

# 2009 *First Quarterly Report*

2009



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

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

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

### FINANCIAL HIGHLIGHTS

- The Group recorded turnover of HK\$1,294,000 for the three months ended 31 March 2009, representing a decrease of 18.8% from the corresponding period of last year.
- The Group recorded OEM licensing revenue of HK\$60,800 for the three months ended 31 March 2009, representing an increase of 69.4% from the corresponding period of last year.
- Packaged software sales of HK\$1,021,000 for the three months ended 31 March 2009, representing a decrease of 13.7% from the corresponding period of previous year.
- The Group recorded a net loss attributable to shareholders for the three months ended 31 March 2009 of HK\$1,657,000, and the loss per share was HK0.02 cent (First three months of 2008: net loss attributable to shareholders of HK\$2,702,000, and loss per share of HK0.04 cent).
- The Group's total operating expenses for the three months ended 31 March 2009 was decreased by HK\$1,382,000 or 33.0% compared to first three months of 2008, mainly attributable to decrease in general and administrative expenses.

The unaudited consolidated results for the three months ended 31 March 2009 and the comparison with last year are set out in the accompanying table.

**THREE MONTH RESULTS (UNAUDITED)**

The Board of Directors (the "Directors") of China Bio Cassava Holdings Limited (the "Company") are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the three months ended 31 March 2009, together with the unaudited comparative figures for the corresponding period in 2008 as follows:

**CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)**

	Notes	Three months ended 31 March	
		2009 HK\$'000	2008 HK\$'000
Revenue	2	1,294	1,593
Cost of sales		(190)	(311)
<b>Gross profit</b>		<b>1,104</b>	<b>1,282</b>
Other revenue	3	43	202
Selling and distribution expenses		(685)	(968)
Research and development expenses		(574)	(326)
General and administrative expenses		(1,545)	(2,892)
<b>Operating loss</b>		<b>(1,657)</b>	<b>(2,702)</b>
Finance costs		–	–
<b>Loss before income tax</b>		<b>(1,657)</b>	<b>(2,702)</b>
Income tax expense	4	–	–
<b>Loss for the three months ended 31 March 2009</b>		<b>(1,657)</b>	<b>(2,702)</b>
Loss per share for loss attributable to the equity holders of the Company	6		
– Basic		<u>(HK0.02 cent)</u>	<u>(HK0.04 cent)</u>
– Diluted		<u>N/A</u>	<u>N/A</u>

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

For the three months ended 31 March 2009

	Share capital HK\$'000	Share premium HK\$'000	Share option reserve HK\$'000	Capital redemption reserve HK\$'000	Warrants reserve HK\$'000	Reorganisation reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2008	19,429	110,982	33,514	37	9,944	3,000	49	(139,814)	37,141
Exercise of warrants issue	40	364	-	-	(100)	-	-	-	304
Loss for the three months ended 31 March 2008	-	-	-	-	-	-	-	(2,702)	(2,702)
At 31 March 2008	<u>19,469</u>	<u>111,346</u>	<u>33,514</u>	<u>37</u>	<u>9,844</u>	<u>3,000</u>	<u>49</u>	<u>(142,516)</u>	<u>34,743</u>
At 1 January 2009	19,510	111,686	33,514	37	9,774	3,000	300	(152,792)	25,029
Exercise of warrants issue	998	8,684	-	-	(2,097)	-	-	-	7,585
Loss for the three months ended 31 March 2009	-	-	-	-	-	-	-	(1,657)	(1,657)
At 31 March 2009	<u>20,508</u>	<u>120,370</u>	<u>33,514</u>	<u>37</u>	<u>7,677</u>	<u>3,000</u>	<u>300</u>	<u>(154,449)</u>	<u>30,957</u>

**Notes:****1 Basis of preparation**

The Group's unaudited condensed consolidated results are 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 accounting policies adopted in preparing the Group's unaudited condensed consolidated results for the three months ended 31 March 2009 and 2008 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2008.

**2 Revenue and segment information**

Revenue, which is also the Group's turnover, represents the total invoiced value of goods sold and licensing income. Revenue recognised during the three months ended 31 March 2009 is as follows:

	Unaudited Three months ended 31 March	
	2009 HK\$'000	2008 HK\$'000
Sale of goods	1,233	1,557
Licensing income	61	36
	<u>1,294</u>	<u>1,593</u>

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Details of the business segments are 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 three months ended 31 March 2009.

## (a) Business segments

The following table presents revenue and loss information for the Group's business segments for three months ended 31 March 2009 and 2008:

	Unaudited					
	Three months ended 31 March					
	Sales and licensing of software and embedded systems		Development of biotech renewable energy		Consolidated	
	2009	2008	2009	2008	2009	2008
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Segment revenue:						
Sales to external customers	<u>1,294</u>	<u>1,593</u>	<u>-</u>	<u>-</u>	<u>1,294</u>	<u>1,593</u>
Segment results	(77)	(427)	(370)	(22)	(447)	(449)
Bank interest income					43	202
Fair value loss on financial assets at fair value through profit or loss					(49)	(101)
Unallocated expenses					<u>(1,204)</u>	<u>(2,354)</u>
Operating loss					(1,657)	(2,702)
Finance costs					-	-
Loss for the period					<u>(1,657)</u>	<u>(2,702)</u>

## (b) Geographical segments

The following table presents revenue and loss information for the Group's business segments for three months ended 31 March 2009 and 2008:

	Unaudited							
	Three months ended 31 March							
	Hong Kong		Mainland China		Macau		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Segment revenue:								
Sales to external customers	<u>1,293</u>	<u>1,578</u>	<u>1</u>	<u>15</u>	<u>-</u>	<u>-</u>	<u>1,294</u>	<u>1,593</u>
Segment results	(55)	(372)	(140)	(52)	(252)	(482)	(447)	(906)
Unallocated expenses							<u>(1,210)</u>	<u>(1,796)</u>
Operating loss							<u>(1,657)</u>	<u>(2,702)</u>

### 3 Other revenue

	Unaudited Three months ended 31 March	
	2009 HK\$'000	2008 HK\$'000
Interest income	<u>43</u>	<u>202</u>

### 4 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 during the three months ended 31 March 2009 (three months ended 31 March 2008: Nil).

During the three months ended 31 March 2009, 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 (three months ended 31 March 2008: Nil).

At 31 March 2009, the Group has deferred tax assets mainly arising from tax losses of the subsidiaries operating in Hong Kong and in Mainland China of approximately HK\$7,000,000 and HK\$500,000 (31 December 2008: HK\$6,159,000 and HK\$493,000) 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 Mainland China 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.

### 5 Interim dividend

The Directors do not recommend the payment of interim dividend for the three months ended 31 March 2009 (three months ended 31 March 2008: Nil).

### 6 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 three months ended 31 March 2009 attributable to equity holders of the Company of HK\$1,657,000 (three months ended 31 March 2008: HK\$2,702,000) and the weighted average of 7,808,427,273 (three months ended 31 March 2008: 7,661,903,491) ordinary shares of the Company in issue during the periods.

Diluted loss per share for the three months ended 31 March 2009 and 31 March 2008 are not presented as the impacts of the exercise of the outstanding share options was anti-dilutive.



## **BUSINESS REVIEW AND PROSPECTS**

The consolidated turnover of the Company and its subsidiaries for the three months ended 31 March 2009, amounted to HK\$1,294,000, representing a decrease of 18.8% from the corresponding period of last year. Loss attributable to shareholders for the three months ended 31 March 2009 amounted to HK\$1,657,000 compared to a loss of HK\$2,702,000 for the corresponding period of last year. The loss per share was HK0.02 cent (First three months of 2008: loss per share of HK0.04 cent).

The Group's total operating expenses for the three months ended 31 March 2009 was decreased by 33.0% compared to first three months of 2008. The decrease in the Group's total operating expenses was mainly due to the decrease in general and administrative expenses.

The OEM licensing revenue of HK\$60,800 for the three months ended 31 March 2009, representing an increase of 69.4% from the corresponding period of last year.

Packaged software sales of HK\$1,021,000 for the three months ended 31 March 2009, representing a decrease of 13.7% from the corresponding period of previous year.

The focus on the Group's efforts for the year 2009 will continue to diversify its products and service offerings related to derive new sources of revenue, while continue its marketing effort in promoting Q9 CIS to OEM customers, and the end user markets. Management believes the Group has sufficient resources and ability to diversify its new business areas, and derives new sources of revenue for the Group in the near future, but in view of the current state of economic and financial market, the Group will exercise prudence in pursuing any new business projects.

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

As at 31 March 2009, 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 March 2009, 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					Option exercise period	Exercise price per share
		Outstanding as at 1 January 2009	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 31 March 2009		
Kwan Kin Chung	29/5/2007	16,000,000	-	-	-	16,000,000	29/5/2007 to 28/5/2017	HK\$0.1125
Tam Kam Biu William	29/5/2007	20,000,000	-	-	-	20,000,000	29/5/2007 to 28/5/2017	HK\$0.1125
Wan Xiaolin	29/5/2007	12,000,000	-	-	-	12,000,000	29/5/2007 to 28/5/2017	HK\$0.1125
Chen Man Lung	29/5/2007	16,000,000	-	-	-	16,000,000	29/5/2007 to 28/5/2017	HK\$0.1125
Leung Lap Yan	29/5/2007	8,000,000	-	-	-	8,000,000	29/5/2007 to 28/5/2017	HK\$0.1125
Leung Lap Fu Warren	29/5/2007	8,000,000	-	-	-	8,000,000	29/5/2007 to 28/5/2017	HK\$0.1125
Ip Chi Wai	29/5/2007	4,000,000	-	-	-	4,000,000	29/5/2007 to 28/5/2017	HK\$0.1125
Tse Wang Cheung Angus	29/5/2007	4,000,000	-	-	-	4,000,000	29/5/2007 to 28/5/2017	HK\$0.1125
Shiu Kwok Keung	29/5/2007	4,000,000	-	-	-	4,000,000	29/5/2007 to 28/5/2017	HK\$0.1125
Total		<u>92,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>92,000,000</u>		

#### Note:

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

The option exercise period is commenced from the date of grant for ten years. The options may be exercised at any time within the option period provided that the options have been vested. As at 31 March 2009, all options have been vested.

Save as disclosed above, none of the directors or the chief executives of the Company had any interest or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations at 31 March 2009.

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

As at 31 March 2009, 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	19.95%
Kuan Sio Kai (Note (i))	1,636,490,000	19.95%
Winway H.K. Investments Limited	2,098,490,000	25.58%
Culturecom Holdings Limited (Note (ii))	2,098,490,000	25.58%
L & W Holding Limited	479,430,000	5.84%
Chow Lai Wah Livia (Note (iii))	669,700,000	8.16%
Basilio Dizon (Note (iv))	669,700,000	8.16%

#### 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 2,098,490,000 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 March 2009, the Directors are not aware of any other persons who had interests or short positions in the shares or underlying shares of the Company which were interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.

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

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

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

The Company has not redeemed any of its shares during three months ended 31 March 2009. Neither the Company nor any of its subsidiaries purchased or sold of the Company's listed securities during the three months ended 31 March 2009.

### **CORPORATE GOVERNANCE**

The Code on Corporate Governance Practices set out in Appendix 15 of the GEM Listing Rules ("Code") takes effect from 1 January 2005. The Company is committed to maintain a high standard of corporate governance. To maintain a good and solid framework of corporate governance will ensure the Company to run its business in the best interests of the shareholders. Throughout the three months ended 31 March 2009 under review, the Company has complied with the Code.

### **DIRECTOR'S SECURITIES TRANSACTIONS**

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 was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors. The Company has made specific enquiry with Directors and all Directors have complied with the requirements set out in the Code for Director's Dealing for the three months ended 31 March 2009 under review.

### AUDIT COMMITTEE

The audit committee comprises three independent non-executive directors, namely Mr. Ip Chi Wai, Mr. Tse Wang Cheung Angus and Mr. Shiu Kwok Keung, with written terms of reference in compliance with code provision C.3.3 of the Code as set out in Appendix 15 of the GEM Listing Rules. Mr. Ip Chi Wai is the chairman of the audit committee.

The primary duties of the audit committee are to review and supervise the Group's financial reporting process and internal control procedures. The audit committee has reviewed with management this unaudited first quarterly report.

### APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 11 May 2009.

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

Hong Kong, 11 May 2009

*As of the date of this report, the Board of the Company comprises Mr. Kwan Kin Chung, Mr. Tam Kam Biu William, Mr. Wan Xiaolin and Mr. Chen Man Lung as executive Directors, Mr. Leung Lap Yan and Mr. Leung Lap Fu Warren as non-executive Directors, Mr. Ip Chi Wai, Mr. Tse Wang Cheung Angus and Mr. Shiu Kwok Keung as Independent Non-Executive Directors.*