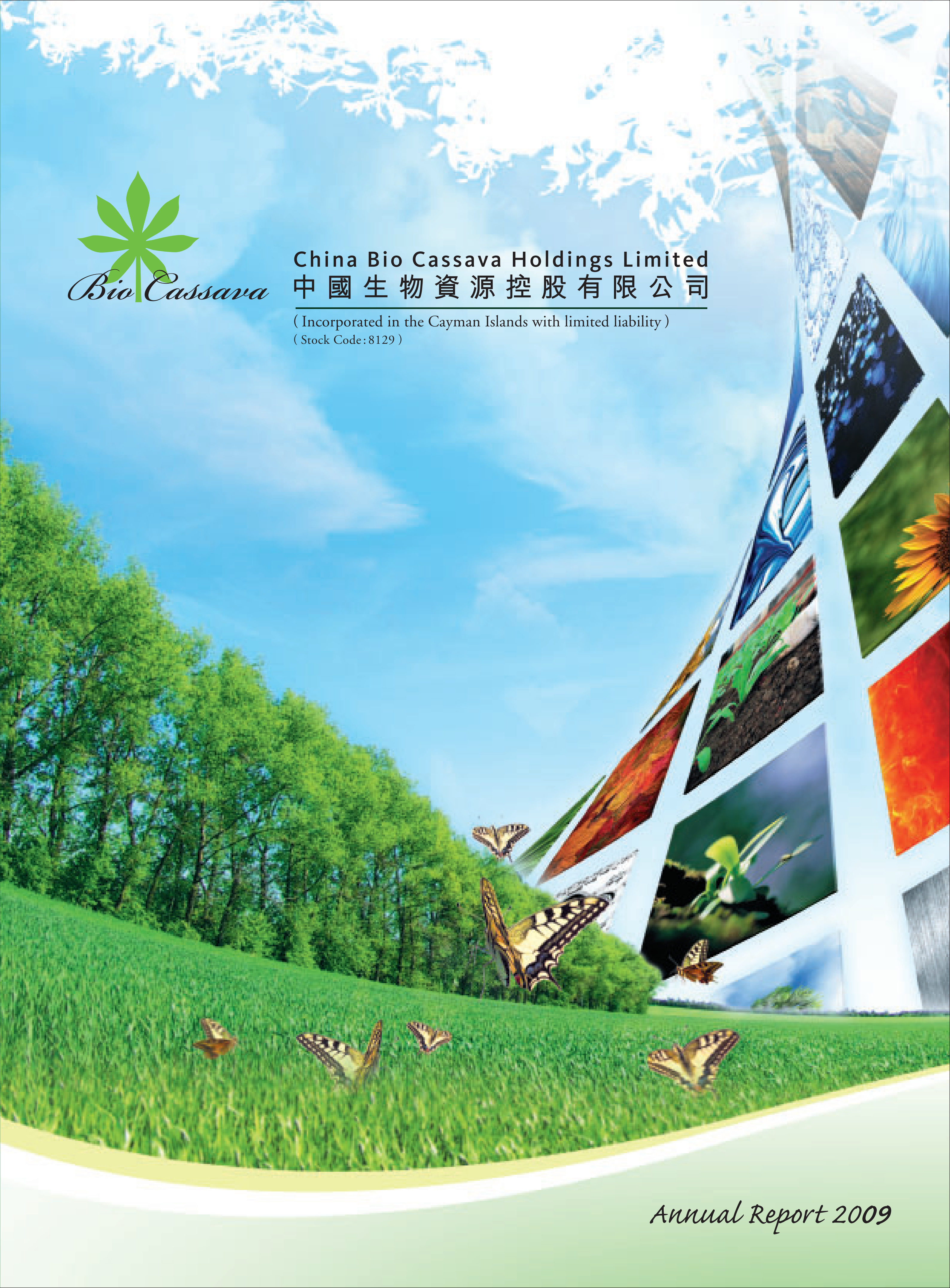

China Bio Cassava Holdings Limited
中國生物資源控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8129)

Annual Report 2009

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

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

Zhonglei (HK) CPA Company Limited
Suites 216-218, 2/F
Shui On Centre,
6-8 Harbour Road
Wanchai
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

Corporate Information

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
17M 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

8129

WEBSITE ADDRESS

www.bio-cassava.com

HIGHLIGHTS OF THE YEAR

The Group recorded turnover of HK$5,673,000 for the year ended 31 December 2009, representing a decrease of 13.1% from the previous year.

The Group recorded HK$730,000 of OEM licensing revenue for the year 2009, representing an increase of 39.8% over that of the previous year. OEM licensing revenue for the year 2009 represents about 12.9% of turnover for the year, as compared to 8.0% in the year of 2008. Q9 CIS and Qcode CIS package sales and software licensing revenue to institution customers of HK$3,995,000 for the year 2009, representing a decrease of 12.8% from the previous year of HK$4,580,000. Sales of third party products of HK$948,000 for the year 2009, also representing a decrease of 33.5% from the previous year of HK$1,425,000.

The Group recorded a loss attributable to owners of the Company for the year 2009 of HK$13,581,000 (2008: HK$12,978,000). The Group's total operating expenses in 2009 increased by HK$378,000 from 2008, representing an increase of 2.0% from that of the previous year.

RESULTS

The consolidated revenue of the Company and its subsidiaries for the year ended 31 December 2009 amounted to HK$5,673,000, representing a decrease of 13.1% from the previous year. Loss attributable to owners of the Company for the year 2009 of HK$13,581,000 compared to HK$12,978,000 in 2008. The loss per share was HK0.17 cent (2008: HK0.17 cent).

REVIEW OF OPERATIONS

During the year, the Group reduced its selling and distribution expenses by 21.3% compared to previous year, and reduced its general & administrative expenses and research & development expenses by 22.3% and 13.4% respectively. The reduction in normal operating expenses were offset by an increase of other operating expenses arisen from impairment losses on deposits paid for construction of property, plant and equipment of approximately HK$3,038,000, impairment loss on intangible assets of approximately HK$1,700,000 and impairment loss on other receivable of approximately HK$1,200,000. As a result, the overall operating expenses increased slightly by HK$378,000, representing an increase of 2.0% from previous year.

OTHER MAJOR EVENT

On 18 June 2009, China Bio Cassava Development Limited, a subsidiary of the Company, as purchaser, Liu Bao Wei as vendor and 深圳市天基權科技股份有限公司 (Shenzhen TianJiQuan Science & Technology Co, Ltd.)* as guarantor entered into a sale and purchase agreement regarding very substantial transaction relating to acquisition of the entire issued share capital of Wholly Success Group Limited.

On 11 December 2009, the above parties entered into a cancellation agreement to cancel the sale and purchase agreement and subsequent letters of extension as the condition precedent have not been satisfied or waived by the purchaser and the vendor. Details of the information were contained in the Company's announcements dated 24 June 2009, 16 October 2009, 11 November 2009 and 11 December 2009 and the Company's circular dated 26 August 2009.

* English name for identification purposes only

Management's Discussion and Analysis

EVENTS AFTER THE REPORTING PERIOD

On 28 January 2010, Q9-Tech Energy Development Limited, a wholly owned subsidiary of the Company, as vendor, Deng Jiankun, Xie Yueyuan and Deng Jing, collectively as Purchasers, and 羅定市豐智發展有限公司 (Luoding Fengzhi Development Company Limited)* as Guarantor entered into a sale and purchase agreement regarding discloseable transaction. Pursuant to the sale and purchase agreement, the purchasers agreed to purchase and the vendor agreed to sell the entire equity interest in 雲浮市九方農業科技發展有限公司 (Yunfu City Jiufang Agriculture Science and Technology Development Company Limited)*, a wholly owned subsidiary of the Company, at a cash consideration of RMB2,000,000 (approximately HK$2,298,851). Details of the information were contained in the Company's announcement dated 28 January 2010.

* English name for identification purposes only

PROSPECTS

The focus of the Group's efforts for the year 2010 will be to continue to explore new business opportunities related to renewable energy to derive new sources of revenue, and continue its marketing effort in promoting Q9 CIS to OEM customers and the end user markets with minimum resources.

COMMITMENTS

The Group has no credit facilities and no borrowing outstanding as at 31 December 2009 (2008: Nil).

(a) Capital commitments

	2009	2008
	HK$'000	HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**2,738**	3,987

(b) Commitments under operating leases

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2009	2008
	HK$'000	HK$'000
Within one year	**928**	1,168
In the second to the fifth year inclusive	**17**	895
	945	2,063

(c) Other commitment

At 31 December 2009, the Group had no other commitment (2008: 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 the bank accounts and short term deposits as working capital of the Group. The Group keeps a minimum amount of cash as working capital in the bank account of its subsidiary in the PRC in Renminbi and the balance in Hong Kong dollars.

There was no charge on the Group's assets as at 31 December 2009 (2008: Nil).

The Group had no debt as at 31 December 2009 (2008: Nil).

The gearing ratio of the Group, based on total debt to shareholder's equity, was nil as at 31 December 2009 (2008: 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

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 2009 (2008: Nil).

Management's Discussion and Analysis

HUMAN RESOURCES

Staff number

As at 31 December 2009, the Group employed 29 staff (2008: 48). Total staff costs, including directors' emoluments were approximately HK$5.8 million for the year ended 31 December 2009 as compared with those of approximately HK$8.0 million in 2008.

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 the 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 does not have any present plan for material investments or capital assets. The Group will focus its efforts in promoting existing products, Q9 CIS Chinese and English version, to OEM customers in the Greater China region.

The Group will continue to look for new business opportunities to diversify the scope of business, which requires minimum investment in capital assets.

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 2009 (2008: 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 consolidated financial statements.

Chairman's Statement

Dear Shareholders,

During the past year, the Group attempted to diversify into other business areas to derive new and steady source of income to the Group, and entered into a very substantial acquisition with a third party to acquire the intellectual properties of certain medical equipment which was announced on 24 June 2009.

We noted with regret that the very substantial acquisition was subsequently cancelled as some of the conditions precedent pursuant to the acquisition agreement have not been satisfied.

The Group will continue to use its best efforts in the promotion of Q9 CIS with existing resources, and continue to look for new business opportunities related to renewable energy to diversify the business scope of the Group.

With the above measures, we strive to create positive values for the shareholders with our best efforts and existing resources.

Leung Lap Yan
Chairman

Hong Kong, 22 March 2010

Corporate Governance Report

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). The directors' biographical details are set out on pages 13 to 15 of this annual report.

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 thereat.

All three independent non-executive directors ("INDs") come from professional backgrounds and one of them possess 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 of the Company are not appointed for a specific terms but are subject to retirement by rotation and re-election at every annual 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 member 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 Accountant 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 services for reviewing the Group's interim results for the period ended 30 June 2009 and resigned on 15 December 2009. Zhonglei (HK) CPA Company Limited was appointed as auditors of the Company in their place and provided its audit services to the Group for the year ended 31 December 2009. 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 conflict 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 and Zhonglei (HK) CPA Company Limited for the year ended 31 December 2009 are as follows:

	2009 **HK$**
Annual audit services (services provided by Zhonglei (HK) CPA Company Limited)	**270,000**
Review of Interim results (services provided by Grant Thornton)	**58,000**

Biographical Details of Directors

EXECUTIVE DIRECTORS

Mr. Kwan Kin Chung, aged 40, joined the Group in February 2001 and was appointed as an 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 a vice president of Culturecom Holdings Limited (a substantial shareholder of the Company) ("Culturecom") from 1998 to 2002. He is currently the managing director of Culturecom. 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 53, 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 the 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 52, 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 44, was appointed as an executive director of the Company in May 2007. He is currently an executive director 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 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 16 years of experience in investment industry.

NON-EXECUTIVE DIRECTORS

Mr. Leung Lap Yan, aged 61, was appointed as the Chairman and an executive director of the Company in 2001. Mr. Leung has been re-designated as non-executive director 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 Mr. Leung Lap Fu Warren (a non-executive director of the Company).

Mr. Leung Lap Fu Warren, aged 59, was appointed as an executive director of the Company in 2001. He has been re-designated as non-executive director 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 Mr. Leung Lap Yan (a non-executive director of the Company).

Biographical Details of Directors

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ip Chi Wai, aged 42, 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. Tse Wang Cheung Angus, aged 44, worked in a law firm prior to becoming 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 42, 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 of the Company present their report and the audited consolidated financial statements for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of its subsidiaries are set out in note 35 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2009 and the state of its affairs of the Group and the Company at that date are set out in the consolidated financial statements on pages 28 to 86.

The directors of the Company 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 33 and note 34 to the consolidated 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 consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 25 to the consolidated 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 87.

DISTRIBUTABLE RESERVES

In accordance with Section 34 of the Companies Law (2001 Revision) of the Cayman Islands, the Company has no reserves available for distribution to the shareholders as at 31 December 2009 (2008: 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 of the Company retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The independent non-executive directors of the Company 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 of the Company are set out on pages 13 to 15.

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 of the Company 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 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 ("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 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:

			Options to subscribe for shares of the Company						
Director	Date of grant	Outstanding as at 1 January 2009	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 31 December 2009	Option exercise period	Exercise price per share	Approximate percentage of shareholding
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 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 2009, all options have been vested.

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

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 2009.

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 of the Company 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 advisers 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 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:

		Options to subscribe for shares of the Company						
Category of participant	**Date of grant**	**Outstanding as at 1 January 2009**	**Granted during the period**	**Exercised during the period**	**Lapsed during the period**	**Outstanding as at 31 December 2009**	**Option exercise period**	**Exercise price per share**
Directors of the Company	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 2009, 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 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.	657,250,000	8.01%
Mr. Kuan Sio Kai *(Note (i))*	657,250,000	8.01%
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%
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 657,250,000 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 Holdings (BVI) Limited. Culturecom Holdings (BVI) Limited is a wholly-owned subsidiary of Culturecom Holdings Limited. Each of Culturecom Investments Limited, Culturecom Holdings (BVI) Limited and Culturecom Holdings Limited is deemed to be interested in 2,098,490,000 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 December 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.

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	37.5%
– five largest suppliers combined	73.8%
Sales	
– the largest customer	10.8%
– five largest customers combined	30.6%

None of the directors, their associates or any shareholder of the Company (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 of the Company 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.

Directors' Report

CORPORATE GOVERNANCE

A report on the principle corporate governance practices adopted by the Company is set out on pages 9 to 12 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

Messrs. Grant Thornton, who acted as auditors of the Group for the last year, resigned on 15 December 2009 and Zhonglei (HK) CPA Company Limited have been appointed as auditors of the Group with effect from 23 December 2009. A resolution for re-appointment of Zhonglei (HK) CPA Company Limited as auditors of the Group will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Leung Lap Yan
Chairman

Hong Kong, 22 March 2010

中磊（香港）會計師事務所有限公司
Zhonglei (HK) CPA Company Limited

TO THE MEMBERS OF
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)

We have audited the consolidated financial statements of China Bio Cassava Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as set out on pages 28 to 86, which comprise the consolidated statements of financial position as at 31 December 2009, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated 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 the consolidated 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

Independent Auditors' Report

AUDITOR'S RESPONSIBILITY *(Continued)*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated 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 consolidated 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 Group as at 31 December 2009 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.

Zhonglei (HK) CPA Company Limited
Certified Public Accountants (Practising)
Chan Chi Kei, Ronald
Practising Certificate Number: P04255

Hong Kong
22 March 2010

Consolidated Income Statement

For the year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Revenue	5	**5,673**	6,527
Cost of sales		**(891)**	(1,233)
Gross profit		**4,782**	5,294
Other revenue	6	**838**	551
Selling and distribution expenses		**(2,955)**	(3,754)
Research and development expenses		**(2,240)**	(2,587)
General and administrative expenses		**(7,674)**	(9,872)
Other operating expenses		**(6,332)**	(2,610)
Operating loss		**(13,581)**	(12,978)
Finance costs		**–**	–
Loss before income tax		**(13,581)**	(12,978)
Income tax expense	8	**–**	–
Loss for the year	7	**(13,581)**	(12,978)
Loss per share			
– Basic	9	**(HK0.17 cent)**	(HK0.17 cent)
– Diluted		**N/A**	N/A

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	2009 HK$'000	2008 HK$'000
Loss for the year	**(13,581)**	(12,978)
Other comprehensive (loss) income		
Exchange differences arising on translating foreign operations	**(9)**	251
Total comprehensive loss for the year	**(13,590)**	(12,727)
Total comprehensive loss attributable to:		
– Owners of the Company	**(13,590)**	(12,727)

Consolidated Statement of Financial Position

At 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**1,342**	1,646
Prepaid lease payments	14	**2,097**	2,092
Intangible asset	15	**–**	1,700
Available-for-sales investment	16	**7**	–
Deposits paid for construction of property, plant and equipment	17	**–**	3,042
Other receivable	18	**–**	1,200
		3,446	9,680
CURRENT ASSETS			
Inventories	19	**161**	272
Financial assets at fair value through profit or loss	20	**1,222**	416
Trade receivables	21	**333**	372
Prepayments, deposits and other receivables		**757**	933
Amount due from a related company	22	**384**	–
Cash and cash equivalents	23	**15,087**	17,105
		17,944	19,098
CURRENT LIABILITIES			
Trade payables	24	**87**	91
Other payables and accrued expenses		**2,279**	3,658
		2,366	3,749
NET CURRENT ASSETS		**15,578**	15,349
NET ASSETS		**19,024**	25,029
CAPITAL AND RESERVES			
Equity attributable to the owners of the Company			
Share capital	25	**20,508**	19,510
Reserves		**(1,484)**	5,519
TOTAL EQUITY		**19,024**	25,029

The consolidated financial statements on pages 28 to 86 were approved and authorised for issue by the Board of Directors on 22 March 2010 and are signed on its behalf by:

Kwan Kin Chung
Director

Tam Kam Biu, William
Director

Consolidated Statement of Cash Flows

For the year ended 31 December 2009

	2009 HK$'000	2008 HK$'000
OPERATING ACTIVITIES		
Loss before income tax	**(13,581)**	(12,978)
Adjustments for:		
Interest income	**(97)**	(406)
Amortisation of intangible asset	**–**	200
Depreciation	**264**	258
Write off of property, plant and equipment	**–**	233
Net fair value (gain) loss on financial assets at fair value through profit or loss	**(741)**	1,242
Write-down of inventories to net realisable value	**28**	73
Impairment of property, plant and equipment	**231**	1,073
Impairment of intangible asset	**1,700**	–
Impairment of prepayments, deposits and other receivables	**51**	–
Impairment of deposits paid for construction of property, plant and equipment	**3,038**	–
Impairment of other receivables	**1,200**	–
Impairment of prepaid lease payments	**–**	61
Operating loss before working capital changes	**(7,907)**	(10,244)
Decrease (increase) in inventories	**83**	(114)
Decrease in trade receivables, prepayments, deposits and other receivables	**164**	117
Increase in amount due from a related company	**(384)**	–
Decrease in trade and other payables and accrued expenses	**(1,383)**	(445)
NET CASH USED IN OPERATING ACTIVITIES	**(9,427)**	(10,686)
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	**(190)**	(1,790)
Purchases of financial assets at fair value through profit or loss	**(169)**	(999)
Proceeds from sales of financial assets at fair value through profit or loss	**104**	235
Purchase of available-for-sales investment	**(7)**	–
Interest received	**97**	406
Increase in other receivable under non-current assets	**–**	(1,200)
Deposits paid for construction of property, plant and equipment	**–**	(539)
NET CASH USED IN INVESTING ACTIVITIES	**(165)**	(3,887)

Consolidated Statement of Cash Flows

For the year ended 31 December 2009

	2009 HK$'000	2008 HK$'000
FINANCING ACTIVITIES		
Proceeds from exercise of warrants	**7,585**	615
NET CASH FROM FINANCING ACTIVITIES	**7,585**	615
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(2,007)**	(13,958)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**17,105**	30,820
EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET	**(11)**	243
CASH AND CASH EQUIVALENTS AT END OF YEAR	**15,087**	17,105
ANALYSIS OF CASH AND CASH EQUIVALENTS AT END OF YEAR		
Cash at banks and in hand	**15,087**	3,605
Short-term bank deposits	**–**	13,500
	15,087	17,105

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

	Share capital HK$'000	Share premium HK$'000	Share option reserve HK$'000	Capital redemption reserve HK$'000	Warrant reserve HK$'000 *(Note a)*	Reorganisation reserve HK$'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
Loss for the year	–	–	–	–	–	–	–	(12,978)	(12,978)
Other comprehensive income for the year	–	–	–	–	–	–	251	–	251
Total comprehensive income for the year	–	–	–	–	–	–	251	(12,978)	(12,727)
Exercise of warrants *(Note 25)*	81	704	–	–	(170)	–	–	–	615
At 31 December 2008 and 1 January 2009	19,510	111,686*	33,514*	37*	9,774*	3,000*	300*	(152,792)*	25,029
Loss for the year	–	–	–	–	–	–	–	(13,581)	(13,581)
Other comprehensive income for the year	–	–	–	–	–	–	(9)	–	(9)
Total comprehensive income for the year	–	–	–	–	–	–	(9)	(13,581)	(13,590)
Exercise of warrants *(Note 25)*	998	8,684	–	–	(2,097)	–	–	–	7,585
Lapsed of warrants *(Note 25)*	–	–	–	–	(7,677)	–	–	7,677	–
At 31 December 2009	**20,508**	**120,370***	**33,514***	**37***	**–***	**3,000***	**291***	**(158,696)***	**19,024**

Note:

(a) The warrants reserve represents the proceeds from the placing of 249,200,000 warrants ("Warrants") completed on 19 January 2007 as detailed in Note 25. The subscription period of the Warrants has already expired on 23 January 2009, the outstanding Warrants were lapsed.

* These reserve accounts comprise the consolidated reserves in the consolidated statement of financial position.

1. GENERAL INFORMATION

China Bio Cassava Holdings Limited (the "Company") was incorporated in 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 P.O. 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. The Company and its subsidiaries (collectively referred to as the "Group") 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 principal activities of its principal subsidiaries are set out in Note 35 to the consolidated financial statements.

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

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORT STANDARDS ("HKFRSs")

In the current year, the Group has applied, for the first time, all the revised HKFRSs, Hong Kong Accounting Standards ("HKASs"), Amendments to Standards and Interpretations ("INT(s)") (hereinafter collectively referred to as "New HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are effective for the Group's financial year beginning on 1 January 2009.

Except as described below, the adoption of the New HKFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

i. HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

ii. HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard that has resulted in a redesignation of the Group's reportable segments (see Note 5).

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORT STANDARDS ("HKFRSS") *(Continued)*

iii. Improving Disclosures about Financial Instruments (Amendments to HKFRS 7 Financial Instruments: Disclosures)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements and liquidity risk. The Group has not presented comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

The Group has not early applied the following new and revised standards, amendments or INTs that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related Party Disclosures[3]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[4]
HKAS 32 (Amendment)	Classification of Rights Issues[5]
HKAS 39 (Amendment)	Eligible Hedged Items[4]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards[4]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[6]
HKFRS 2 (Amendment)	Group Cash-settled Share based Payment Transactions[6]
HKFRS 3 (Revised)	Business Combinations[4]
HKFRS 9	Financial Instruments[7]
HK (IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[3]
HK (IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[4]
HK (IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[8]

1 Effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate
3 Effective for annual periods beginning on or after 1 January 2011
4 Effective for annual periods beginning on or after 1 July 2009
5 Effective for annual periods beginning on or after 1 February 2010
6 Effective for annual periods beginning on or after 1 January 2010
7 Effective for annual periods beginning on or after 1 January 2013
8 Effective for annual periods beginning on or after 1 July 2010

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORT STANDARDS ("HKFRSS") *(Continued)*

iii. Improving Disclosures about Financial Instruments (Amendments to HKFRS 7 Financial Instruments: Disclosures) *(Continued)*

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary.

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. In addition, under the Standard, changes in fair value of equity investments are generally recognised in other comprehensive income, with only dividend income recognised in profit or loss. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

In addition, as part of Improvements to HKFRSs (2009), HKAS 17 Leases has been amended in relation to the classification of leasehold land. The amendments will be effective from 1 January 2010, with earlier application permitted. Before the amendments to HKAS 17, leases were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might affect the classification and measurement of the Group's leasehold land at revalued amount.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or INTs will have no material impact on the consolidated financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value as explained in the accounting policies below. The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosure required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

3.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entitles controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

3.2 Business Combinations

Acquisition of business is accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 Business Combinations are recognised at their fair values at the acquisition date.

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

3.3 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the course of the ordinary activities, net of rebates, discounts and sales related taxes.

Revenue from sale of goods is recognised when all the following conditions are satisfied:

– the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

– the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

– the amount of revenue can be measured reliably;

– it is probable that the economic benefits associated with the transaction can be measured reliably.

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.

Interest income from a financial asset (other than a financial asset at fair value through profit or loss) is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3.4 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

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

3.4 Leasing *(Continued)*

Leasehold land for own use

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, interest in leasehold land is accounted for as operating leases and amortised over the lease term on a straight-line basis.

3.5 Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. 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. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income in the consolidated financial statements and will be reclassified from equity to profit or loss on disposal of foreign operation. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

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

3.6 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. Payments to the defined contribution plan are charged as an expense when employees have rendered service entitling them to the contributions.

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 end of the reporting period.

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)*

3.7 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.

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.

3.8 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

3.8 Taxation *(Continued)*

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for table temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax asset is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in to profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

3.9 Property, plant and equipment

Property, plant and equipment including building held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress ("CIP")) are stated in the statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses.

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

3.9 Property, plant and equipment *(Continued)*

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

The assets' residual values, depreciation methods and estimated useful lives are reviewed and adjusted if appropriate, at the end of each reporting period.

CIP includes properties in the course of construction for production, supply or administrative purposes are carried at cost less recognised impairment losses. Such properties are reclassified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

3.10 Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognition.

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

3.10 Intangible assets *(Continued)*

Research and development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible assets; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

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

3.11 Impairment of tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. In addition, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is indication that they may be impaired.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another Standard, in which case the impairment loss is treated as a revaluation decrease under that Standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another Standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that Standard.

3.12 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is calculated using first-in, first-out method.

3.13 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect is material).

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

3.14 Financial Instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the two categories, including financial assets at fair value through profit or loss ("FVTPL"), available-for-sale ("AFS") and loans and receivables. All regular way purchases or sales of financial assets are recognised and decognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate the exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, when appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at FVTPL

Financial assets at FVTPL has two subcategories, including financial assets held for trading and those designed as at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling in the near future; or
- It is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

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

3.14 Financial Instruments *(Continued)*

- It is a derivative that is not designed and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designed as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designed as at FVTPL.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments, they are measured at cost less any identified impairment loss on financial assets (see accounting policy on impairment loss on financial assets below).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, deposits and other receivables, bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

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

3.14 Financial Instruments *(Continued)*

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For all other financial assets, objective evidence of impairment could include:

– significant financial difficulty of the issuer or counterparty; or

– default or delinquency in interest or principal payments; or

– it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss. Changes in the carrying amount of the allowance account are recognised in profit or loss.

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

3.14 Financial Instruments *(Continued)*

Impairment of financial assets (Continued)

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income.

Financial liabilities and equities

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The Group's financial liabilities are generally classified into other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis of which the interest expense is included in net gains or losses.

Other financial liabilities

Other financial liabilities including trade payables, other payables and accrued expenses are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

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

3.14 Financial Instruments *(Continued)*

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when a financial asset is transferred, the Group has transferred substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

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.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

i) *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.

ii. *Estimated 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 JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

iii. *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 end of the reporting period.

iv. *Estimated useful life and impairment of intangible asset*

Determining whether the intangible asset is impaired requires an estimation of the value in use. As stated in Note 15, as the intangible asset has not generated revenue to the Group since its acquisition, the directors of the Company intend to suspend the project which related to the intangible asset. As a result, the directors of the Company are of the opinion that a full impairment has to provide over the intangible asset for the year ended 31 December 2009. As at 31 December 2009, the carrying amount of intangible asset is nil (net of impairment loss of HK$1,700,000).

5. 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 year is as follows:

	2009	2008
	HK$'000	HK$'000
Sale of goods	**4,943**	6,005
Licensing income	**730**	522
	5,673	6,527

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

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 Group has adopted HKFRS 8 Operating Segments with effect from 1 January 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor Standard (HKAS 14, Segment Reporting) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with primary reportable segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

The chief operating decision maker considers the business from both product and geographic perspective. From a product perspective, the chief operating decision maker assesses the performance of (i) sales and licensing of software and embedded systems (ii) development of biotech renewable energy. In addition, the chief operating decision maker further evaluated the result on a geographical basis (Hong Kong, Mainland China and Macau).

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

(a) Business segments

The following is an analysis of the Group's revenue and results by reportable segment:

	Sales and licensing of software and embedded systems		Development of 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	**5,673**	6,527	**–**	–	**5,673**	6,527
Segment results	**(1,070)**	(1,582)	**(5,680)**	(2,938)	**(6,750)**	(4,520)
Bank interest income					**97**	406
Net fair value gain (loss) on financial assets at fair value through profit or loss					**741**	(1,242)
Unallocated expenses					**(7,669)**	(7,622)
Operating loss					**(13,581)**	(12,978)
Finance costs					**–**	–
Loss for the year					**(13,581)**	(12,978)
Segment assets	**1,935**	2,540	**6,173**	10,927	**8,108**	13,467
Unallocated assets					**13,282**	15,311
Total assets					**21,390**	28,778
Segment liabilities	**(1,405)**	(1,642)	**(163)**	(1,777)	**(1,568)**	(3,419)
Unallocated liabilities					**(798)**	(330)
Total liabilities					**(2,366)**	(3,749)
Other segment information:						
Depreciation and amortisation	**47**	47	**115**	266	**162**	313
Unallocated depreciation					**102**	145
Total depreciation and amortisation					**264**	458

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

(a) Business segments *(Continued)*

	Sales and licensing of software and embedded systems		Development of of biotech renewable energy		Consolidated	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Capital expenditure	**21**	64	**169**	3,776	**190**	3,840
Unallocated capital expenditure					**–**	86
Total capital expenditure					**190**	3,926
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	**–**	–	**231**	1,073	**231**	1,073
Provision for impairment of prepaid lease payments	**–**	–	**–**	61	**–**	61
Provision for impairment of intangible asset	**–**	–	**1,700**	–	**1,700**	–
Write-down of inventories to net realisable value	**28**	73	**–**	–	**28**	73
Provision for impairment of deposits paid for construction of property, plant and equipment	**–**	–	**3,038**	–	**3,038**	–

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3. Segment loss represents the loss from each segment without allocation of central administration costs and directors' salaries. This is the measure report to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.

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 2009 and 2008:

	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
Revenue:								
Sales to external customers	**5,670**	6,391	**3**	136	**–**	–	**5,673**	6,527
Segment assets	**2,106**	3,824	**3,551**	8,791	**1,737**	1,172	**7,394**	13,787
Unallocated assets							**13,996**	14,991
Total assets							**21,390**	28,778
Capital expenditure	**21**	64	**40**	3,438	**129**	338	**190**	3,840
Unallocated capital expenditure							**–**	86
Total capital expenditure							**190**	3,926

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.

(c) Information about major customers

Included in revenues arising from sales and licensing of software and embedded systems of approximately HK$612,000 (2008: HK$740,000) are revenues of approximately 10.8% (2008: 11.3%) which arose from sales to the Group's largest customer.

6. OTHER REVENUE

	2009	2008
	HK$'000	HK$'000
Interest income on financial assets stated at amortised cost	**97**	406
Net fair value gain on financial assets at fair value through profit or loss	**741**	–
Sundry income	**–**	145
	838	551

7. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging (crediting):

	2009 HK$'000	2008 HK$'000
Net foreign exchange gain	–	(139)
Cost of inventories recognised as expenses, including	891	1,233
– Write-down of inventories to net realisable value	28	73
Auditors' remuneration		
– current year	270	460
– underprovision in prior year	9	34
Depreciation for property, plant and equipment	264	258
Amortisation of intangible assets	–	200
Total depreciation and amortisation	264	458
Staff costs (including directors' remuneration) *(Note 10)*	5,821	8,015
Net fair value (gain) loss on financial assets at fair value through profit or loss *	(741)	1,242
Loss on disposal of property, plant and equipment *	–	233
Operating lease charges in respect of land and buildings	1,691	2,316
Write-off of obsolete inventories *	–	1
Impairment loss on property, plant and equipment *	231	1,073
Impairment loss on prepaid lease payments *	–	61
Impairment loss on intangible asset	1,700	–
Impairment losses on prepayments, deposits and other receivables	51	–
Impairment losses on deposits paid for construction of property, plant and equipment	3,038	–
Impairment loss on other receivable *	1,200	–
Research and development costs recognised as an expense	2,240	2,587
Write-off non-refundable rental deposit *	30	–

* included in other operating expenses

8. INCOME TAX EXPENSE

	2009 HK$'000	2008 HK$'000
Current tax:		
– Hong Kong	–	–
– PRC Enterprise Income Tax	–	–
	–	–

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25% from 1 January 2008 onwards.

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 2009 and 2008.

No profits taxes have been provided for the subsidiaries operating outside Hong Kong as these subsidiaries have not generated any assessable profits in the respective jurisdictions.

The income tax expense for the year can be reconciled to the loss per the consolidated income statement as follows:

	2009 HK$'000	2008 HK$'000
Loss before income tax	(13,581)	(12,978)
Tax calculated at the rates applicable to the tax jurisdiction concerned	(2,132)	(2,259)
Tax effect of expenses not deductible for tax purpose	1,333	2,015
Tax effect of income not taxable for tax purpose	(107)	(92)
Tax effect of temporary differences not recognised	3	(3)
Tax effect of tax losses not recognised	905	339
Utilisation of tax losses previously not recognised	(2)	–
Income tax expense for the year	–	–

8. INCOME TAX EXPENSE *(Continued)*

At 31 December 2009, 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$5,221,000 and HK$1,112,000 (2008: HK$4,661,000 and HK$854,000) 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 five years and tax losses of the companies within the Group operating in Hong Kong will not be expired under the current tax legislation.

9. LOSS PER SHARE

The calculation of the basic loss per share attributable to the owners of the Company is based on the consolidated loss for the year attributable to the owners of the Company of HK$13,581,000 (2008: HK$12,978,000) and the weighted average of 8,178,432,055 (2008: 7,789,438,082) ordinary shares of the Company in issue during the year.

Diluted loss per share for the years ended 31 December 2009 and 31 December 2008 are not presented as (i) the computation does not assume the exercise of the Company's outstanding share options as the exercise price of those options is higher than the average market price for shares for both 2009 and 2008 (ii) the computation does not assume the exercise of the Company's warrants as their exercise would result in decrease in loss per share for 2008.

10. EMPLOYEES' EMOLUMENTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2009 **HK$'000**	2008 HK$'000
Wages and salaries	**5,797**	7,767
Pension costs – defined contribution plans	**24**	248
	5,821	8,015

11. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENT

(a) Directors' emoluments

The emoluments paid or payable to each of nine (2008: nine) directors were as follows:

2009	Fees HK$'000	Salaries and allowances HK$'000	Discretionary bonuses* HK$'000	Contributions to pension scheme HK$'000	Total HK$'000
Executive directors					
Mr. Tam Kam Biu, William	–	716	–	12	728
Mr. Kwan Kin Chung	–	617	–	9	626
Mr. Wan Xiaolin	–	–	–	–	–
Mr. Chen Man Lung	–	150	–	6	156
Sub-total	–	1,483	–	27	1,510
Non-executive directors					
Mr. Leung Lap Yan	120	180	–	–	300
Mr. Leung Lap Fu, Warren	60	60	96	–	216
Sub-total	180	240	96	–	516
Independent non-executive directors					
Mr. Ip Chi Wai	60	–	–	–	60
Mr. Shiu Kwok Keung	60	–	–	–	60
Mr. Tse Wang Cheung, Angus	60	–	–	–	60
Sub-total	180	–	–	–	180
Total	360	1,723	96	27	2,206

* Discretionary bonuses payment was determined based on the performance of the directors during the year.

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

(a) Directors' emoluments *(Continued)*

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

* Discretionary bonuses payment was determined based on the performance of the directors during the year.

11. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENT

(Continued)

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, three (2008: three) were directors of the Company whose emoluments are included in the disclosures in Note 11(a) above. The emoluments of the remaining two (2008: two) individuals were as follows:

	2009	2008
	HK$'000	HK$'000
Basic salaries, allowances and other benefits in kind	**681**	751
Discretionary bonuses	**5**	25
Contributions to pension scheme	**24**	24
	710	800

Their emoluments were within the following bands:

	Number of individuals	
	2009	2008
Nil to HK$1,000,000	**2**	2
HK$1,000,001 to HK$1,500,000	**–**	–
	2	2

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. None of the directors has waived or agreed to waive any emoluments during each of the two years ended 31 December 2009 and 2008.

12. DIVIDENDS

No dividend was paid or proposed during 2009, nor has any dividend been proposed since the end of the reporting period (2008: Nil).

13. PROPERTY, PLANT AND EQUIPMENT

	CIP HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Machinery HK$'000	Motor vehicle HK$'000	Total HK$'000
At 1 January 2008						
Cost	–	710	533	–	–	1,243
Accumulated depreciation	–	(145)	(282)	–	–	(427)
Carrying values	–	565	251	–	–	816
Year ended 31 December 2008						
Opening carrying values	–	565	251	–	–	816
Additions	1,676	95	171	451	–	2,393
Depreciation	–	(134)	(80)	(44)	–	(258)
Disposals	–	(214)	(19)	–	–	(233)
Impairment made	(1,073)	–	–	–	–	(1,073)
Exchange difference	–	–	1	–	–	1
Closing carrying values	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)
Carrying values	**603**	**312**	**324**	**407**	**–**	**1,646**
Year ended 31 December 2009						
Opening carrying values	**603**	**312**	**324**	**407**	**–**	**1,646**
Additions	**–**	**6**	**57**	**–**	**127**	**190**
Depreciation	**–**	**(93)**	**(91)**	**(78)**	**(2)**	**(264)**
Impairment made	**–**	**–**	**–**	**(231)**	**–**	**(231)**
Exchange difference	**–**	**–**	**–**	**1**	**–**	**1**
Closing carrying values	**603**	**225**	**290**	**99**	**125**	**1,342**
At 31 December 2009						
Cost	**1,676**	**507**	**562**	**451**	**127**	**3,323**
Accumulated depreciation and impairment	**(1,073)**	**(282)**	**(272)**	**(352)**	**(2)**	**(1,981)**
Carrying values	**603**	**225**	**290**	**99**	**125**	**1,342**

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

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method as follows:

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

14. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise:

	2009	2008
	HK$'000	HK$'000
Land in PRC	**2,097**	2,092

Analysed for reporting purpose as:

	2009	2008
	HK$'000	HK$'000
Non-current assets	**2,097**	2,092

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.

15. INTANGIBLE ASSET

	Technical know-how HK$'000
COST	
At 1 January 2008, 31 December 2008 and 2009	2,000
AMORTISATION AND IMPAIRMENT	
At 1 January 2008	100
Charge for the year	200
At 31 December 2008	300
Impairment loss recognised in the year	1,700
At 31 December 2009	2,000
CARRYING VALUES	
At 31 December 2009	–
At 31 December 2008	1,700

The technical know-how related to a production line for Bio-Cassava Energy System and a full rights, title and interest in Luoding Rhodobacteriineae (羅定紅菌) which was acquired by the Company from an independent third party for HK$2,000,000 on 27 June 2007. The estimated useful life of the technical know-how is 10 years. The purposes of the acquisition of the technical know-how are to perform research and development of biotechnology and manufacturing technology to convert cassava into ethanol, which could be used as a renewable source of energy ("Biotech Project").

As the Biotech Project has not generated revenue to the Group since its acquisition, the directors of the Company intend to suspend the Biotech Project. As a result, the directors of the Company are of the opinion that a full impairment has been recognised in the consolidated income statement for the year ended 31 December 2009.

16. AVAILABLE-FOR-SALES INVESTMENT

	2009 HK$'000	2008 HK$'000
Non-current		
Unlisted equity investment, in the PRC at cost	**7**	–

17. DEPOSITS PAID FOR CONSTRUCTION OF PROPERTY, PLANT AND EQUIPMENT

The amount represents a deposit paid for building production facilities for its biotech renewable energy operations on the leasehold land. As stated in Note 15, the directors of the Company intend to suspend the Biotech Project, the directors of the Company are of the opinion that the deposit is no longer recoverable and therefore these costs are fully written off during the year ended 31 December 2009.

18. OTHER RECEIVABLE

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 a 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, the deposit paid 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, such deposit will be refunded by this third party on or before 31 January 2010.

Since there is no investment identified up to 31 December 2009 and that independent third party has deregistered during the year, the directors of the Company considered that such deposit is unable to recover and a full impairment has been recognised in the consolidated income statement for the year ended 31 December 2009.

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

19. INVENTORIES

	2009	2008
	HK$'000	HK$'000
Merchandise	**122**	198
Finished goods	**39**	74
	161	272

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2009	2008
	HK$'000	HK$'000
Listed equity securities in Hong Kong	**925**	241
Listed unit trusts in Hong Kong	**297**	175
	1,222	416

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

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 ended 31 December 2008, the Group disposed all these shares in the market and a loss of HK$39,000 was included in consolidated income statement under "Net fair value loss on financial assets at fair value through profit or loss".

21. TRADE RECEIVABLES

	2009	2008
	HK$'000	HK$'000
Trade receivables	**333**	372
Less : Allowance for doubtful debts	**–**	–
Trade receivables – net	**333**	372

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 allowance for doubtful debts of trade receivables are as follows:

	2009	2008
	HK$'000	HK$'000
At the beginning of the year	**–**	2,433
Amount written off as uncollectible	**–**	(2,433)
At the end of the year	**–**	–

21. TRADE RECEIVABLES *(Continued)*

At each of the reporting period, 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 consider 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 period of 30-90 days to its trade customers. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period.

	2009 **HK$'000**	2008 HK$'000
0 – 30 days	**100**	339
31 – 90 days	**208**	32
91 – 180 days	**25**	1
	333	372

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

	2009 **HK$'000**	2008 HK$'000
Neither past due nor impaired	**98**	353
Past due but not impaired	**235**	19
	333	372

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.

22. AMOUNT DUE FROM A RELATED COMPANY

The amount is unsecured, interest-free and is repayable on demand.

23. CASH AND CASH EQUIVALENTS

	2009 HK$'000	2008 HK$'000
Cash at banks and in hand	**15,087**	3,605
Short-term bank deposits	**–**	13,500
	15,087	17,105

Cash and cash equivalents are denominated in the following currencies:

	2009 HK$'000	2008 HK$'000
Hong Kong dollars	**14,620**	15,841
United States dollars	**262**	269
Renminbi	**180**	981
Macau pataca (MOP)	**25**	14
	15,087	17,105

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$180,000 (2008: HK$981,000) 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.

24. TRADE PAYABLES

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period.

	2009 HK$'000	2008 HK$'000
0 – 30 days	**47**	65
31 – 90 days	**32**	18
91 – 180 days	**2**	5
Over 180 days	**6**	3
	87	91

The average credit period on purchases of goods is 30 days (2008: 30 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

25. 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$0.0025 each		Share capital	
	Note	**2009 '000**	2008 '000	**2009 HK$'000**	2008 HK$'000
Authorised:					
Ordinary shares at beginning and end of year		**200,000,000**	200,000,000	**500,000**	500,000
Issued and fully paid :					
Ordinary shares at beginning of year		**7,804,100**	7,771,700	**19,510**	19,429
Exercise of warrants	(a)	**399,200**	32,400	**998**	81
Ordinary shares at end of year		**8,203,300**	7,804,100	**20,508**	19,510

25. SHARE CAPITAL *(Continued)*

Note:

(a) 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.

Pursuant to an ordinary resolution passes 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").

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 ended 31 December 2008, 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.

During the year ended 31 December 2009, 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.

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.

The subscription period of the remaining 271,600,000 warrants for subscribing 271,600,000 shares were expired on 23 January 2009.

26. 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 2009.

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.

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. There is no movement for the share options during the year ended 31 December 2008 and 2009.

	2009 Number	**2009 Weighted average exercise price HK$**	2008 Number	2008 Weighted average exercise price HK$
At 1 January 2008, 31 December 2008 and 2009	**756,760,000**	**0.1125**	756,760,000	0.1125

All share options as at 31 December 2008 and 31 December 2009 are accounted for under HKFRS 2 "Share-based Payment". The options outstanding at 31 December 2009 had a weighted average remaining contractual life of 7.4 years (2008: 8.4 years). The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

	2009 Number	**2009 Weighted average exercise price HK$**	2008 Number	2008 Weighted average exercise price HK$
Exercisable period: 29-5-2007 to 28-5-2017	**756,760,000**	**0.1125**	756,760,000	0.1125

26. 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 end of the reporting period, the Company had 756,760,000 (2008: 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 (2008: 756,760,000) additional ordinary shares of the Company and additional share capital of HK$1,891,900 (2008: HK$1,891,900) and share premium of HK$83,243,600 (2008: 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 consolidated 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.

27. OPERATING LEASES

	2009 HK$'000	2008 HK$'000
Minimum lease payments paid under operating leases during the period		
– Land and buildings	**1,691**	2,316

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancelable operating leases which fall due as follows:

	2009 HK$'000	2008 HK$'000
Within one year	**928**	1,168
In the second to the fifth year inclusive	**17**	895
	945	2,063

The Group 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.

28. CAPITAL COMMITMENTS/CONTINGENT LIABILITIES

	2009 HK$'000	2008 HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**2,738**	3,987

The Group does not have any significant contingent liabilities as at 31 December 2009 and 2008.

29. MATERIAL RELATED PARTY TRANSACTIONS

(a) Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

	Notes	**2009** **HK$'000**	2008 HK$'000
Office rental expenses			
– Culturecom Centre Limited (office)	(i)	**378**	539
– Winway H.K. Limited (office)	(ii)	**552**	506
		930	1,045
Consultancy fees			
– Ms. Heidi Leung	(iii)	**360**	490

Notes:

(i) Office in Kwun Tong 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 HK30,000 to Ms. Heidi Leung in providing marketing and public relationship services, the daughter of one of the non-executive director of the Company, Mr. Leung Lap Yan.

29. MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(b) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2009	2008
	HK$'000	HK$'000
Short-term employee benefits	**1,723**	2,155
Discretionary bonuses	**96**	320
Post-employment benefits	**27**	45
	1,846	2,520

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

(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, approximately of HK$23,000 (2008: HK$35,000). The amount due to a director is unsecured, interest free and repayable on demand.

30. CAPITAL RISK MANAGEMENT

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$19,024,000 (2008: HK$25,029,000) 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.

31. FINANCIAL INSTRUMENTS

Categories of financial instrument

(i) Financial assets

	2009 HK$'000	2008 HK$'000
Non-current assets		
Loans and receivables:		
– Other receivable	–	1,200
Current assets		
Cash and cash equivalents	15,087	17,105
Financial assets at fair value through profit or loss	1,222	416
Amount due from a related company	384	–
Loans and receivables:		
– Trade receivables	333	372
– Other receivables	350	423
	17,376	19,516

(ii) Financial liabilities

	2009 HK$'000	2008 HK$'000
Current liabilities		
Financial liabilities at amortised cost:		
– Trade payables	87	91
– Other payables and accrued expenses	2,223	3,616
	2,310	3,707

Credit derivatives over loans or receivables at fair value

	2009 HK$'000	2008 HK$'000
Opening fair value	416	894
Realised during the year	(104)	(235)
Additions during the year	169	999
Change in fair value	741	(1,242)
Closing fair value	1,222	416

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments including trade receivables, amount due from a related company, other receivables, financial assets at fair value through profit or loss, cash and cash equivalents, trade payables, other payables and accrued expenses. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. 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.

32.1 Currency risk

The Group operates in Hong Kong with most of the transactions denominated and settled in Hong Kong Dollars ("HKD"). The Group's foreign currencies are mainly Renminbi ("RMB") and United States Dollars ("USD"). The Group has cash and cash equivalents denominated in RMB and USD while there are certain purchase transactions denominated in USD.

RMB is not freely convertible into other foreign currencies and conversion of RMB into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	2009 **HK$'000**	2008 HK$'000
Net financial assets (liabilities)		
Hong Kong dollars	**14,223**	16,150
Renminbi	**556**	(624)
United States dollars	**262**	269
MOP	**25**	14
	15,066	15,809

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure closely and will consider hedging significant foreign currency exposure should the need arise.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

32.1 Currency risk *(Continued)*

The Group is mainly exposed to RMB and USD. The following table details the Group's sensitivity analysis, the analysis assumes a 5% increase and decrease in RMB and, USD against the HKD, with all other variable held constant. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates until the next reporting period. The sensitivity analysis includes only outstanding items denominated in foreign currencies other than the functional currencies of the group entities and adjusts their translation at the year end for a 5% change in foreign currency rates.

	RMB Impact		**USD Impact**	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Loss before income tax	**–**	1	**13**	13

As HKD is linked to United State dollar, the Group does not have material exchange risk on such currencies.

32.2 Interest rate risk

The Group has 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.

32.3 Other 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.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

32.3 Other price risk *(Continued)*

At 31 December 2009, it is estimated that there is a reasonably possible change of 50% (2008: 50%) 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$611,000 (2008: HK$208,000). This sensitivity analysis has been determined assuming that the price change had occurred at the end of the reporting period and had been applied to the Group's investment on that date.

32.4 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, amount due from a related company, other receivables, financial assets at fair value through profit or loss 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 statement of financial position are net of impairment losses, if any. The Group monitors trade receivables, amount due from related company 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 Mainland China. Accordingly, the Group has no significant concentrations of credit risk.

The credit and investment policies have been followed by the Group 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 receivables, amount due from a related company, other receivables and financial assets at fair value through profit or loss are set out in Notes 21, 22, 18 and 20, respectively.

32.5 Liquidity risk

As at 31 December 2009, the Group had net current assets of approximately HK$15,578,000 (2008: HK$15,349,000) and net assets of approximately HK$19,024,000 (2008: 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.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

32.5 Liquidity risk *(Continued)*

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.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the end of the reporting period. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities is essential for an understanding of the timing of the cash flows of derivatives.

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	On demand HK$'000	Within one year HK$'000
2009				
Trade payables	**87**	**87**	**47**	**40**
Other payables and accrued expenses	**2,223**	**2,223**	**1,483**	**740**
	2,310	**2,310**	**1,530**	**780**
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

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

32.6 Fair values

The fair value of financial assets and financial liabilities are determined as follows:

– the fair value of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices and ask prices respectively; and

– the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

32.7 Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to 3 based on the degree to which the fair value is observable.

– Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for Identical assets or liabilities.

– Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

– Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	2009			
Financial assets at fair value through profit and loss	**Level 1 HK$'000**	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Listed equity securities	925	–	–	925
Listed unit trust	297	–	–	297
	1,222	–	–	1,222

33. MAJOR NON CASH TRANSACTIONS

During the year ended 31 December 2008, purchases of property, plant and equipment amounting to HK$603,000 and deposits paid for construction of property, plant and equipment amounting to HK$994,000 was paid on behalf by an unrelated third party in the PRC.

There was no major non cash transactions during the year ended 31 December 2009.

34. THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**91**	131
Intangible asset		**–**	1,700
Interests in subsidiaries	(a)	**2,500**	2,501
		2,591	4,332
CURRENT ASSETS			
Other receivables		**325**	275
Amounts due from subsidiaries	(b)	**42**	6,675
Cash and cash equivalents		**12,360**	14,168
		12,727	21,118
CURRENT LIABILITIES			
Other payables and accrued expenses		**702**	320
Amounts due to subsidiaries	(b)	**12,615**	12,735
		13,317	13,055
NET CURRENT (LIABILITIES) ASSETS		**(590)**	8,063
NET ASSETS		**2,001**	12,395
CAPITAL AND RESERVES			
Share capital		**20,508**	19,510
Reserves	(c)	**(18,507)**	(7,115)
TOTAL EQUITY		**2,001**	12,395

34. THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Notes:

(a) Interests in subsidiaries comprise:

	2009 HK$'000	2008 HK$'000
Unlisted shares, at cost	**7,502**	7,502
Less : Provision for impairment	**(5,002)**	(5,001)
	2,500	2,501

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

(c) Reserves

	Share premium HK$'000	Warrants reserve HK$'000 (Note a)	Reorganisation reserve HK$'000 (Note b)	Stock option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2008	110,982	9,944	2,501	33,514	(150,766)	6,175
Loss and total comprehensive loss for the year	–	–	–	–	(13,824)	(13,824)
Exercise of warrants *(Note 25)*	704	(170)	–	–	–	534
At 31 December 2008 and 1 January 2009	111,686	9,774	2,501	33,514	(164,590)	(7,115)
Loss and total comprehensive loss for the year	–	–	–	–	(17,979)	(17,979)
Exercise of warrants *(Note 25)*	8,684	(2,097)	–	–	–	6,587
Lapsed of warrants *(Note 25)*	–	(7,677)	–	–	7,677	–
At 31 December 2009	120,370	–	2,501	33,514	(174,892)	(18,507)

Notes:

(a) The warrants reserve represents the proceeds from the placing of 249,200,000 warrants ("Warrants") completed on 19 January 2007 as detailed in Note 25. The subscription period of the Warrants has already expired on 23 January 2009, the outstanding Warrants were lapsed.

(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.

35. SUBSIDIARIES

Particulars of the subsidiaries at 31 December 2009 are as follows:

Name of company	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 Directly	Indirectly	Principal activities and place of operations
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
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

35. SUBSIDIARIES *(Continued)*

Name of company	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 Directly	Percentage of issued capital held by the Company Indirectly	Principal activities and place of operations
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 in Macau
China Bio Cassava Group Limited	Hong Kong, limited liability company	100 ordinary share of HK$1 each	–	100%	Inactive during the year
China Bio Cassava Development Limited	Hong Kong, limited liability company	100 ordinary share of HK$1 each	–	100%	Inactive during the year

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

36. EVENT AFTER THE REPORTING PERIOD

As set out in the Company's announcement dated 28 January 2010, the Group entered an agreement with an independent third party on 28 January 2010 to dispose the entire interest in its subsidiary, Yunfu City Jiu Fang Agriculture Science and Technology Development Company Limited at a cash consideration of RMB2,000,000. The transaction has not yet completed up to the date of this report.

Financial Summary

FINANCIAL RESULTS

	Year ended 31 December				
	2009	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Loss before income tax	**(13,581)**	(12,978)	(41,225)	(7,101)	(7,360)

	As at 31 December				
	2009	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
Property, plant and equipment	**1,342**	1,646	816	157	500
Intangible assets	**–**	1,700	1,900	–	–
Prepaid lease payments	**2,097**	2,092	2,025	–	–
Deposits paid for construction of property, plant and equipment	**–**	3,042	1,419	–	–
Available-for-sales investment	**7**	–	–	–	–
Long term other receivable	**–**	1,200	–	–	–
Others assets	**17,944**	19,098	33,365	35,615	18,900
Total liabilities	**(2,366)**	(3,749)	(2,384)	(1,783)	(1,536)
Total equity	**19,024**	25,029	37,141	33,989	17,864