HK0.17 cent (2007: HK0.54 cent).

REVIEW OF OPERATIONS

During the year, packaged software sales and software licensing revenue to the institutional customers recorded a slight decrease of 2.0% and third party product sales recorded a decrease of 1.9% from the previous year. OEM licensing revenue decreased by 33.3% from the previous year; the Group recorded an overall decrease of 4.1% in its revenue from the previous year. The Group maintained a small team to promote Q9 CIS in the Greater China market, and hired a small team to develop its new biotechnology and related manufacturing technology, which convert cassava into ethanol. The Group's total operating and other operating expenses, totalling HK$18,823,000, increased by 26.3% as compared with those of the previous year, excluding the significant impact arising from the share option expense of HK$33,514,000 in 2007.

Management's Discussion and Analysis

The following represents significant events underlying the Group's performance during the financial year 2008:

- The Group focused its marketing efforts with its minimum resources invested on Q9 CIS in the Greater China region, and managed to book a slight decrease of 4.1% in its turnover from the previous year.

- The Group continue to diversify its business into research and development of biotechnology and manufacturing technology to convert cassava into ethanol, which could be used as a renewable source of energy. However, due to a delay in the construction of the production facilities in the midst of the global financial crisis and considering the severe drop in the energy prices and demand for oil and renewable source of energy, for the time being, the Group decided to halt the ethanol project and reassessing the business potential and viability of the project. The Group also experienced significant delays in obtaining the land use rights in Yunfu, the PRC, to construct the factory for the production of ethanol, and accordingly, the Group made a provision for impairment of property, plant and equipment of HK$1,073,000 and a provision for impairment of prepaid land lease payments of HK$61,000 for the costs incurred on the land.

- The Group does not have any borrowings as at the end of the period under review. The Group has a capital expenditure commitments of HK$3,987,000 for property, plant and equipment as at 31 December 2008.

- The Group's cash and bank balances amounted to HK$17,105,000. As at the end of the period under review, the majority of the bank balance are held in bank accounts and short term deposits in Hong Kong dollars.

CHANGE OF 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.

POST BALANCE SHEET EVENTS

Since 23 January 2009, the subscription rights attached to the listed warrants of the Company to subscribe for new shares have been expired. After the balance sheet date and up to the date of warrants expiry, warrant subscription amounting to HK$7,584,800 was received, representing 399,200,000 warrants convertible into 399,200,000 shares of HK$0.0025 each with the subscription price of HK$0.019 per share. All remaining 271,600,000 warrants are not exercised and such warrants certificates have already ceased to be valid for any purpose.

* *For identification only*

PROSPECTS

The focus of the Group's efforts in 2009 will continue to monitor the economic and financial viability of the biotech and renewable energy business, continue its marketing efforts to promote Q9 CIS in the Greater China region with existing resources, and to continue to identify new business opportunities which the Group could pursue profitably.

COMMITMENTS

The Group has no credit facilities and no borrowing outstanding as at 31 December 2008 (2007: Nil).

(a) Capital commitment

	Group	
	2008	2007
	HK$'000	HK$'000
Property, plant and equipment		
Contracted but not provided for	**3,987**	3,311

(b) Commitments under operating leases

At 31 December 2008, the total future minimum lease payments under non-cancellable operating leases in respect of land and buildings were payable as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Within one year	**1,168**	1,354
In the second to the fifth year	**895**	45
	2,063	1,399

(c) Other commitment

As at 31 December 2008, the Group had no other commitment (2007: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

The Group has no interest bearing debt. The Group relies on its internal resources, the net proceeds from its IPO and the subsequent issue of warrants and rights issue as the sources of funding. The Group keeps most of its cash in Hong Kong dollars in bank accounts and short term deposits as working capital of the Group. The Group kept a minimum amount of cash as working capital in bank accounts of its subsidiary in PRC in Renminbi ("RMB") and the remaining balance in Hong Kong dollars.

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

The Group had no debt as at 31 December 2008 (2007: Nil).

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

ORDER BOOK

Due to the nature of the Group's business, the Group does not maintain an order book (prospects for new business was discussed in the Management's Discussion and Analysis section).

INVESTMENT

Other than the establishment of the two new subsidiaries during the year (2007: 5), there was no significant investment made during the year.

DISPOSAL OF A SUBSIDIARY

The Group did not have any material acquisition and disposal of subsidiaries or affiliated companies for the year ended 31 December 2008 (2007: Nil).

HUMAN RESOURCES

Staff number

As at 31 December 2008, the Group employed 48 staff (2007: 38). Total staff costs, including directors' emoluments were approximately HK$8.0 million for the year ended 31 December 2008 as compared with that of approximately HK$11.5 million for the last year.

Remuneration policies

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

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group has engaged third party contractors to develop the plants and to construct the ethanol production factory in Yunfu, the PRC. The total estimated costs of developing the plants is about RMB6,190,000, and the Group so far made the down payment of RMB2,679,000 to three contractors to develop the plants and equipment. In view of the global financial crisis and the uncertain outlook of the renewable energy market, the Group is currently assessing the economic and financial viability of the ethanol project, and progress of the project is temporarily halted.

HEDGING POLICY

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

CONTINGENT LIABILITIES

The Group does not have any contingent liabilities as at 31 December 2008 (2007: Nil).

CREDIT POLICY

The credit terms given to customers are generally based on the financial strengths of individual customers. The Group generally allows an average credit term of 30-90 days to its trade customers.

SEGMENTAL INFORMATION

Details of the segmental information are set out in note 5 to the financial statements.

Corporate Information

EXECUTIVE DIRECTORS

Mr. Kwan Kin Chung *(Managing Director)*
Mr. Tam Kam Biu William
Mr. Wan Xiaolin
Mr. Chen Man Lung

NON-EXECUTIVE DIRECTORS

Mr. Leung Lap Yan *(Chairman)*
Mr. Leung Lap Fu Warren

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ip Chi Wai
Mr. Tse Wang Cheung Angus
Mr. Shiu Kwok Keung

COMPLIANCE OFFICER

Mr. Tam Kam Biu William

AUDIT COMMITTEE

Mr. Ip Chi Wai
Mr. Tse Wang Cheung Angus
Mr. Shiu Kwok Keung

REMUNERATION COMMITTEE

Mr. Tam Kam Biu William
Mr. Ip Chi Wai
Mr. Tse Wang Cheung Angus

AUTHORISED REPRESENTATIVES

Mr. Kwan Kin Chung
Mr. Tam Kam Biu William

COMPANY SECRETARY

Mr. Tam Kam Biu William

QUALIFIED ACCOUNTANT

Mr. Tam Kam Biu William

AUDITORS

Grant Thornton
Certified Public Accountants
13th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

REGISTERED OFFICE

P.O. Box 309
Ugland House
George Town
Grand Cayman
Cayman Islands
British West Indies

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 610C, 612-613
Level 6, Core D
Cyberport 3
100 Cyberport Road
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Bank (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705
George Town
Grand Cayman
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong
Investor Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

LEGAL ADVISERS

as to Hong Kong law
Stephenson Harwood & Lo
35th Floor
Bank of China Tower
1 Garden Road
Central, Hong Kong

as to Cayman Islands law
Maples and Calder Asia
1504 One International Finance Centre
1 Harbour View Street
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
673 Nathan Road
Mongkok, Kowloon
Hong Kong

Citibank (Hong Kong) Limited
8/F, Dorseg House
Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

STOCK CODE

Share 8129

WEBSITE ADDRESS

www.bio-cassava.com

Chairman's Statement

Dear Shareholders,

During the past year, the global financial crisis and the resulting impact on the real economy and demand for energy had negatively impacted our Group's effort to diversify its business in the biotech and renewable energy market, and as a result, the Group decided to halt the ethanol project and reassessing the business potential and viability of the project under the new economic realities.

Our Group will continue to market Q9 CIS with existing financial resources, and continue to identify new business opportunities which the Group could pursue profitably.

Leung Lap Yan
Chairman

Hong Kong, 16 March 2009

CORPORATE GOVERNANCE PRACTICES

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

DIRECTOR'S SECURITIES TRANSACTIONS

The Company has adapted Rules 5.48 to 5.67 of the GEM Listing Rule 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 all Directors and all Directors have complied with the requirements set out in the Code for Director's Dealing during the year.

BOARD OF DIRECTORS

The Board comprises of nine members, including four executive directors (namely Messrs. Kwan Kin Chung, Tam Kam Biu William, Wan Xiaolin and Chen Man Lung), two non-executive directors (namely Messrs. Leung Lap Yan and Leung Lap Fu Warren) and three independent non-executive directors (namely Messrs. Ip Chi Wai, Tse Wang Cheung Angus and Shiu Kwok Keung). Mr. Leung Lap Yan, Chairman of the Company, is a brother of Mr. Leung Lap Fu Warren. The directors' biographical details are set out on pages 15 to 17 of this annual report.

Mr. Leung Lap Yan takes up the role of Chairman and no chief executive officer is appointed by the Company. However, the roles of the Managing Director of the Company, Mr. Kwan Kin Chung, are similarly to chief executive officer. The Chairman's roles are convening meetings of the Board and make decision of the Group's business strategies. The Managing Director's responsibilities are to participate in the decision on essential matters of the Company and to monitor and manage the daily business of the Company. The roles and responsibilities of the two posts are well distinct.

The Board of directors is accountable to shareholders for the activities and performance of the Group and for the preparation of financial statements which give a true and fair view. It oversees the Group's overall strategic plans, reviews the financial performance, supervises the management of the business and affairs and approves the strategic plans. The Board delegate the corporate matters to Management of the Group, including preparation of annual, interim and quarterly accounts, execution of the business strategies and adopted by the Board, implementation of internal controls system and compliance with relevant statutory requirement and other rules and regulations. Management is required to present an annual budget and proposals for major investment, addition of capital assets, and changes in business strategies for the Board's approval.

During the year, the Board held four meetings to exercise its duties including discussing and making decisions on the Group's business strategic development, finance matters, material operational matters and other matters as required.

Currently, at every annual general meeting of the Company, all directors including the independent non-executive directors shall retire from office by rotation. A retiring director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election.

All three independent non-executive directors ("INDs") come from professional backgrounds and one of them possesses the appropriate accounting and financial management expertise. The INDs render their valuable expertise and experience for safeguarding the best interests of the Group. The Company has received from each of the INDs the annual confirmation of his independent pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers that all the INDs are independent.

The INDs and the Non-executive Directors are not appointed for a specific term but are subject to retirement by rotation and re-election at every annual general meeting of the Company.

The Board conducted four regular Board meetings approximately at each quarter of the year in addition to other Board meetings to review the performance and finance matters of the Groups, and for statutory purpose.

The Board has established committees, namely Audit Committee and Remuneration Committee to oversee other particular aspects of the Company's affairs.

Statistics of Director's attendance at the regular Board Meeting:

Name of director	**Title**	**Attendance at Board Meetings/No. of Board Meeting held**
Mr. Leung Lap Yan	Chairman and Non-executive director	4/4
Mr. Kwan Kin Chung	Managing Director	4/4
Mr. Tam Kam Biu William	Executive Director	4/4
Mr. Wan Xiaolin	Executive Director	0/4
Mr. Chen Man Lung	Executive Director	4/4
Mr. Leung Lap Fu Warren	Non-executive Director	4/4
Mr. Ip Chi Wai	Independent non-executive director	4/4
Mr. Tse Wang Cheung, Angus	Independent non-executive director	4/4
Mr. Shiu Kwok Keung	Independent non-executive director	4/4

REMUNERATION COMMITTEE

The Remuneration Committee was established in March 2005 with defined terms of reference. It's role is to review and determine the policy for the remunerations of the directors and other senior management members. Currently, it comprises an executive director, Tam Kam Biu William and two INDs, Mr. Ip Chi Wai and Mr. Tse Wang Cheung, Angus and is headed by the chairman, Mr. Tam Kam Biu, William.

The Committee held one meeting during the year to discuss the policy and structure of the remuneration of the directors and other senior management members.

The Remuneration Committee is mainly responsible for:

(a) Making recommendations to the Board on the Group's policy and structure for all remunerations of directors and senior management members and acting as the establishment of a formal and transparent procedures for developing policy as such remunerations.

(b) Determining the specific remuneration packages of an executive directors and senior management members and making recommendations to the Board of the remunerations of the non-executive directors.

(c) Reviewing and approving the performance-based remunerations.

(d) Reviewing and approving the compensation payable to executive directors and senior management members in connection with any loss or termination of office or appointment.

(e) Reviewing and approving compensation arrangements relating to the dismissal or removal of misconduct directors.

Statistics of Remuneration Committee members' attendance at the Remuneration Committee Meeting:

Name of member	**Attendance at Remuneration Committee Meetings/ No. of Remuneration Committee Meeting held**
Mr. Tam Kam Biu William *(Chairman)*	1/1
Mr. Ip Chi Wai	1/1
Mr. Tse Wang Cheung, Angus	1/1

NOMINATION OF DIRECTORS

In considering the nomination of a new director, the Board takes into account the qualification, competence, working experience, and professional ethics of the candidates. Currently the Board is responsible for selection of the candidates and approval of the appointment as an executive director to the Board. The Board will arrange the meeting for the nomination of the director when need. During the year, no new director was appointed and accordingly no meeting for nomination of director was held.

AUDIT COMMITTEE

The Audit Committee has been established since the listing of the Company on the GEM Board. Currently, it comprises three INDs, namely Mr. Ip Chi Wai (as the Chairman of the Committee), Mr. Tse Wang Cheung, Angus and Mr. Shiu Kwok Keung. The term of reference describing the authorities and duties of the Audit Committee were adopted with reference to "A Guide for the Formation of an Audit Committee" published by the Hong Kong Institute of Certified Public Accountants and the Code Provision published by the Stock Exchange of Hong Kong Limited.

The Audit Committee meets regularly to review the reporting of financial and other information to shareholders.

Statistics of Audit Committee members' attendance at the Audit Committee Meeting:

Name of member	**Attendance at Audit Committee Meetings/No. of Audit Committee Meeting held**
Mr. Ip Chi Wai *(Chairman)*	4/4
Mr. Tse Wang Cheung, Angus	4/4
Mr. Shiu Kwok Keung	4/4

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for ensuring that an adequate system of internal controls is maintained in place within the Group, and for reviewing its effectiveness together with the Audit Committee.

The internal control system of the Group comprises of a well defined management structure with specified limits of authority and control procedures, designed to achieve the following objectives: (a) ensure proper maintenance of account records; (b) ensure the completeness and accuracy of accounting transactions recorded in the accounting system, and timely reporting of actual financial results of the Group with comparison against budgets; (c) safeguard the Group's assets and management acts within its limits of authorities; and (d) ensure compliance with relevant legislation, regulations and listing rules, including but not limited to the present a balanced, clear and understandable assessment and regular review of the Group's financial reports, other price-sensitive announcements and other financial disclosures required under the GEM Listing Rules, and reports to regulators as well as to information required to be disclosed pursuant to statutory requirements.

The Audit Committee discharged its responsibilities, reviewed and discussed the financial results and internal control system of the Group. All material financial results and internal control system of the Group have been discussed and reviewed.

Management maintains and monitors the system of internal controls on an ongoing basis. Based on the evaluations made by the Board and external auditors, the Audit Committee is satisfied that the Group has fully complied with the Code Provisions on internal controls during the year as set forth in the Code; except that an internal audit function has not been set up within the Group. Nevertheless, nothing has come to the Board's attention to cause the Audit Committee to believe that the existing system of internal control is inadequate or ineffective.

EXTERNAL AUDITORS

During the year, the external auditors, Grant Thornton, provided its annual audit services, review of the interim results and taxation advisory service to the Group. The Audit Committee is responsible for considering the appointment of the external auditors and reviewing the non-audit functions, if any, performed by the external auditors. In particular, the Audit Committee also considers, before they are contracted for such service, whether such non-audit service could lead to any potential material conflicts of interest. Nothing has come to the Board's attention to cause the Audit Committee to believe that the non-audit services provided by the external auditors affect their independence, objectivity and effectiveness in the audit processes in accordance with applicable standards.

The remuneration in respect of services provided by Grant Thornton for the year ended 31 December 2008 are as follow:

	2008 ***HK$***
Annual audit services	**460,000**
Taxation advisory services	**48,000**
Review of interim results	**55,000**

Biographical Details of Directors

EXECUTIVE DIRECTORS

Mr. Kwan Kin Chung, aged 39, joined the Group in February 2001 and was appointed as executive Director of the Company. He was appointed as the Managing Director of the Company in January 2007 and responsible for the restructuring of the Group businesses and corporate investment. He is also a director of a number of subsidiaries of the Company. Mr. Kwan held the position as Vice President of Culturecom Holdings Limited (a substantial shareholder of the Company) ("Culturecom") from 1998 to 2002. He was appointed as acting chief executive officer and managing director of Culturecom in April 2007 and March 2008 respectively. He holds a Bachelor of Arts in Economics from Zhongshan University, Guangzhou, the PRC. He is one of the family members of Mr. Kuan Sio Kai (a substantial shareholder of the Company).

Mr. Tam Kam Biu, William, aged 52, joined the Group in January 2000 as a non-executive Director of the Company. In August 2000, Mr. Tam became the chief financial officer and in September 2000 as an executive Director of the Company. He was appointed as company secretary and the chairman of remuneration committee of the Company in September 2006 respectively. He is also a director of a number of subsidiaries of the Company. Immediately before he joined the Group on a full time basis, Mr. Tam was the chief financial officer, company secretary and executive director of ViaGOLD Capital Limited, a company listed on the Australian Stock Exchange, which is one of substantial shareholder of Culturecom. Mr. Tam has remained a non-executive director of ViaGOLD Capital Limited. He is also an independent non-executive director of Soluteck Holdings Limited (a company whose shares are listed on the GEM of the Stock Exchange) and China Solar Energy Holdings Limited (a company whose shares are listed on the Main Board of the Stock Exchange). Mr. Tam has over 20 years of experience in financial management and corporate finance, gained with a number of Hong Kong listed companies and international groups. Mr. Tam obtained a degree in Master of Business Administration in 1981 from York University in Toronto, Canada and became an associate member of the Hong Kong Institute of Certified Public Accountants in September 1987 and an associate of the Association of Chartered Certified Accountants in May 1988.

Mr. Wan Xiaolin, aged 51, was appointed as executive Director of the Company in September 2003. He is an executive Director of Culturecom and is responsible for its administration, human resources and training, accounts and finance and information technology related management activities. He holds a Bachelor of Arts in Economics from Shanghai Maritime University, Shanghai, the PRC.

Mr. Chen Man Lung, aged 43, was appointed as executive Director of the Company in May 2007. He is currently a Vice President of Culturecom. Mr. Chen is an independent non-executive director of Opes Asia Development Limited, a company whose shares are listed on the Stock Exchange and chief financial officer of ViaGOLD Capital Limited, a company whose shares are listed on Australian Stock Exchange. He also acts as a Director of the Hong Kong Comics & Animation Federation Limited; a committee member of the Hong Kong Inbound Travel Association Limited (HKITA) and Academic Advisor to Academy of Visual Arts and Humanities Programme of Hong Kong Baptist University. Mr. Chen obtained the Degree of Bachelor of Arts in Sociology and the Degree of Master of Arts in Chinese Studies from the Hong Kong Baptist University and The Hong Kong University of Science and Technology respectively. He has over 15 years of experience in investment industry.

NON-EXECUTIVE DIRECTORS

Mr. Leung Lap Yan, aged 60, was appointed as the Chairman and an executive Director of the Company in 2001. Mr. Leung has been re-designated as non-executive Director of the Company in May 2007 and remains as the Chairman of the Company after the re-designation. He is also a director of a number of subsidiaries of the Company. Apart from being an inventor, Mr. Leung is a well known script writer, having written such dramas as New Justice Pao, Dynasty and The Pride of Chao Zhou. From 1978 to 1980, Mr. Leung was employed as the manager of programme planning of Rediffusion Television and from 1986 to 1989 as the assistant to the controller of production of Television Broadcasts Limited. During the period 1983 to 1986, he was the director (drama) of the Singapore Broadcasting Corporation. In 1993, he moved to Taiwan where he developed the first version of QCode, a character input system. A year later he worked together with Mr. Lau Man Kin to upgrade QCode and founded the Group. He is a brother of one of non-executive Director, Mr. Leung Lap Fu, Warren.

Mr. Leung Lap Fu Warren, aged 58, was appointed as an executive Director of the Company in 2001. He has been re-designated as non-executive Director of the Company in May 2007. He is also a director of a number of subsidiaries of the Company. For most of the 1970's, Mr. Leung worked for multinational companies, Wallem Ship Management Company Limited and C.N. Company, a member of the Swire Group, as a marine engineer specialising in automatic control systems projects. Between 1979 and 1981, he was a business manager with a subsidiary of the Kowloon Development Group. Thereafter he worked as a plant superintendent first with HSBC Property (Asia) Limited, then as senior engineer with the Macau Jockey Club and lastly with the Lee Garden Hotel Management Group. He has a number of engineering and technical qualifications, including being a high-tension electrical engineering worker registered by Electrical & Mechanical Services Department of Hong Kong Government. He is a brother of one of non-executive Director, Mr. Leung Lap Yan.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ip Chi Wai, aged 41, graduated from the University of Hong Kong with a bachelor's degree in law. He is a solicitor admitted in Hong Kong and has over 10 years of experience in the legal profession. He was appointed as an independent non-executive Director of the Company in September 2000. He is the chairman of the audit committee and a member of remuneration committee of the Company. Mr. Ip is also an independent non-executive director, a member of audit committee and remuneration committee of Asia Standard Hotel Group Limited.

Mr. Angus Tse Wang Cheung, aged 43, is a partner in the law firm of Angus Tse, Yuen & Ting. He was appointed as an independent non-executive Director of the Company in September 2000 and is a member of audit committee and remuneration committee.

Mr. Shiu Kwok Keung, aged 41, is an executive director of Opes Asia Development Limited, a company whose shares are listed on the Main Borad of the Stock Exchange. During 2006, he was the senior vice president of China Solar Energy Holdings Limited, a company whose shares are listed on the Main Borad of the Stock Exchange. Prior to that, he has extensive experience in finance, accounting and corporate development. Mr. Shiu holds a Master of Science degree in Finance from the National University of Ireland, Dublin, a Master of Professional Accounting degree from the Southern Cross University in Australia and a Bachelor of Social Sciences degree in China Studies (Economics) from the Hong Kong Baptist University. He is a Chartered Financial Analyst charterholder and a Certified Practicing Accountant of CPA Australia. Mr. Shiu was appointed as an independent non-executive Director and a member of the audit committee member of the Company in September 2006.

The Directors present their report and the audited financial statements for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of its subsidiaries are set out in note 17 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2008 and the state of its affairs of the Group and the Company at that date are set out in the financial statements on pages 30 to 88.

The Directors do not recommend the payment of a dividend.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out on page 35 and note 25 to the financial statements respectively.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group and the Company during the year are set out in note 13 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 23 to the financial statements.

FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for last five financial years is set out on page 89.

DISTRIBUTABLE RESERVES

The Company has no reserves available for distribution to the shareholders as at 31 December 2008 (2007: Nil). The payment of dividends and distribution out of the share premium account is however subject to a solvency test of the Company and the provisions of the Articles of Association of the Company.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the laws of the Cayman Islands or the Company's Articles of Association which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed securities during the year.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were as follows:

Executive Directors:
Mr. Kwan Kin Chung
Mr. Tam Kam Biu William
Mr. Wan Xiaolin
Mr. Chen Man Lung

Non-Executive Directors:
Mr. Leung Lap Yan
Mr. Leung Lap Fu Warren

Independent non-executive directors:
Mr. Ip Chi Wai
Mr. Tse Wang Cheung Angus
Mr. Shiu Kwok Keung

In accordance with Article 116 of the Company's Articles of Association, all the Directors retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The independent non-executive directors are not appointed for specific terms but are subject to retirement by rotation in accordance with the Company's Articles of Association.

BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical details of Directors are set out on pages 15 to 17.

DIRECTORS' SERVICE CONTRACTS

Mr. Tam Kam Biu William has entered into a service contract with the Group whereby he was employed as the Chief Financial Officer and Company Secretary of the Group.

None of Directors has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly subsisted at the end of the year or at any time during the year.

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

As at 31 December 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 ("Shares"), underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) ("SFO")) which (i) are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) were recorded in the register required to be kept under Section 352 of the SFO, or (iii) have to be notified to the Company and the Stock Exchange pursuant to the required standards of dealing by directors as referred to in Rule 5.46 of the GEM Listing Rules.

LONG POSITIONS IN UNDERLYING SHARES OF THE COMPANY

Share Option

As at 31 December 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 summarised in the following table:

Director	Date of grant	Options to subscribe for shares of the Company: Outstanding as at 1 January 2008	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 31 December 2008	Option exercise period	Exercise price per share
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 December 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 December 2008.

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. A summary of the New Share Option Scheme is as follows:

1. Purpose

The purpose of the New Share Option Scheme is to enable the Board to grant options to eligible participants as incentives and/or rewards in recognition or acknowledgement of the contributions that Eligible Participants have made and/or will make to the Group.

The New Share Option Scheme will provide the eligible participants with an opportunity to have a personal stake in the Company and the Directors believe this will motivate the eligible participants to utilise their performance and efficiency for the benefit of the Group and will attract and retain or otherwise maintain an on-going relationship with the Eligible Participants whose contributions are or will be beneficial to the long term growth of the Company.

2. Eligible participants

The Eligible Participants of the New Share Option Scheme may include:

(a) any director (whether executive, non-executive or independent non-executive director), employee (whether full time or part time employee), consultant, customer, supplier, agent, partner or adviser of or contractor to the Group or any Invested Entity;

(b) any discretionary trust whose discretionary objects include any director (whether executive, non-executive or independent non-executive director), employee (whether full time or part time employee), consultant, customer, supplier, agent, partner or adviser of or contractor to the Group or any Invested Entity; and

(c) any company beneficially owned by any director (whether executive, non-executive or independent non-executive director), employee (whether full time or part time employee), consultant, customer, supplier, agent, partner or adviser of or contractor to the Group or any Invested Entity.

3. Total number of shares available for issue

The total number of shares which may be issued upon exercise of all options to be granted under the New Share Option Scheme must not in aggregate exceed 1,522,060,000 Shares (as adjusted for the effect of the Share Subdivision), representing about 18.6% of the shares in issue at the date of this report.

4. **Maximum entitlement of each eligible participant**

Unless approved by the shareholders, the total number of securities issued and to be issued upon exercise of the options granted to each eligible participant (including both exercised and outstanding options) in any 12 month period must not exceed 1% of the shares in issue. Where any further grant of options to an eligible participant would result in the shares issued and to be issued upon exercise of all options granted and to be granted to such eligible participant (including exercised, cancelled and outstanding options) in the 12 month period up to and including the date of such further grant representing in aggregate over 1% of the relevant class of securities in issue, such further grant must be separately approved by the shareholders in general meeting with such eligible participant and his associates abstaining from voting. The Company must send a circular to the shareholders and the circular must disclose the identity of the eligible participant, the number and terms of the options to be granted (and options previously granted to such eligible participant).

5. **Time of exercise of option**

An option shall be exercisable at any time during an option period to be notified by the Board to each grantee, provided that no option shall be exercisable later than ten years after its date of grant.

6. **Minimum period for which any option must be held**

Unless otherwise determined by the Board at its sole discretion, there is no minimum period for which an option must be held before such an option can be exercised under the terms of the New Share Option Scheme.

7. **Amount payable upon acceptance of option**

HK$1.00 is payable by each eligible participant to the Company on acceptance of an offer of an option, which shall be paid on or before the last day by which the offer must be accepted.

8. **Basis of determining the exercise price**

The exercise price shall be at the discretion of the Board, but it must be at least the highest of: (a) the closing price of a share as stated in the daily quotations sheet of the Stock Exchange on the date of grant which must be a business day; and (b) the average of the closing prices of the shares as shown on the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the date of grant; and (c) the nominal value of a share.

9. The remaining life of the New Share Option Scheme

The New Share Option Scheme shall commence on the date on which the New Share Option Scheme is approved by a resolution of shareholders at a general meeting of the Company and shall continue in force until and including the date immediately preceding the tenth anniversary of the date of commencement.

As at 31 December 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 New Share Option Scheme are as follows:

Category of participant	Date of grant	Outstanding as at 1 January 2008	Options to subscribe for shares of the Company Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 31 December 2008	Option exercise period	Exercise price per share
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
Total		756,760,000	–	–	–	**756,760,000**		

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 December 2008, all options have been vested.

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

Details of options granted to directors of the Company 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 31 December 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	20.97%
Mr. Kuan Sio Kai *(Note (i))*	1,636,490,000	20.97%
Winway H.K. Investments Limited	2,023,430,000	25.93%
Culturecom Holdings Limited *(Note (ii))*	2,023,430,000	25.93%
L & W Holding Limited	479,430,000	6.14%
Chow Lai Wah Livia *(Note (iii))*	669,700,000	8.58%
Basilio Dizon *(Note (iv))*	669,700,000	8.58%

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.

(iii) Ms. Chow Lai Wah Livia ("Ms. Chow") is beneficially interested in 162,690,000 shares in the Company. Ms. Chow is a wife of Mr. Basilio Dizon ("Mr. Dizon") and has controlling interests (65%) in L & W Holding Limited ("L & W"). Accordingly, she is deemed to be interested in 507,010,000 shares in the Company under SFO.

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

Save as disclosed above, as at 31 December 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.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases	
– the largest supplier	32.1%
– five largest suppliers combined	65.0%
Sales	
– the largest customer	11.3%
– five largest customers combined	23.9%

None of the directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) had an interest in the major suppliers or customers noted above.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Confirmation of independence has been received from each of the independent non-executive directors of the Company and the Company considers all existing independent non-executive directors to be independent.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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

CORPORATE GOVERNANCE

A report on the principle corporate governance practices adopted by the Company is set out on page 10 to 14 of the annual report.

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 audited annual report 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.

AUDITORS

The financial statements have been audited by Grant Thornton who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Leung Lap Yan
Chairman

Hong Kong, 16 March 2009

Grant Thornton
均富

Member of Grant Thornton International Ltd

TO THE MEMBERS OF CHINA BIO CASSAVA HOLDINGS LIMITED

(Formerly known as Bio Cassava Technology Holdings Limited)
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Bio Cassava Holdings Limited (the "Company") set out on pages 30 to 88, which comprise the consolidated and company balance sheets as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

Grant Thornton
均富

AUDITORS' RESPONSIBILITY *(Continued)*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Grant Thornton
Certified Public Accountants
13th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

16 March 2009

Consolidated Income Statement

For the year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
Revenue	5	**6,527**	6,809
Cost of sales		**(1,233)**	(1,312)
Gross profit		**5,294**	5,497
Other revenue	6	**551**	1,699
Selling and distribution expenses		**(3,754)**	(4,089)
Research and development expenses		**(2,587)**	(1,191)
General and administrative expenses		**(9,872)**	(43,126)
Other operating expenses		**(2,610)**	(15)
Operating loss		**(12,978)**	(41,225)
Finance costs		**–**	–
Loss before income tax	7	**(12,978)**	(41,225)
Income tax expense	8	**–**	–
Loss for the year	9	**(12,978)**	(41,225)
Loss per share for loss attributable to the equity holders of the Company	10		
– Basic		**(HK0.17 cent)**	(HK0.54 cent)
– Diluted		**N/A**	N/A

Consolidated Balance Sheet

As at 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	13	**1,646**	816
Prepaid lease payments	14	**2,092**	2,025
Intangible assets	15	**1,700**	1,900
Deposits paid for plant and equipment		**3,042**	1,419
Other receivable	16	**1,200**	–
		9,680	6,160
Current assets			
Inventories	18	**272**	231
Financial assets at fair value through profit or loss	19	**416**	894
Trade receivables	20	**372**	512
Prepayments, deposits and other receivables		**933**	908
Cash and cash equivalents	21	**17,105**	30,820
		19,098	33,365
Current liabilities			
Trade payables	22	**91**	102
Other payables and accrued expenses		**3,658**	2,282
		3,749	2,384
Net current assets		**15,349**	30,981
Net assets/Total assets less current liabilities		**25,029**	37,141
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital	23	**19,510**	19,429
Reserves	25	**5,519**	17,712
Total equity		**25,029**	37,141

Kwan Kin Chung
Director

Tam Kam Biu, William
Director

Balance Sheet

As at 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	13	**131**	342
Intangible assets	15	**1,700**	1,900
Interests in subsidiaries	17	**2,501**	5,501
		4,332	7,743
Current assets			
Other receivables		**275**	398
Amounts due from subsidiaries	17	**6,675**	6,103
Cash and cash equivalents	21	**14,168**	24,507
		21,118	31,008
Current liabilities			
Other payables and accrued expenses		**320**	291
Amounts due to subsidiaries	17	**12,735**	12,856
		13,055	13,147
Net current assets		**8,063**	17,861
Net assets/Total assets less current liabilities		**12,395**	25,604
EQUITY			
Share capital	23	**19,510**	19,429
Reserves	25	**(7,115)**	6,175
Total equity		**12,395**	25,604

Kwan Kin Chung
Director

Tam Kam Biu, William
Director

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	2008 HK$'000	2007 HK$'000
Cash flows from operating activities		
Loss before income tax	**(12,978)**	(41,225)
Adjustments for:		
Interest income	**(406)**	(1,052)
Amortisation of intangible assets	**200**	100
Depreciation	**258**	170
Write off of property, plant and equipment	**233**	–
Net fair value loss/(gain) on financial assets at fair value through profit or loss – held for trading	**1,242**	(169)
Write-down of inventories to net realisable value	**73**	–
Provision for impairment of property, plant and equipment	**1,073**	–
Provision for impairment of prepaid lease payments	**61**	–
Share based payments	**–**	33,514
Operating loss before working capital changes	**(10,244)**	(8,662)
Increase in inventories	**(114)**	(115)
Decrease/(Increase) in trade receivables, prepayments, deposits and other receivables	**117**	(67)
(Decrease)/Increase in trade and other payables and accrued expenses	**(445)**	602
Net cash used in operating activities	**(10,686)**	(8,242)
Cash flows from investing activities		
Purchases of property, plant and equipment	**(1,790)**	(826)
Purchases of financial assets at fair value through profit or loss	**(999)**	(1,528)
Proceeds from sales of financial assets at fair value through profit or loss	**235**	803
Interest received	**406**	1,052
Prepaid land leases payments	**–**	(2,025)
Payments for intangible assets	**–**	(2,000)
Increase in other receivable under non-current assets	**(1,200)**	–
Deposits paid for plant and equipment	**(539)**	(1,419)
Net cash used in investing activities	**(3,887)**	(5,943)

For the year ended 31 December 2008

	2008 HK$'000	2007 HK$'000
Cash flows from financing activities		
Proceeds from issuance of warrants	–	6,230
Proceeds from exercise of warrants	615	5,578
Warrant share issue expenses	–	(994)
Net cash from financing activities	615	10,814
Net decrease in cash and cash equivalents	(13,958)	(3,371)
Cash and cash equivalents at beginning of year	30,820	34,147
Effect of foreign exchange rate changes, net	243	44
Cash and cash equivalents at end of year	17,105	30,820
Analysis of cash and cash equivalents at end of year		
Cash and bank balances	3,605	10,820
Short term time deposits	13,500	20,000
	17,105	30,820

Consolidated Statement of Changes in Equity

For the year ended 31 December 2008

	Share capital HK$'000	Share premium HK$'000	Share option reserve HK$'000	Capital redemption reserve HK$'000	Warrant reserve HK$'000	Reorganisation reserve HK$'000	Translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2007	18,695	104,596	–	37	6,250	3,000	–	(98,589)	33,989
Currency translation (Net gain recognised directly in equity)	–	–	–	–	–	–	49	–	49
Loss for the year	–	–	–	–	–	–	–	(41,225)	(41,225)
Total recognised income and expense for the year	–	–	–	–	–	–	49	(41,225)	(41,176)
Issue of warrants *(note 23(b))*	–	–	–	–	6,230	–	–	–	6,230
Warrants issue expenses	–	–	–	–	(994)	–	–	–	(994)
Exercise of warrants *(note 23(b))*	734	6,386	–	–	(1,542)	–	–	–	5,578
Equity-settled share-based payment expense *(note 24)*	–	–	33,514	–	–	–	–	–	33,514
At 31 December 2007 and 1 January 2008	**19,429**	**110,982**	**33,514**	**37**	**9,944**	**3,000**	**49**	**(139,814)**	**37,141**
Currency translation (Net gain recognised directly in equity)	–	–	–	–	–	–	251	–	251
Loss for the year	–	–	–	–	–	–	–	(12,978)	(12,978)
Total recognised income and expense for the year	–	–	–	–	–	–	251	(12,978)	(12,727)
Exercise of warrants *(note 23(b))*	81	704	–	–	(170)	–	–	–	615
At 31 December 2008	**19,510**	**111,686***	**33,514***	**37***	**9,774***	**3,000***	**300***	**(152,792)***	**25,029**

* These reserve accounts comprise the consolidated reserves of HK$5,519,000 (2007: HK$17,712,000) in the consolidated balance sheet.

For the year ended 31 December 2008

1. GENERAL INFORMATION

China Bio Cassava Holdings Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is PO Box 309, Ugland House, George Town, Grand Cayman, Cayman Islands, British West Indies and its principal place of business is Unit 610C, 612 & 613, Level 6, Core D, Cyberport 3, 100 Cyberport Road, Hong Kong. The Company's shares are listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activity of the Company is investment holding. Its subsidiaries (together with the Company collectively referred to as the "Group" hereinafter) are principally engaged in computer software and embedded systems development, sales and licensing of the software and systems, and development of biotech and renewable energy. There were no significant changes in the Group's operations during the year. Details of the activities of its principal subsidiaries are set out in note 17 to the financial statements.

Pursuant to the special resolution passed 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".

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company.

The financial statements on pages 30 to 88 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations ("Ints") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The GEM of the Stock Exchange (the "GEM Listing Rules").

The financial statements for the year ended 31 December 2008 were approved for issue by the board of directors on 16 March 2009.

2. ADOPTION OF NEW AND AMENDED HKFRSs

2.1 In the current year, the Group has applied for the first time the following new standards, amendments and interpretations (the "new HKFRSs") issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2008:

HK (IFRIC) – Int 11 HKFRS 2: Group and Treasury Share Transactions
HKAS 39 (Amendments): Reclassification of Financial Assets

The new HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented. Accordingly, no prior period adjustment is required.

2.2 At the date of authorisation of these financial statements, the following new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

HKAS 1 (Revised)	Presentation of Financial Statement[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 32, HKAS 39 & HKFRS 7 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKAS 39 (Amendment)	Eligible Hedged Items[2]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards[2]
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or an Associate[1]
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC) – Int 2	Members' Shares in Co-operative Entities and Similar Instruments[1]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[3]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate[1]
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation[4]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[2]
HK(IFRIC) – Int 18	Transfers of Assets from Customers[2]
Various	Annual Improvements to HKFRS 2008[5]

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 July 2009
[3] Effective for annual periods beginning on or after 1 July 2008
[4] Effective for annual periods beginning on or after 1 October 2008
[5] Generally effective for annual periods beginning on or after 1 January 2009 unless otherwise stated in the specific HKFRS

2. ADOPTION OF NEW AND AMENDED HKFRSs *(Continued)*

2.3 The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement.

Amongst these new standards and interpretations, HKAS 1 (Revised) *Presentation of Financial Statements* is expected to materially change the presentation of the Group's financial statements. These amendments affect the presentation of owner changes in equity and introduce a statement of comprehensive income. The Group will have the option of presenting items of income and expenses and components of other comprehensive income either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of comprehensive income). These amendments do not affect the financial position or results of the Group but will give rise to additional disclosures.

In addition, HKFRS 8 *Operating Segments* may result in new or amended disclosures. The directors are in the process of identifying reportable operating segments as defined in HKFRS 8.

The directors are currently assessing the impact of other new and amended HKFRSs upon initial application. So far, the directors have preliminarily concluded that the initial application of these HKFRSs is unlikely to have a significant impact on the Group's results and financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated.

The financial statements have been prepared on the historical convention basis except for the revaluation of financial assets at fair value through profit or loss. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in the preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. These areas involving a higher degree of judgement or complexity, or area where assumptions and estimates are significant to the financial statements are disclosed in note 4.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

3.3 Subsidiaries

Subsidiaries are entities (including special purpose entities) over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are excluded from consolidation from the date that control ceases.

Business combinations (other than for combining entities under common control) are accounted for by applying the purchase method. This involves the estimation of fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

In the Company's balance sheet, subsidiaries are carried at cost less any impairment loss. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the balance sheet date.

3.4 Prepaid lease payments

Prepaid lease payments represent up-front payments to acquire long term interests in the usage of land. The payments are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation will be calculated on the straight-line method over the lease terms.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.5 Property, plant and equipment

Property, plant and equipment, other than construction in progress ("CIP"), are stated at acquisition cost less accumulated depreciation and accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance, are charged to the income statement during the period in which they are incurred.

The gain or loss arising on retirement or disposals is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Depreciation is provided to write off the cost over their estimated useful lives, using the straight line method, as follows:

Leasehold improvements	18% – 20%
Furniture, fixtures and office equipment	18% – 20%
Machinery	10% – 20%

The assets' residual values, depreciation methods and estimated useful lives are reviewed and adjusted if appropriate, at each balance sheet date.

CIP, which represents buildings under construction, and plant and equipment pending installation, is stated at cost less any impairment losses. Cost comprises direct costs incurred during the periods of construction, installation and testing. No depreciation is provided on CIP. CIP is reclassified to the appropriate category of property, plant and equipment and depreciation commences when the construction work is completed and the asset is ready for use.

3.6 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost, is determined using first-in, first-out basis and comprise direct materials and, where applicable, direct labour and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling expenses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.7 Financial assets

The Group classifies its financial assets, other than investments in subsidiaries, into the following categories: receivables and financial assets at fair value through profit or loss. Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets are recognised on trade date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. At each balance sheet date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial assets.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss includes financial assets held for trading if they are acquired for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets included in this category are measured at fair value with changes in fair value recognised in the income statement. Fair value is determined by reference to active market transactions or using a valuation technique where no active market exists. Fair value gain or loss does not include any dividend or interest earned on these financial assets. Dividend and interest income is recognised in accordance with the Group's policies in note 3.18 to these financial statements.

(ii) Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.7 Financial assets *(Continued)*

Impairment of financial assets

At each balance sheet date, financial assets other than at fair value through profit or loss are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

If any such evidence exists, the impairment loss is measured and recognised as follows:

(i) Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in income statement of the period in which the impairment occurs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.7 Financial assets *(Continued)*

(i) *Financial assets carried at amortised cost (Continued)*

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in income statement of the period in which the reversal occurs.

(ii) *Financial assets carried at cost*

The amount of impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

Financial assets other than financial assets at fair value through profit or loss and trade receivables that are stated at amortised cost, impairment losses are written off against the corresponding assets directly. Where the recovery of trade receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of trade receivables is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in the income statement.

3.8 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.8 Provisions and contingent liabilities *(Continued)*

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as contingent liabilities, unless the probability of outflow of economic benefit is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3.9 Intangible assets

Intangible assets acquired separately are recognised initially at cost. After initial recognition, those with finite useful lives are carried at cost less accumulated amortisation and impairment losses. Amortisation for intangible assets with finite useful lives is provided on straight-line method over their estimated useful lives.

Intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses. Intangible assets are tested for impairment as described below in note 3.10. Amortisation commences when the intangible assets are available for use.

Research and development costs

Costs associated with research activities are expensed in the income statement as they occur. Costs that are directly attributable to the development phase of the project are recognised as intangible assets provided that they meet the following recognition requirements:

(i) demonstration of technical feasibility of the prospective product for internal use or sale;

(ii) there is intention to complete the intangible asset and use or sell it;

(iii) the group's ability to use or sell the intangible asset is demonstrated;

(iv) the intangible asset will generate probable economic benefits through internal use or sale;

(v) sufficient technical, financial and other resources are available for completion; and

(vi) the expenditure attributable to the intangible asset can be reliably measured.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.9 Intangible assets *(Continued)*

Research and development costs (Continued)

Direct costs include employee costs incurred on development along with an appropriate portion of relevant overheads. The costs of internally generated product developments are recognised as intangible assets. These are subject to the same subsequent measurement method as externally acquired intangible assets.

All other development costs are expensed as incurred.

3.10 Impairment of non-financial assets

Property, plant and equipment, prepaid lease payments, intangible assets and interests in subsidiaries are subject to impairment testing.

All individual assets or cash-generating units are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Impairment losses recognised for cash-generating units is charged pro rata to the assets in the cash-generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value in use, if determinable.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.11 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to the income statement on the straight-line method over the lease terms except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rental are charged to the income statement in the accounting period in which they are incurred.

3.12 Foreign currency translation

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the balance sheet date retranslation of monetary assets and liabilities are recognised in the income statement.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into HK$. Assets and liabilities have been translated into HK$ at the closing rates at the balance sheet date. Income and expenses have been converted into HK$ at the exchange rate ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been dealt with in the translation reserve in equity.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.13 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in the income statement.

Deferred tax is calculated using the liability method on temporary differences at the balance sheet date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised in the income statement, or in equity if they relate to items that are charged or credited directly to equity.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.14 Retirement benefit costs and short term employee benefits

(a) *Retirement benefit costs*

Retirement benefits to employees are provided through defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity.

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. Contributions are made based on a percentage of the employees' basic salaries to the maximum mandatory contributions as required by the MPF Scheme and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. Liabilities and assets may be recognised if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short term nature. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The subsidiary operating in the People's Republic of China ("PRC") is required to participate in the defined contribution retirement schemes for their employees, organised by the local municipal government. The subsidiary is required to contribute a specified percentage of its payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

(b) *Short term employee benefits*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liabilities for annual leave as a result of services rendered by employees up to the balance sheet date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.15 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and short-term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

3.16 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

The transaction costs of an equity transaction are deducted from share premium to the extent of their incremental costs directly attributable to the equity transaction.

3.17 Share-based employee compensation

All share-based payment arrangements granted after 7 November 2002 and had not vested at 1 January 2005 are recognised in the financial statements. The Group operates equity-settled share-based compensation plans for remuneration of its employees and directors.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the share options awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

All share-based compensation is ultimately recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding credit to share option reserve. If vesting periods or other vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment to expense recognised in prior periods is made if fewer share options ultimately are exercised than originally vested.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are reallocated to share capital with any excess being recorded as share premium.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.17 Share-based employee compensation *(Continued)*

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in stock option reserve will be transferred to accumulated losses.

3.18 Revenue recognition

Revenue comprises the fair value for the sale of goods, net of rebates and discounts. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

Sales of goods are recognised upon transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customer has accepted the goods.

Revenue from licensing is recognised when the rights to receive payment are established in accordance with the underlying licensing agreement, which is normally when the licensees used the licensing services.

Bank interest income is recognised on a time-proportion basis using the effective interest method.

3.19 Financial liabilities

The Group's financial liabilities include trade payables and other payables and accrued expenses.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised as an expense in finance costs in the income statement.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in the income statement.

Trade payables and other payables and accrued expenses are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest rate method.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.20 Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or its parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

3.21 Segment reporting

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

In respect of business segment reporting, unallocated costs included corporate expenses and other expenses that cannot be allocated on a reasonable basis to the reportable segments. Segment assets consist primarily of property, plant and equipment, intangible assets, prepaid land lease payments, deposits paid for plant and equipment, inventories, receivables and operating cash, and exclude corporate assets and financial assets at fair value through profit or loss. Segment liabilities comprise operating liabilites and exclude items such as other payables.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.21 Segment reporting *(Continued)*

Capital expenditure comprises additions of property, plant and equipment, intangible assets, prepaid land lease payments and deposits paid for plant and equipment.

In respect of geographical segment reporting, revenue is based on the country in which the customer is located and total assets and capital expenditure are where the assets are located.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Impairment of the property, plant and equipment and capitalised costs incurred on the land where the related prepaid lease payments had already been made in 2007

In 2007, the Group acquired an interest in a leasehold land in Yunfu City (the "Land"), Guangdong Province, the PRC, for its biotech renewable energy operations in forthcoming years. In June 2008, the Group was informed by the local authorities that it might need to choose another piece of land for its construction of the plant, as the local authorities now plan to build a railway station adjacent to the Land. The Group has not yet chosen another new leasehold land at year end and the negotiation with the local authorities is still in progress. The Group's management determines that the property, plant and equipment and capitalised costs incurred on the Land so far are no longer recoverable and therefore these costs are fully impaired and written off during the year.

Provision for impairment of receivables

The policy for the provision for impairment of receivables of the Group is based on the evaluation of collectability and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the collateral security. If the financial conditions of the borrowers of the Group were to deteriorate, resulting in impairment of their ability to make repayments, additional allowance may be required. If the financial conditions of the borrowers of the Group, on whose account provision for impairment has been made, were improved and no impairment of their ability to make payments were noted, reversal of provision for impairment may be required.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to changes in market condition. Management reassesses the estimations at the balance sheet date.

Estimated useful life of intangible asset

In 2007, the Group acquired certain technical know-how from an independent third party for HK$2,000,000. The technical know-how is now amortised on a straight-line method over the estimated useful lives of 10 years. The estimated useful life reflects the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the technical know-how. Management reassesses its estimated useful life at the balance sheet date.

5. REVENUE AND SEGMENT INFORMATION

Revenue, which is also the Group's turnover, represents the total invoiced value of goods sold, web design and licensing income. Revenue recognised during the year is as follows:

	2008	2007
	HK$'000	HK$'000
Sale of goods	**6,005**	6,166
Web design	**–**	69
Licensing income	**522**	574
	6,527	6,809

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 summarised as follows:

(a) Sales and licensing of software and embedded systems

(b) Development of biotech renewable energy

The development of biotech renewable energy has not yet generated any revenue to the Group for the years ended 31 December 2008 and 31 December 2007.

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

(a) Business segments

The following table presents revenue, loss and assets, liabilities and expenditure information for the Group's business segments for the years ended 31 December 2008 and 2007:

	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	**6,527**	6,809	**–**	–	**6,527**	6,809
Segment results	**(1,582)**	(1,231)	**(2,938)**	(29,961)	**(4,520)**	(31,192)
Bank interest income					**406**	1,052
Net fair value (loss)/gain on financial assets at fair value through profit or loss					**(1,242)**	169
Unallocated expenses					**(7,622)**	(11,254)
Operating loss					**(12,978)**	(41,225)
Finance costs					**–**	–
Loss for the year					**(12,978)**	(41,225)
Segment assets	**2,540**	3,831	**10,927**	8,826	**13,467**	12,657
Unallocated assets					**15,311**	26,868
Total assets					**28,778**	39,525
Segment liabilities	**(1,642)**	(1,409)	**(1,777)**	(392)	**(3,419)**	(1,801)
Unallocated liabilities					**(330)**	(583)
Total liabilities					**(3,749)**	(2,384)

For the year ended 31 December 2008

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

(a) Business segments *(Continued)*

	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
Other segment information:						
Depreciation and amortisation	**47**	60	**266**	110	**313**	170
Unallocated depreciation					**145**	100
Total depreciation and amortisation					**458**	270
Capital expenditure	**64**	60	**3,776**	5,408	**3,840**	5,468
Unallocated capital expenditure					**86**	805
Total capital expenditure					**3,926**	6,273
Share based payments	**–**	–	**–**	29,053	**–**	29,053
Unallocated share based payments					**–**	4,461
Total share based payments					**–**	33,514
Write off of property, plant and equipment	**19**	–	**–**	–	**19**	–
Unallocated write off of property, plant and equipment					**214**	–
Total write off of property, plant and equipment					**233**	–
Provision for impairment of property, plant and equipment	**–**	–	**1,073**	–	**1,073**	–
Provision for impairment of prepaid lease payments	**–**	–	**61**	–	**61**	–
Write-down of inventories to net realisable value	**73**	–	**–**	–	**73**	–

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

(b) Geographical segments

The following table presents revenue, assets and expenditure information for the Group's geographical segments for the years ended 31 December 2008 and 2007:

	Hong Kong		Mainland China		Macau		Total	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000	**2008 HK$'000**	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
Segment revenue:								
Sales to external customers	**6,391**	6,647	**136**	162	**–**	–	**6,527**	6,809
Other segment information:								
Segment assets	**3,824**	3,887	**8,791**	9,225	**1,172**	272	**13,787**	13,384
Unallocated assets							**14,991**	26,141
Total assets							**28,778**	39,525
Capital expenditure	**64**	472	**3,438**	5,344	**338**	64	**3,840**	5,880
Unallocated capital expenditure							**86**	393
Total capital expenditure							**3,926**	6,273

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.

6. OTHER REVENUE

	2008 HK$'000	2007 HK$'000
Interest income on financial assets stated at amortised cost	**406**	1,052
Fair value gain on financial assets at fair value through profit or loss – held for trading	**–**	169
Sundry income	**145**	478
	551	1,699

For the year ended 31 December 2008

7. LOSS BEFORE INCOME TAX

	2008 HK$'000	2007 HK$'000
Loss before income tax is arrived at after charging/(crediting):		
Net foreign exchange gain	**(139)**	(369)
Cost of inventories recognised as expenses, including	**1,233**	1,312
– Write-down of inventories to net realisable value	**73**	–
Auditors' remuneration		
– current year	**460**	450#
– underprovision in prior year	**34**	8
Depreciation	**258**	170
Amortisation of intangible assets	**200**	100
Staff costs (including directors' remuneration) *(note 11)*	**8,015**	11,512
Net fair value loss on financial assets at fair value through profit or loss – held for trading*	**1,242**	–
Write-off of property, plant and equipment*	**233**	–
Operating lease charges in respect of land and buildings	**2,316**	1,911
Write-off of obsolete inventories*	**1**	15
Share-based payments (including directors and employees) *(note 24)*	**–**	33,514
Provision for impairment of property, plant and equipment*	**1,073**	–
Provision for impairment of prepaid lease payments*	**61**	–
Research and development costs	**2,587**	1,191

* included in other operating expenses

\# comparative figure has been reclassified to conform with the current year presentation

8. INCOME TAX EXPENSE

No Hong Kong profits tax has been provided in both years as the Group did not generate any assessable profits arising in Hong Kong for the years ended 31 December 2008 and 2007.

No profits tax for the subsidiaries operating outside Hong Kong has not been provided as these subsidiaries have not generated any assessable profits in the respective jurisdictions (2007: Nil).

Reconciliation between income tax expense and accounting loss at applicable tax rates is as follows:

	2008	2007
	HK$'000	HK$'000
Loss before income tax	**(12,978)**	(41,225)
Tax calculated at the rates applicable to the tax jurisdiction concerned	**(2,259)**	(7,214)
Tax effect of non-deductible expenses	**2,015**	7,177
Tax effect of non-taxable revenue	**(92)**	(252)
Tax effect of temporary differences not recognised	**(3)**	(3)
Tax effect of tax losses not recognised	**339**	292
Income tax expense	**–**	–

The Hong Kong SAR Government enacted a reduction in the Profits Tax Rate from 17.5% to 16.5% with effect from the year of assessment 2008/2009. In March 2007, the government of the PRC enacted the new enterprise income tax ("EIT") rate for domestic and foreign enterprises in the PRC at 25% with effective from 1 January 2008. For the year ended 31 December 2007, the EIT rate applicable to the Group's operations in the PRC was 15%.

At 31 December 2008, the Group has deferred tax assets mainly arising from tax losses of the subsidiaries operating in Hong Kong and in the PRC of approximately HK$6,159,000 and HK$493,000 (2007: HK$4,209,000 and HK$421,000) respectively. However, deferred tax assets have not been recognised as it is uncertain whether sufficient future taxable profits will be available for utilising the accumulated tax losses. The tax losses of the subsidiaries operating in the PRC can be carried forward for 5 years and tax losses of the companies within the Group operating in Hong Kong will not be expired under the current tax legislation.

For the year ended 31 December 2008

9. LOSS ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY

Of the consolidated loss attributable to the equity holders of the Company of HK$12,978,000 (2007: HK$41,225,000), a loss of HK$13,824,000 (2007: HK$41,266,000) has been dealt with in the financial statements of the Company.

10. LOSS PER SHARE

The calculation of the basic loss per share attributable to the ordinary equity holders of the Company is based on the consolidated loss for the year attributable to equity holders of the Company of HK$12,978,000 (2007: HK$41,225,000) and the weighted average of 7,789,438,082 (2007: 7,650,742,857) ordinary shares of the Company in issue during the year.

Diluted loss per share for the years ended 31 December 2008 and 31 December 2007 are not presented as the impacts of the exercise of the outstanding share options and warrants were anti-dilutive.

11. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

	2008 **HK$'000**	2007 HK$'000
Wages and salaries	**7,767**	6,854
Share-based payments *(note 24)*	**–**	4,461
Pension costs – defined contribution plans	**248**	197
	8,015	11,512

For the year ended 31 December 2008

12. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENT

(a) Directors' emoluments

The emoluments paid or payable to the directors were as follows:

	Fees HK$'000	Salaries and allowances HK$'000	Discretionary bonuses* HK$'000	Contributions to pension scheme HK$'000	Total HK$'000
2008					
Executive directors					
Tam Kam Biu, William	–	724	120	12	856
Kwan Kin Chung	–	780	130	12	922
Wan Xiaolin	–	–	–	–	–
Chen Man Lung	–	300	50	12	362
Sub-total	–	1,804	300	36	2,140
Non-executive directors					
Leung Lap Yan	120	180	–	–	300
Leung Lap Fu, Warren	60	171	20	9	260
Sub-total	180	351	20	9	560
Independent non-executive directors					
Ip Chi Wai	60	–	–	–	60
Shiu Kwok Keung	60	–	–	–	60
Tse Wang Cheung, Angus	60	–	–	–	60
Sub-total	180	–	–	–	180
Total	360	2,155	320	45	2,880

* Discretionary bonuses payments were determined based on the performance of the directors during the year.

For the year ended 31 December 2008

12. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENT *(Continued)*

(a) Directors' emoluments *(Continued)*

	Fees HK$'000	Salaries and allowances HK$'000	Contributions to pension scheme HK$'000	Share-based payments HK$'000	Total HK$'000
2007					
Executive directors					
Leung Lap Yan [(2)]	50	275	5	–	330
Tam Kam Biu, William	–	720	12	879	1,611
Leung Lap Fu, Warren [(2)]	25	100	5	–	130
Kwan Kin Chung	30	630	10	703	1,373
Wan Xiaolin	–	–	–	527	527
Chen Man Lung [(1)]	–	150	6	703	859
Sub-total	105	1,875	38	2,812	4,830
Non-executive directors					
Leung Lap Yan [(2)]	70	105	–	351	526
Leung Lap Fu, Warren [(2)]	35	140	7	351	533
Sub-total	105	245	7	702	1,059
Independent non-executive directors					
Ip Chi Wai	60	–	–	176	236
Shiu Kwok Keung	60	–	–	176	236
Tse Wang Cheung, Angus	60	–	–	176	236
Sub-total	180	–	–	528	708
Total	390	2,120	45	4,042	6,597

Notes:

1 Appointed on 29 May 2007

2 Re-designated on 23 May 2007

12. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENT *(Continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included three (2007: four) directors whose emoluments are reflected in the analysis presented above. The emolument payable to the remaining two (2007: one) highest paid individual during the year is as follows:

	2008 HK$'000	2007 HK$'000
Basic salaries, allowances and other benefits in kind	**751**	398
Discretionary bonuses	**25**	–
Contributions to pension scheme	**24**	12
	800	410

Their emoluments were within the following bands:

	Number of individuals	
	2008	2007
Nil to HK$1,000,000	**2**	1
HK$1,000,001 to HK$1,500,000	**–**	–
	2	1

During the year, no emoluments were paid by the Group to the Company's directors or any of the five highest paid employees as an inducement to join, or upon joining the Group, or as compensation for loss of office (2007: Nil). None of the directors has waived or agreed to waive any emoluments during each of the two years ended 31 December 2008 and 2007.

13. PROPERTY, PLANT AND EQUIPMENT

GROUP

	CIP HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Machinery HK$'000	Total HK$'000
At 1 January 2007					
Cost	–	482	3,356	–	3,838
Accumulated depreciation	–	(445)	(3,236)	–	(3,681)
Net book amount	–	37	120	–	157
Year ended 31 December 2007					
Opening net book amount	–	37	120	–	157
Additions	–	622	204	–	826
Depreciation	–	(94)	(76)	–	(170)
Exchange difference	–	–	3	–	3
Closing net book amount	–	565	251	–	816
At 31 December 2007					
Cost	–	710	533	–	1,243
Accumulated depreciation	–	(145)	(282)	–	(427)
Net book amount	–	565	251	–	816
Year ended 31 December 2008					
Opening net book amount	–	565	251	–	816
Additions	1,676	95	171	451	2,393
Depreciation	–	(134)	(80)	(44)	(258)
Write-off	–	(214)	(19)	–	(233)
Provision for impairment	(1,073)	–	–	–	(1,073)
Exchange difference	–	–	1	–	1
Closing net book amount	603	312	324	407	1,646
At 31 December 2008					
Cost	1,676	501	505	451	3,133
Accumulated depreciation and impairment	(1,073)	(189)	(181)	(44)	(1,487)
Net book amount	**603**	**312**	**324**	**407**	**1,646**

Please refer to note 14 for the details of impairment made on CIP.

13. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

COMPANY

	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Total HK$'000
At 1 January 2007			
Cost	–	24	24
Accumulated depreciation	–	(1)	(1)
Net book amount	–	23	23
Year ended 31 December 2007			
Opening net book amount	–	23	23
Additions	266	126	392
Depreciation	(48)	(25)	(73)
Closing net book amount	218	124	342
At 31 December 2007			
Cost	266	150	416
Accumulated depreciation	(48)	(26)	(74)
Net book amount	218	124	342
Year ended 31 December 2008			
Opening net book amount	218	124	342
Additions	70	16	86
Depreciation	(51)	(32)	(83)
Write-off	(214)	–	(214)
Closing net book amount	23	108	131
At 31 December 2008			
Cost	32	166	198
Accumulated depreciation	(9)	(58)	(67)
Net book amount	**23**	**108**	**131**

For the year ended 31 December 2008

14. PREPAID LEASE PAYMENTS – GROUP

In preparation to build the production facilities for its biotech renewable energy operations in forthcoming years, in 2007, the Group acquired an interest in a leasehold land (the "Land") in Yunfu City, Guangdong Province, the PRC. The prepaid lease payments represent the prepaid operating lease payments (which include the other initial direct costs).

	Leasehold land
	HK$'000
At 1 January 2007	
Cost	–
Accumulated amortisation	–
Net book amount	–
Year ended 31 December 2007	
Opening net book amount	–
Additions	2,025
Closing net book amount	2,025
At 31 December 2007	
Cost	2,025
Accumulated amortisation	–
Net book amount	2,025
Year ended 31 December 2008	
Opening net book amount	2,025
Additions	–
Provision for impairment	(61)
Exchange difference	128
Closing net book amount	2,092
At 31 December 2008	
Cost	2,153
Accumulated amortisation and impairment	(61)
Net book amount	**2,092**

14. PREPAID LEASE PAYMENTS – GROUP *(Continued)*

The Group is still in the process of applying for the land use right certificate from the local authorities and the lease term has not yet been confirmed by the local authorities since the payments made in 2007.

In June 2008, the Group was informed by the local authorities that it might need to choose another piece of land for its construction of the plant as the local authorities now plan to build a railway station adjacent to the Land. The Group has not yet chosen another new leasehold land at year end and the negotiation with the local authorities is still in progress. The Group's management determines that the property, plant and equipment of HK$1,073,000 and the capitalised costs of HK$61,000 incurred on the Land so far are no longer recoverable and therefore these costs are fully impaired and written off during the year.

15. INTANGIBLE ASSETS – GROUP AND COMPANY

	Technical know-how HK$'000
At 1 January 2007	
Cost	–
Accumulated amortisation	–
Net book amount	–
Year ended 31 December 2007	
Opening net book amount	–
Additions	2,000
Amortisation	(100)
Closing net book amount	1,900
At 31 December 2007	
Cost	2,000
Accumulated amortisation	(100)
Net book amount	1,900

15. INTANGIBLE ASSETS – GROUP AND COMPANY *(Continued)*

	Technical know-how HK$'000
Year ended 31 December 2008	
Opening net book amount	1,900
Amortisation	(200)
Closing net book amount	1,700
At 31 December 2008	
Cost	2,000
Accumulated amortisation	(300)
Net book amount	**1,700**

The technical know-how relates to the Group's biotech renewable energy operations and was acquired from an independent third party for HK$2,000,000 in June 2007. The estimated useful life of the technical know-how is 10 years. The directors are of the opinion that there is no indication of any impairment in value as at 31 December 2008.

16. OTHER RECEIVABLE – GROUP

Pursuant to an agreement entered into with an independent third party on 15 December 2008, the Group paid a deposit of HK$1,200,000 to this third party for the purpose of seeking bio cassava investment opportunities for the Group in the PRC. Under the agreement, in the circumstances when investment opportunity is identified, this amount will be used as the initial capital contribution to the investment project. To the contrary, when no investments can be successfully identified by 31 December 2009, this amount will be repaid by this third party before 31 January 2010.

The amount is unsecured and interest free. The directors of the Company consider that the fair value of other receivable is not materially different from its carrying amount.

17. INTERESTS IN SUBSIDIARIES/AMOUNTS DUE FROM/TO SUBSIDIARIES – COMPANY

	2008 HK$'000	2007 HK$'000
Unlisted shares, at cost	**7,502**	7,502
Less: Provision for impairment	**(5,001)**	(2,001)
	2,501	5,501

	2008 HK$'000	2007 HK$'000
Amounts due from subsidiaries	**112,378**	107,756
Less: Provision for impairment	**(105,703)**	(101,653)
	6,675	6,103

Amounts due from/to subsidiaries are unsecured, interest free and repayable on demand.

Particulars of the principal subsidiaries at 31 December 2008 are as follows:

Name of subsidiary	**Place of incorporation/ registration and kind of legal entity**	**Particulars of issued and fully paid share capital/ registered capital**	**Percentage of issued capital held by the Company**		**Principal activities and place of operations**
			Directly	**Indirectly**	
Q9 Technology (BVI) Limited	British Virgin Islands, limited liability company	100 ordinary shares of US$1 each	100%	–	Investment holding in Hong Kong
Q9-Tech Energy Development Limited	Hong Kong, limited liability company	100 ordinary shares of HK$1 each	100%	–	Investment holding of shares in Hong Kong
Q9-Tech Energy Development Limited	British Virgin Islands, limited liability company	100 ordinary shares of US$1 each	100%	–	Inactive during the year
Qcode Chinese Computer Limited	Hong Kong, limited liability company	600,000 ordinary shares of HK$1 each	–	100%	Holding patents in Hong Kong
Q9 Technology Company Limited	Hong Kong, limited liability company	1 ordinary share of HK$1 each	–	100%	Provision of institution and corporate services in Hong Kong

17. INTERESTS IN SUBSIDIARIES/AMOUNTS DUE FROM/TO SUBSIDIARIES – COMPANY *(Continued)*

Particulars of the principal subsidiaries at 31 December 2008 are as follows: *(Continued)*

Name of subsidiary	Place of incorporation/ registration and kind of legal entity	Particulars of issued and fully paid share capital/ registered capital	Percentage of issued capital held by the Company		Principal activities and place of operations
			Directly	Indirectly	
Q9 Technology (Retail) Company Limited	Hong Kong, limited liability company	1 ordinary share of HK$1 each	–	100%	Sales and licensing of computer software in Hong Kong
Q9 Technology (OEM) Company Limited	Hong Kong, limited liability company	1 ordinary share of HK$1 each	–	100%	Development and licensing of computer software in Hong Kong
Q9 Technology (Shenzhen) Limited	PRC, limited liability company	HK$2,000,000	–	100%	Development, sales and licensing of computer software in the PRC
Yunfu City Jiu Fang Agriculture Science and Technology Development Company Limited	PRC, limited liability company	HK$5,000,000	–	100%	Production and sales of ethanol in the PRC, however, the business of the company has not been commenced
Q9 Investments Limited	British Virgin Islands, limited liability company	100 ordinary shares of US$1 each	–	100%	Investments holding of shares and funds in Hong Kong
New Q9-Tech Equipment Trading Limited	Macau, limited liability company	MOP$25,000	–	100%	Research and development for biotechnology

None of the subsidiaries had any debt securities subsisting at the end of the year or at any time during the year.

The above table lists the subsidiaries of the Company as at 31 December 2008 which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of Group. To give details of all the subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

For the year ended 31 December 2008

18. INVENTORIES – GROUP

	2008 HK$'000	2007 HK$'000
Merchandise	**198**	183
Finished goods	**74**	48
	272	231

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS – GROUP

	2008 HK$'000	2007 HK$'000
Listed equity securities in Hong Kong	**241**	533
Listed unit trusts in Hong Kong	**175**	361
	416	894

The carrying amounts of the above financial assets, all of which are held for trading, represent their market value.

As at 1 January 2008, the Group held 1,000,000 shares of Culturecom Holdings Limited, one of the substantial shareholders of the Company, and its value of HK$169,000 was included in "Financial assets at fair value through profit or loss". During the year, the Group disposed all these shares in the market and a loss of HK$39,000 was included in income statement under "Net fair value loss on financial assets at fair value through profit or loss".

20. TRADE RECEIVABLES – GROUP

	2008 HK$'000	2007 HK$'000
Trade receivables	**372**	2,945
Less: Provision for impairment	**–**	(2,433)
Trade receivables – net	**372**	512

For the year ended 31 December 2008

20. TRADE RECEIVABLES – GROUP *(Continued)*

Impairment losses on trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly. Movements in the provision for impairment of trade receivables are as follows:

	2008 HK$'000	2007 HK$'000
At the beginning of the year	**2,433**	2,643
Amount written off as uncollectible	**(2,433)**	(210)
At the end of the year	**–**	2,433

At each of the balance sheet date, the Group's trade receivables were individually determined to be impaired. The individually impaired receivables are recognised based on the credit history of its customers, such as financial difficulties or default in payments, and current market conditions. Consequently, specific impairment provision was recognised. The Group does not hold any collateral over these balances.

The directors of the Company considered that the fair values of trade receivables are not materially different from their carrying amounts because these amounts have short maturity periods on their inception.

The Group generally allows an average credit term of 30-90 days to its trade customers. At 31 December 2008, based on the invoice dates, ageing analysis of trade receivables at the balance sheet date, net of allowances, is as follows:

	2008 HK$'000	2007 HK$'000
Current	**339**	272
31 – 90 days	**32**	239
91 – 180 days	**1**	1
	372	512

For the year ended 31 December 2008

20. TRADE RECEIVABLES – GROUP *(Continued)*

Ageing analysis of trade receivables that are not impaired is as follows:

	2008 **HK$'000**	2007 HK$'000
Neither past due nor impaired	**353**	512
Past due but not impaired	**19**	–
	372	512

Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default. Receivables that were past due but not impaired related to a customer with long business relationship and the receivables were aged within half year. Based on past experience, management believes that no additional impairment allowance is necessary as there has not been a significant change in credit quality and the balances are considered fully recoverable.

21. CASH AND CASH EQUIVALENTS

GROUP

	2008 **HK$'000**	2007 HK$'000
Cash at banks and in hand	**3,605**	10,820
Short-term bank deposits	**13,500**	20,000
Cash and cash equivalents in consolidated balance sheet	**17,105**	30,820

COMPANY

	2008 **HK$'000**	2007 HK$'000
Cash at banks and in hand	**668**	4,507
Short-term bank deposits	**13,500**	20,000
Cash and cash equivalents in balance sheet	**14,168**	24,507

For the year ended 31 December 2008

21. CASH AND CASH EQUIVALENTS *(Continued)*

Cash at banks earns interest at the floating rates based on the daily bank deposit rates. Short-term bank deposits were made for the periods ranging between one day and three months depending on the immediate cash requirement of the Group, and earned interest at the respective short-term time deposit rates. The carrying amounts of the cash and cash equivalents approximate to their fair values.

Included in cash and cash equivalents of the Group are HK$981,000 (2007: HK$3,826,000) of bank balances denominated in Renminbi ("RMB") placed with the banks in the PRC. RMB is not a freely convertible currency. However, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through the banks authorised to conduct foreign exchange business.

22. TRADE PAYABLES – GROUP

The Group was granted by its suppliers for a credit period of 30 days. At 31 December 2008, based on the invoice dates, ageing analysis of trade payables is as follows:

	2008 **HK$'000**	2007 HK$'000
Current	**65**	73
31 – 90 days	**18**	28
91 – 180 days	**5**	1
Over 180 days	**3**	–
	91	102

23. SHARE CAPITAL

The share capital of the Company consists only of ordinary shares. All shares are equally eligible to receive dividends and the repayment of capital.

		Number of shares of HK$0.01 each		Number of shares of HK$0.0025 each		Share capital	
		2008	2007	**2008**	2007	**2008**	2007
	Notes	**'000**	'000	**'000**	'000	**HK$'000**	HK$'000
Authorised:							
Ordinary shares at beginning of year		**–**	50,000,000	**200,000,000**	–	**500,000**	500,000
Share Subdivision	(a)	**–**	(50,000,000)	**–**	200,000,000	**–**	–
Ordinary shares at end of year		**–**	–	**200,000,000**	200,000,000	**500,000**	500,000
Issued and fully paid:							
Ordinary shares at beginning of year		**–**	1,869,525	**7,771,700**	–	**19,429**	18,695
Exercise of warrants	(b)	**–**	53,400	**–**	–	**–**	534
Share Subdivision	(a)	**–**	(1,922,925)	**–**	7,691,700	**–**	–
Exercise of warrants	(b)	**–**	–	**32,400**	80,000	**81**	200
Ordinary shares at end of year		**–**	–	**7,804,100**	7,771,700	**19,510**	19,429

Note:

(a) Share subdivision

Pursuant to an ordinary resolution passed on 29 June 2007, with effective from 3 July 2007, 1 share of HK$0.01 each in the issued and unissued share capital of the Company were subdivided into 4 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.

For the year ended 31 December 2008

23. SHARE CAPITAL *(Continued)*

Note: (Continued)

(b) Exercise of warrants

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 placed at an issue price of HK$0.025 per warrant. Each warrant entitles the holder thereto to subscribe for 1 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 were fully placed. Dealings in the warrants on the Hong Kong Stock Exchange commenced on 29 January 2007.

In 2007, before the Share Subdivision, warrant subscription amounting to HK$4,058,400 was received, representing 53,400,000 warrants convertible into 53,400,000 shares of HK$0.01 each with the then subscription price of HK$0.076 per share. After the Share Subdivision, warrants subscription amounting to HK$1,520,000 was received, representing 80,000,000 warrants convertible into 80,000,000 shares of HK$0.0025 each with the subscription price of HK$0.019 per share.

During the year, warrant subscription amounting to HK$615,600 was received, representing 32,400,000 warrants convertible into 32,400,000 shares of HK$0.0025 each with the subscription price of HK$0.019 per share.

As at 31 December 2008, the Company had 670,800,000 warrants outstanding. The exercise in full of such warrants would, under the present capital structure of the Company, result in the issue of 670,800,000 additional shares of HK$0.0025 each. Please refer to note 32 for the exercise of such warrants subsequent to 31 December 2008.

24. SHARE – BASED EMPLOYEE COMPENSATION

On 27 April 2007, the Post-IPO Share Option Scheme was terminated and was replaced on the same date by the new Post-IPO Share Option Scheme (the "New Share Option Scheme") which remained in force as at 31 December 2008.

Under the Post-IPO Share Option Schemes and the New Share Option Scheme, options may be granted to any directors, employees, consultants, customers, suppliers, agents, partners or advisers of or contractor to the Group ("Eligible participants") or any entity in which any member of the Group holds any interest; any discretionary trust whose discretionary objects include any Eligible participants; and a company beneficially owned by any Eligible participants; and those person or company whom or which the board has resolved is qualified to be an eligible participant must remain eligible during the period when any option granted to him or it remains outstanding.

The share options vest upon the commencement of the exercise period, which is determined by the directors at the date of grant.

24. SHARE – BASED EMPLOYEE COMPENSATION *(Continued)*

All share-based employee compensation will be settled in equity. The Group has no legal or constructive obligation to repurchase or settle the options. There were no share options granted and cancelled during the year. Movements of the share options during the year are as follows:

	2008 Number	**2008 Weighted average exercise price HK$**	2007 Number*	2007 Weighted average exercise price HK$*
At 1 January	**756,760,000**	**0.1125**	–	–
Cancelled	**–**	**–**	–	–
Granted	**–**	**–**	756,760,000	0.1125
At 31 December	**756,760,000**	**0.1125**	756,760,000	0.1125

All share options as at 31 December 2007 and 31 December 2008 are accounted for under HKFRS 2 "Share-based Payment". The options outstanding at 31 December 2008 had a weighted average remaining contractual life of 8.4 years (2007: 9.4 years). The exercise prices and exercise periods of the share options outstanding as at the balance dates are as follows:

	2008 Number	**2008 Weighted average exercise price HK$**	2007 Number*	2007 Weighted average exercise price HK$*
Exercisable period:				
29-5-2007 to 28-5-2017	**756,760,000**	**0.1125**	756,760,000	0.1125
	756,760,000	**0.1125**	756,760,000	0.1125

Note:

* The exercise price of the share options is subject to adjustment in case of rights or bonus issues, or other similar changes in the Company's share capital. Pursuant to the Share Subdivision effective on 3 July 2007, total number of share options outstanding, the exercise price of the share options outstanding and the closing price of shares immediately before the date of grant were adjusted accordingly. The number of options granted and the exercise price were adjusted as a result of the Share Subdivision. The closing price of the shares immediately before the date of grant of the option was HK$0.1125 (adjusted after the Share Subdivision).

For the year ended 31 December 2008

24. SHARE – BASED EMPLOYEE COMPENSATION *(Continued)*

The options may be exercised at any time of the option period provided that the options have been vested. The options were vested upon commencement of exercise period.

At the balance sheet date, the Company had 756,760,000 share options outstanding under the New Share Option Scheme. The exercise in full of the remaining share options would under the present capital structure of the Company, resulting in issue of 756,760,000 additional ordinary shares of the Company and additional share capital of HK$1,891,900 and share premium of HK$83,243,600 (before the issue expenses).

The fair value of options granted on 29 May 2007 of HK$33,514,000, in which HK$4,461,000 was granted to directors and employees and HK$29,053,000 was granted to consultants, were determined by an independent third party valuer using the Binomial Model, with modification to reflect the exit rate and exercise pattern on the option value.

The fair value of services received from consultants was measured, indirectly, by reference to the fair value of the options granted as the fair value of the services received could not be estimated reliably by the Company.

Key assumptions used in the valuation of the options granted on 29 May 2007 include: (i) an expected nil dividend yield per annum, (ii) volatility of share price of about 105% per annum (estimation of volatility for underlying stock price has considered the history price movement of the Company, and it is projected on a constant annualised standard deviation on the price movement of 105% to be applied throughout the option's life), (iii) a risk free rate of 4.47%, by reference to the yield of 10-year of Exchange Fund Notes, (iv) that the directors, employees and consultants will exercise their share options if the share price is above the exercise price by 2 times, 1.5 times and 1.5 times respectively and (v) exit rate for directors, employees and consultants of 27%, 43% and 0% per annum respectively.

A total of HK$33,514,000 of share-based compensation expenses was included in the income statement for the year ended 31 December 2007 which gave rise to share option reserve. No liabilities were recognised due to share-based payment transactions.

25. RESERVES

GROUP

The amounts of the Group's reserves and movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 35 of the financial statements.

COMPANY

	Share premium HK$'000	Warrants reserve HK$'000	Reorganisation reserve HK$'000	Stock option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2007	104,596	6,250	2,501	–	(109,500)	3,847
Loss for the year	–	–	–	–	(41,266)	(41,266)
Issue of warrants	–	6,230	–	–	–	6,230
Warrant issue expenses	–	(994)	–	–	–	(994)
Exercise of warrants	6,386	(1,542)	–	–	–	4,844
Equity-settled share-based payment expense	–	–	–	33,514	–	33,514
At 31 December 2007 and 1 January 2008	110,982	9,944	2,501	33,514	(150,766)	6,175
Loss for the year	–	–	–	–	(13,824)	(13,824)
Exercise of warrants	704	(170)	–	–	–	534
At 31 December 2008	**111,686**	**9,774**	**2,501**	**33,514**	**(164,590)**	**(7,115)**

Notes:

(a) The warrants reserve represents the proceeds from the issue of 250,000,000 warrants ("2002 warrants") on 5 February 2002 and the issue of warrants in 2007 as detailed in note 23(b). The subscription period of the 2002 warrants has already expired in 2003 and no warrants were exercised up to the date of expiry.

(b) The reorganisation reserve represents the difference between the nominal value of the shares of the subsidiaries acquired and the HK$7,500,000 loan capitalised and the nominal value of the shares issued by the Company as the consideration therefor.

For the year ended 31 December 2008

26. OPERATING LEASE COMMITMENTS

GROUP

At 31 December 2008, the total future minimum lease payments under non-cancellable operating leases in respect of land and buildings were payable as follows:

	2008	2007
	HK$'000	HK$'000
Within one year	**1,168**	1,354
In the second to the fifth year	**895**	45
	2,063	1,399

COMPANY

At 31 December 2008, the total future minimum lease payments under non-cancellable operating leases in respect of land and buildings were payable as follows:

	2008	2007
	HK$'000	HK$'000
Within one year	**46**	371
In the second to the fifth year	**–**	–
	46	371

The Group/Company leases premises under an operating lease. The lease runs for an initial period of one to two years, with an option to renew the lease at the expiry date or at dates mutually agreed between the Group and the landlord. The lease does not include contingent rental.

27. CAPITAL COMMITMENTS/CONTINGENT LIABILITIES

GROUP

	2008 HK$'000	2007 HK$'000
Property, plant and equipment		
Contracted but not provided for	**3,987**	3,311

The Group does not have any significant contingent liabilities as at 31 December 2008 and 2007.

COMPANY

The Company does not have any significant commitments and contingent liabilities as at 31 December 2008 and 2007.

28. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances disclosed elsewhere in the financial statements, the Group had the following transactions with related parties during the year:

	Notes	2008 HK$'000	2007 HK$'000
Office and warehouse rental expenses			
– Culturecom Centre Limited (warehouse)	(i)	**–**	5
– Culturecom Centre Limited (office)	(i)	**539**	600
– Winway H.K. Limited (office)	(ii)	**506**	–
		1,045	605
Consultancy fees			
– Ms. Heidi Leung	(iii)	**490**	280

Notes:

(i) Office in Kwun Tong 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 rental charged at fixed monthly fees.

(ii) Rental agreement for office was entered into with Winway H.K. Limited, a subsidiary of Culturecom Holdings Limited, with rental charged at fixed monthly fees.

(iii) The Group paid monthly consultancy fees of HK$40,000 to Ms. Heidi Leung, the daughter of one of the non-executive director of the Company, Mr. Leung Lap Yan. The marketing and public relationships services were provided from 1 June 2007.

28. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Compensation of key management personnel

GROUP

	2008 **HK$'000**	2007 HK$'000
Short-term employee benefits	**2,155**	2,908
Discretionary bonuses	**320**	–
Post-employment benefits	**45**	57
Share-based payment	**–**	4,042
	2,520	7,007

(c) Included in other payables and accrued expenses are amounts due to Mr. Leung Lap Yan, one of the non-executive directors of the Company, of HK$35,000 (2007: Nil). The amount due to a director is unsecured, interest free and repayable on demand.

29. MAJOR NON CASH TRANSACTIONS

During the year, purchases of property, plant and equipment amounting to HK$603,000 (2007: Nil) and deposits paid for plant and equipment amounting to HK$994,000 (2007: Nil) were paid on behalf by an unrelated third party in the PRC.

30. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks which result from both its operating and investing activities. The Group does not have written risk management policies and guidelines. However, the board of directors meets periodically to analyse and formulate strategies to manage the Group's exposure to market risk. The Group's exposure to market risk is kept to a minimum. The Group has not used any derivatives or other instruments for hedging purpose.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed to are described below.

30.1 Foreign currency risk

The Group's exposure to currency exchange rates is minimal as the group companies usually hold most of their financial assets/liabilities in their own functional currencies.

30. RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

30.2 Interest rate risk

The Group and the Company have no borrowing. The Group's exposure to market risk for changes in interest rates relates primarily to cash and cash equivalents which bears floating interest rates. The Group currently does not have any interest rate hedging policy. However, the directors monitor interest rate change exposure and will consider hedging significant interest rate change exposure should the need arise.

The directors are of the opinion that the sensitivity of the Group's loss for the year to the reasonably possible change in HK$ interest rate in the next twelve months is low.

30.3 Credit risk

Credit risk arises from the possibility that the counterparty to a transaction is unwilling or unable to fulfill its obligation with the results that the Group thereby suffers financial loss. The carrying amounts of trade receivables, other receivables, and cash and cash equivalents represent the Group's maximum exposure to credit risk in relation to financial assets. The carrying amounts of these financial assets presented in the consolidated balance sheet are net of impairment losses, if any. The Group monitors trade receivables and other receivables on an ongoing basis and only trades and deals with creditworthy third parties. Accordingly, the Group's exposure to bad debt is not significant. In addition, all the Group's cash and cash equivalents are deposited with major banks located in Hong Kong and the PRC. Accordingly, the Group has no significant concentrations of credit risk.

The Company's maximum exposure to credit risk is primarily attributable to amounts due from subsidiaries, other receivables and bank balances. The Company has no significant concentration of credit, with exposure spread over a number of counterparties.

The credit and investment policies have been following by the Group/Company since prior years and are considered to have been effective in limiting the Group's exposure to credit risk to a decisive level.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in notes 20 and 16, respectively.

30.4 Fair values

The fair values of financial assets at fair value through profit or loss, cash and cash equivalents, trade receivables, other receivables, balances with related companies, trade payables, other payables and accrued expenses, are not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments.

30. RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

30.5 Price risk

The Group is exposed to equity price risk arising from its investments in listed equity securities and listed unit trusts which are classified as at fair value through profit or loss. The directors manage the exposure by maintaining a portfolio of investments with different risk and return profiles and will consider hedging the risk exposure should the need arise. The Group is not exposed to commodity price risk. The Company is not exposed to any equity price risk as at 31 December 2007 and 2008.

At 31 December 2008, it is estimated that there is a reasonably possible change of 50% (2007: 5%) in stock price and unit trust price in the next twelve months. If equity price and unit trust price had increased/decreased by 50% and all other variables were held constant, loss for the year and accumulated losses would decrease/increase by approximately HK$210,000 (2007: HK$45,000). This sensitivity analysis has been determined assuming that the price change had occurred at the balance sheet date and had been applied to the Group's investment on that date.

30.6 Liquidity risk

As at 31 December 2008, the Group had net current assets of HK$15,349,000 and net assets of HK$25,029,000. Management considers the liquidity risk is minimal.

The Group manages its liquidity needs by carefully monitoring expected payments for potential investments as well as cash-outflows due in day-to-day business. Liquidity needs are monitored on a day-to-day basis. Long-term liquidity needs for a 360-day lookout period are identified on a monthly basis.

The Group maintains mainly cash to meet its liquidity requirements for up to 30-day periods, funding for long-term liquidity needs will be considered when there is any potential investment identified.

30. RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

30.6 Liquidity risk *(Continued)*

The following table details the remaining contractual maturities at the balance sheet dates of non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payment computed using contractual rate or, if floating, based on rates current at the balance sheet date) and the earliest date the Group can be required to pay:

GROUP

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	On demand HK$'000	Within one year HK$'000
2008				
Trade payables	**91**	**91**	**26**	**65**
Other payables and accrued expenses	**3,616**	**3,616**	**3,108**	**508**
	3,707	**3,707**	**3,134**	**573**
2007				
Trade payables	102	102	29	73
Other payables and accrued expenses	2,282	2,282	454	1,828
	2,384	2,384	483	1,901

30. RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

30.6 Liquidity risk *(Continued)*

COMPANY

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	On demand HK$'000	Within one year HK$'000
2008				
Amounts due to subsidiaries	**12,735**	**12,735**	**12,735**	**–**
Other payables and accrued expenses	**320**	**320**	**37**	**283**
	13,055	**13,055**	**12,772**	**283**
2007				
Amounts due to subsidiaries	12,856	12,856	12,856	–
Other payables and accrued expenses	291	291	21	270
	13,147	13,147	12,877	270

30.7 Summary of financial assets and liabilities by category

The carrying amounts of the Company's and the Group's financial assets and liabilities as at 31 December 2008 and 2007 may be categorised as follows. See notes 3.7 and 3.19 for explanations about how the category of financial instruments affects their subsequent measurement.

30. RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

30.7 Summary of financial assets and liabilities by category *(Continued)*

(i) Financial assets – Group

	2008 HK$'000	2007 HK$'000
Non-current assets		
Loans and receivables:		
Other receivable	**1,200**	–
Current assets		
Cash and cash equivalents	**17,105**	30,820
Financial assets at fair value through profit or loss – held for trading	**416**	894
Loans and receivables:		
Trade receivables	**372**	512
	19,093	32,226

(ii) Financial assets – Company

	2008 HK$'000	2007 HK$'000
Current assets		
Cash and cash equivalents	**14,168**	24,507
Loans and receivables:		
Amounts due from subsidiaries	**6,675**	6,103
	20,843	30,610

30. RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

30.7 Summary of financial assets and liabilities by category *(Continued)*

(iii) Financial liabilities – Group

	2008 HK$'000	2007 HK$'000
Current liabilities		
Financial liabilities at amortised cost:		
Trade payables	**91**	102
Other payables and accrued expenses	**3,616**	2,282
	3,707	2,384

(iv) Financial liabilities – Company

	2008 HK$'000	2007 HK$'000
Current liabilities		
Financial liabilities at amortised cost:		
Amounts due to subsidiaries	**12,735**	12,856
Other payables and accrued expenses	**320**	291
	13,055	13,147

31. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Group's objectives when managing capital are:

(a) To ensure the Group's ability to continue as a going concern, so that it provides returns and benefits for its stakeholders;

(b) To support the Group's stability and growth; and

(c) To provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group currently does not adopt any formal dividend policy. Management regards total equity of HK$25,029,000 (2007: HK$37,141,000) as capital, for capital management purpose.

The directors of the Company also endeavour to ensure the steady and reliable cash flow from the normal business operation. For both years, the Group did not raise any debts.

32. POST BALANCE SHEET EVENTS

Since 23 January 2009, the subscription rights attached to the listed warrants of the Company to subscribe for new shares have been expired. After the balance sheet date and up to the date of warrants expiry, warrant subscription amounting to HK$7,584,800 was received, representing 399,200,000 warrants convertible into 399,200,000 shares of HK$0.0025 each with the subscription price of HK$0.019 per share. All remaining 271,600,000 warrants are not exercised and such warrants certificates have already ceased to be valid for any purpose.

Financial Summary

For the year ended 31 December 2008

FINANCIAL RESULTS

	Year ended 31 December				
	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Loss before income tax	**(12,978)**	(41,225)	(7,101)	(7,360)	(7,816)

	As at 31 December				
	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
Property, plant and equipment	**1,646**	816	157	500	943
Intangible assets	**1,700**	1,900	–	–	–
Prepaid lease payments	**2,092**	2,025	–	–	–
Deposits paid for plant and equipment	**3,042**	1,419	–	–	–
Long term other receivable	**1,200**	–	–	–	–
Others assets	**19,098**	33,365	35,615	18,900	25,825
Total liabilities	**(3,749)**	(2,384)	(1,783)	(1,536)	(1,544)
Total equity	**25,029**	37,141	33,989	17,864	25,224