

2009 *Third Quarterly Report*



2009



BioCassava

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)

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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\$4,374,000 for the nine months ended 30 September 2009, representing a decrease of 10.6% from the corresponding period of last year.

The Group recorded OEM licensing revenue of HK\$601,000 for the nine months ended 30 September 2009, representing an increase of 232.0% from the corresponding period of last year.

Packaged software sales of HK\$3,014,000 for the nine months ended 30 September 2009, representing a decrease of 12.8% from the corresponding period of previous year.

The Group's total operating expenses for the nine months ended 30 September 2009 decreased by HK\$2,856,000, representing a decrease of 22.3% compared to the corresponding period of last year. The decrease in the Group's total operating expenses was mainly due to decrease in general and administrative expenses for the nine months ended 30 September 2009 compared to the corresponding period of last year.

The Group recorded a net loss attributable to shareholders for the nine months ended 30 September 2009 of HK\$5,896,000 (Nine months ended 30 September 2008: HK\$8,455,000). Loss per share attributable to the shareholders for the nine months ended 30 September 2009 of HK0.07 cent (Nine months ended 30 September 2008: HK0.10 cent).

NINE MONTHS RESULTS (UNAUDITED)

The Board of Directors of China Bio Cassava Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the three months and nine months ended 30 September 2009, together with the unaudited comparative figures for the corresponding periods in 2008 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Revenue	2	1,501	1,627	4,374	4,893
Cost of sales		(288)	(266)	(707)	(894)
Gross profit		1,213	1,361	3,667	3,999
Other revenue	3	(75)	83	364	329
Selling and distribution expenses		(782)	(1,017)	(2,209)	(2,956)
Research and development expenses		(542)	(322)	(1,687)	(966)
General and administrative expenses		(2,339)	(3,235)	(5,494)	(8,861)
Other operating expenses		-	-	(537)	-
Operating loss		(2,525)	(3,130)	(5,896)	(8,455)
Finance costs		-	-	-	-
Loss before income tax	4	(2,525)	(3,130)	(5,896)	(8,455)
Income tax expense	5	-	-	-	-
Loss for the period		(2,525)	(3,130)	(5,896)	(8,455)
Other comprehensive income for the period					
Exchange gain/(loss) on translation of financial statements of foreign operations		(2)	(4)	2	416
Total comprehensive income for the period		(2,527)	(3,134)	(5,894)	(8,039)
		<i>HK cent</i>	<i>HK cent</i>	<i>HK cent</i>	<i>HK cent</i>
Loss per share for loss attributable to the owners of the Company during the period	7				
- Basic		(0.03)	(0.04)	(0.07)	(0.10)
- Diluted		N/A	N/A	N/A	N/A

Notes:

1. Basis of preparation and accounting policies

The Group's unaudited condensed consolidated third quarterly financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements as set out in Chapter 18 of the Rules Governing the Listing of Securities on The Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules").

The unaudited condensed consolidated third quarterly financial statements have been prepared under the historical cost convention except for the revaluation of certain financial assets. The accounting policies and basis of preparation adopted in these third quarterly financial statements are consistent with those adopted in the Group's annual financial statements for the year ended 31 December 2008, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (which include individual HKFRSs, Hong Kong Accounting Standards and Interpretations).

The condensed consolidated third quarterly financial statements have not been audited by the Company's auditors but have been reviewed by the Company's audit committee.

The condensed consolidated third quarterly financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2008.

In the current period, the Group has applied for the first time the following new and revised HKFRSs issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual financial period beginning on 1 January 2009.

HKAS 1 (Revised 2007)	Presentation of financial statement
HKAS 23 (Revised)	Borrowing costs
HKFRS 1 and HKAS 27 (Amendment)	Cost of an investment in a subsidiary, jointly controlled entity or an associate
HKFRS 2 (Amendment)	Share-based payment – vesting conditions and cancellations
HKFRS 8	Operating segments
HKAS 32 & HKAS 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation
HKFRS 7 (Amendment)	Financial instruments disclosures – Improving disclosures about financial instruments
HK(IFRIC) – Int 2	Members' share in co-operative entities and similar instruments
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Reassessment of embedded derivatives
Various	Annual improvements to HKFRSs 2008

Other than those noted below, the adoption of these new and revised HKFRSs has had no material effect on this unaudited condensed consolidated third quarterly financial statements.

HKAS 1 (Revised 2007) Presentation of financial statements

The adoption of HKAS 1 (Revised 2007) makes certain changes to the format and titles of the primary financial statements and to the presentation of some items within these statements. It also gives rise to additional disclosures. The measurement and recognition of the Group's assets, liabilities, income and expenses are unchanged. However, some items that were recognised directly in equity are now recognised in other comprehensive income, for example exchange gain on translation of financial statements of foreign operations. HKAS 1 affects the presentation of owner changes in equity and introduces a "Statement of comprehensive income". Comparatives have been restated to conform with the revised standard.

HKFRS 8 Operating segments

The adoption of HKFRS 8 has changed the identified and reportable operating segments for the Group. Reported segment information are now based on internal management reporting information that is regularly reviewed by the chief operating decision maker. In the previous annual financial statements, segments were identified by reference to the dominant source and nature of the Group's risks and returns. Comparative have been restated on a basis consistent with the new standard.

New and amended HKFRSs have been published but are not yet effective and have not been adopted early by the Group

HKAS 27 (Revised)	Consolidated and separate financial statements ¹
HKAS 39 (Amendment)	Eligible hedged items ¹
HKFRS 1 (Revised)	First-time adoption of HKFRSs ¹
HKFRS 3 (Revised)	Business combinations ¹
HK(IFRIC) – Int 17	Distributions of non-cash assets to owners ¹
HK(IFRIC) – Int 18	Transfers of assets from customers ²
Various	Improvements to HKFRSs 2009 ³

Notes:

- ¹ Effective for annual periods beginning on or after 1 July 2009
- ² Effective for transfers received on or after 1 July 2009
- ³ Generally effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate

2. Revenue and segment information

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

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Sale of goods	1,418	1,607	3,773	4,712
Licensing income	83	20	601	181
	<u>1,501</u>	<u>1,627</u>	<u>4,374</u>	<u>4,893</u>

On adoption of HKFRS 8 *Operating segments*, the Group has identified its operating segments and prepared segment information based on the regular internal financial information reported to the Group's executive directors for their decisions about resources allocation to the Group's business components and review of these components' performance. The business components in the internal reporting to the executive directors are determined following the Group's major product and service lines. For the first-time adoption of HKFRS 8, the executive directors further divided the sales and licensing of software and embedded systems segment in prior years into two reportable segments for the different types of services which are (a) Licensing of software and (b) Sales of packaged software and computer accessories. The Group has also identified the development of biotech renewable energy as a reportable segment which was a new operation of the Group in 2007 and has not yet generated any revenue for the nine months ended 30 September 2009 and 30 September 2008.

Each of the operating segments is structured and managed separately as each of these product and service lines requires different resources as well as marketing approaches. The adoption of HKFRS 8 has changed the identified operating segments for the Group compared to 2008 annual financial statements. In 2008 annual financial statement, sales and licensing of software and embedded systems segment was not separated into different types of services.

Under HKFRS 8, reported segment information is based on internal management reporting information that is regularly reviewed by the executive directors. The executive directors assess segment results using a measure of operating profit. The measurement policies the Group uses for segment reporting under HKFRS 8 are the same as those used in its HKFRS financial statements, except that certain items are not included in arriving at the operating results of the operating segments (bank interest income, fair value gain or loss on financial assets at fair value through profit or loss, and corporate income and expenses).

Information regarding the Group's reportable segments as provided to the Group's executive directors is set out below:

	Unaudited Nine months ended 30 September 2009			
	Licensing of Software HK\$'000	Sales of packaged software and computer accessories HK\$'000	Development of biotech renewable energy HK\$'000	Total HK\$'000
Reportable segment revenue:				
Sales to external customers	<u>601</u>	<u>3,773</u>	<u>-</u>	<u>4,374</u>
Reportable segment profit/(loss)	<u>355</u>	<u>(483)</u>	<u>(1,444)</u>	<u>(1,572)</u>

	Unaudited Nine months ended 30 September 2008			
	Licensing of Software HK\$'000	Sales of packaged software and computer accessories HK\$'000	Development of biotech renewable energy HK\$'000	Total HK\$'000
Reportable segment revenue:				
Sales to external customers	<u>181</u>	<u>4,712</u>	<u>-</u>	<u>4,893</u>
Reportable segment loss	<u>(418)</u>	<u>(632)</u>	<u>(1,361)</u>	<u>(2,411)</u>

* Comparative figures have been reclassified to conform with current year presentation

The total reportable segment loss can be reconciled to the Group's loss before income tax as presented in the unaudited condensed consolidated third quarterly financial statements as follows:

	Unaudited Nine months ended 30 September	
	2009 HK\$'000	2008 HK\$'000
Total reportable segment loss	(1,572)	(2,411)
Bank interest income	95	329
Fair value gain/(loss) on financial assets at fair value through profit or loss	269	(933)
Unallocated head office and corporate expenses	<u>(4,688)</u>	<u>(5,440)</u>
Loss before income tax	<u>(5,896)</u>	<u>(8,455)</u>

3. Other revenue

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Interest income	51	83	95	329
Fair value (loss)/gain on financial assets at fair value through profit or loss	(126)	–	269	–
	<u>(75)</u>	<u>83</u>	<u>364</u>	<u>329</u>

4. Loss before income tax

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Loss before income tax is arrived at after charging/(crediting):				
Depreciation	105	87	195	183
Fair value loss/(gain) on financial assets at fair value through profit or loss	126	713	(269)	933
Write-off of deposits paid for plant and equipment*	–	–	537	–
	<u>–</u>	<u>–</u>	<u>537</u>	<u>–</u>

* included in other operating expenses

5. Income tax expense

No Hong Kong profits tax has been provided as the Group did not generate any assessable profits arising in Hong Kong for the nine months ended 30 September 2009 (Nine months ended 30 September 2008: Nil).

No profits tax for the subsidiaries operating outside Hong Kong has been provided as these subsidiaries have not generated any assessable profits in the respective jurisdictions during the period (Nine months ended 30 September 2008: Nil).

At 30 September 2009, the Group has deferred tax assets mainly arising from tax losses of the subsidiaries operating in Hong Kong and in the People's Republic of China ("PRC") of approximately HK\$6,200,000 and HK\$540,000 respectively (As at 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 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.

6. Interim dividend

The Board of Directors do not recommend the payment of interim dividend for the nine months ended 30 September 2009 (Nine months ended 30 September 2008: Nil).

7. Loss per share

The calculation of the basic loss per share attributable to the owners of the Company is based on the Group's unaudited consolidated loss attributable to owners of the Company for the three months and nine months ended 30 September 2009 of HK\$2,525,000 and HK\$5,896,000 respectively (Three months and nine months ended 30 September 2008: HK\$3,130,000 and HK\$8,455,000 respectively) and on the weighted average number of shares of 8,171,361,765 (Three months and nine months ended 30 September 2008: 7,785,115,385) ordinary shares of the Company in issue during the periods.

Diluted loss per share for the three months and nine months ended 30 September 2009 and 30 September 2008 are not presented as the impacts of the exercise of the outstanding share options and warrants were anti-dilutive.

8. Reserves

	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
Balance at 1 January 2008	110,982	33,514	37	9,944	3,000	49	(139,814)	17,712
Transactions with owners								
- Exercise of warrants	574	-	-	(139)	-	-	-	435
Loss for the period	-	-	-	-	-	-	(8,455)	(8,455)
Other comprehensive income								
- Exchange gain on translation of financial statements of foreign operations	-	-	-	-	-	416	-	416
Total comprehensive income for the period	-	-	-	-	-	416	(8,455)	(8,039)
Balance at 30 September 2008	<u>111,556</u>	<u>33,514</u>	<u>37</u>	<u>9,805</u>	<u>3,000</u>	<u>465</u>	<u>(148,269)</u>	<u>10,108</u>
Balance at 1 January 2009	111,686	33,514	37	9,774	3,000	300	(152,792)	5,519
Transactions with owners								
- Exercise of warrants	8,684	-	-	(2,097)	-	-	-	6,587
Loss for the period	-	-	-	-	-	-	(5,896)	(5,896)
Other comprehensive income								
- Exchange gain on translation of financial statements of foreign operations	-	-	-	-	-	2	-	2
Total comprehensive income for the period	-	-	-	-	-	2	(5,896)	(5,894)
Balance at 30 September 2009	<u>120,370</u>	<u>33,514</u>	<u>37</u>	<u>7,677</u>	<u>3,000</u>	<u>302</u>	<u>(158,688)</u>	<u>6,212</u>

BUSINESS REVIEW AND PROSPECTS

The consolidated turnover of the Company and its subsidiaries for the nine months ended 30 September 2009, amounted to HK\$4,374,000, representing a decrease of 10.6% from the corresponding period of last year. Loss attributable to shareholders for the nine months ended 30 September 2009 amounted to HK\$5,896,000 compared to a loss of HK\$8,455,000 for the corresponding period of last year. The loss per share was HK0.07 cent (Nine months ended 30 September 2008: loss per share of HK0.10 cent).

The Group's total operating expenses for the nine months ended 30 September 2009 was decreased by 22.3% compared to the corresponding period of last year. The decrease in the Group's total operating expenses was mainly due to decrease in general and administrative expenses for the nine months ended 30 September 2009 compared to the corresponding period of last year.

The OEM licensing revenue HK\$601,000 for the nine months ended 30 September 2009, representing an increase of 232.0% from the corresponding period of last year.

Packaged software sales of HK\$3,014,000 for the nine months ended 30 September 2009, representing a decrease of 12.8% from the corresponding period of previous year.

The Group will continue its business in promoting Q9 CIS Chinese and English version, to OEM customers in the Greater China region, and diversify its business to new business areas to derive new sources of revenue.

The proposed acquisition of the entire shares of Wholly Success Group Limited by China Bio Cassava Development Limited (the "Purchaser"), a wholly owned subsidiary of the Company from Mr. Liu Bao Wei (the "Vendor") (the "Proposed Acquisition") announced on 18 June 2009 provides an opportunity for the Group to diversify its investment, which will provide a steady source of income to the Group. The Proposed Acquisition was approved by shareholders of the Company on 11 September 2009, and completion of the Proposed Acquisition is pending as some of the conditions precedent have not been satisfied or waived by the Vendor and the Purchaser. Barring any unforeseen circumstances, the Proposed Acquisition is expected to complete before December 2009. Management believes the Group has sufficient resources and ability to diversify its new business areas related to the new business, and derives new sources of revenue for the Group in the near future.

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

As at 30 September 2009, save for the interest of the directors in share options as below, neither of the directors nor the chief executive had interests and or short positions in the shares of the Company ("Shares"), underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which (i) are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provision of the SFO); or (ii) were recorded in the register required to be kept under Section 352 of the SFO, or (iii) have to be notified to the Company and the Stock Exchange pursuant to the required standards of dealing by directors as referred to in Rule 5.46 of the GEM Listing Rules.

LONG POSITIONS IN UNDERLYING SHARES OF THE COMPANY

Share Option

As at 30 September 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				Outstanding as at 30 September 2009	Option exercise period	Exercise price per share	Approximate percentage of shareholding
		Outstanding as at 1 January 2009	Granted during the period	Exercised during the period	Lapsed during the period				
Kwan Kin Chung	29/5/2007	16,000,000	-	-	-	16,000,000	29/5/2007 to 28/5/2017	HK\$0.1125	0.195%
Tam Kam Biu William	29/5/2007	20,000,000	-	-	-	20,000,000	29/5/2007 to 28/5/2017	HK\$0.1125	0.244%
Wan Xiaolin	29/5/2007	12,000,000	-	-	-	12,000,000	29/5/2007 to 28/5/2017	HK\$0.1125	0.146%
Chen Man Lung	29/5/2007	16,000,000	-	-	-	16,000,000	29/5/2007 to 28/5/2017	HK\$0.1125	0.195%
Leung Lap Yan	29/5/2007	8,000,000	-	-	-	8,000,000	29/5/2007 to 28/5/2017	HK\$0.1125	0.098%
Leung Lap Fu Warren	29/5/2007	8,000,000	-	-	-	8,000,000	29/5/2007 to 28/5/2017	HK\$0.1125	0.098%
Ip Chi Wai	29/5/2007	4,000,000	-	-	-	4,000,000	29/5/2007 to 28/5/2017	HK\$0.1125	0.049%
Tse Wang Cheung Angus	29/5/2007	4,000,000	-	-	-	4,000,000	29/5/2007 to 28/5/2017	HK\$0.1125	0.049%
Shiu Kwok Keung	29/5/2007	4,000,000	-	-	-	4,000,000	29/5/2007 to 28/5/2017	HK\$0.1125	0.049%
Total		92,000,000	-	-	-	92,000,000			

Note:

The option exercise period is commenced from the date of grant for ten years. The options may be exercised at any time within the option period provided that the options have been vested. As at 30 September 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 30 September 2009.

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

SHARE OPTION SCHEMES

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

As at 30 September 2009, options to subscribe for up to an aggregate of 756,760,000 shares of HK\$0.0025 each had been granted by the Company under the New Share Option Scheme. Details of the share options which had been granted under the Share Option Scheme are as follows:

Category of participant	Date of grant	Options to subscribe for shares of the Company				Outstanding as at 30 September 2009	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			
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 option exercise period is commenced from the date of grant for ten years. The options may be exercised at any time within the option period provided that the options have been vested. As at 30 September 2009, all options have been vested.

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

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

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

As at 30 September 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.	650,250,000	7.93%
Mr. Kuan Sio Kai (Note (i))	650,250,000	7.93%
Winway H.K. Investments Limited	2,098,490,000	25.58%
Culturecom Holdings Limited (Note (iii))	2,098,490,000	25.58%
L & W Holding Limited	479,430,000	5.84%
Ms. Chow Lai Wah Livia (Note (iii))	669,700,000	8.16%
Mr. Basilio Dizon (Note (iv))	669,700,000	8.16%

Notes:

- (i) Mr. Kuan Sio Kai is deemed to be interested in 650,250,000 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 30 September 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 nine months ended 30 September 2009. Neither the Company nor any of its subsidiaries purchased or sold of the Company's listed securities during the nine months ended 30 September 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 nine months ended 30 September 2009 under review, the Company has complied with the Code.

DIRECTOR'S SECURITIES TRANSACTIONS

The Company has adopted Rules 5.48 to 5.67 of the GEM Listing Rules as its code of conduct for securities transactions by directors of the Company (“Code for Director’s Dealings”). The Company has made specific enquiry with directors and all directors have complied with the requirements set out in the Code for Director’s Dealings for the nine months ended 30 September 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 Group’s unaudited condensed consolidated results for the nine months ended 30 September 2009 have been reviewed by the audit committee together with management, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 13 November 2009.

By order of the Board
Leung Lap Yan
Chairman

Hong Kong, 13 November 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.