



**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)

*Interim Report*  
**2011**

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

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### **FINANCIAL HIGHLIGHTS**

The Group recorded turnover of approximately HK\$2,410,000 for the six months ended 30 June 2011, representing a decrease of 17.5% from the corresponding period of last year.

The Group recorded OEM licensing revenue of approximately HK\$248,000 for the six months ended 30 June 2011, representing an increase of 6.4% from the corresponding period of last year.

Packaged software sales of approximately HK\$2,162,000 for the six months ended 30 June 2011, representing a decrease of 19.6% from the corresponding period of last year.

The Group recorded loss attributable to owners of the Company for the six months ended 30 June 2011 of approximately HK\$3,870,000 (the six months ended 30 June 2010: loss of HK\$1,972,000).

The Group's total operating expenses for the six months ended 30 June 2011 were increased by approximately HK\$806,000, representing an increase of 15.3% compared to the six months ended 30 June 2010. The increase in the Group's total operating expenses was mainly due to the increase in general and administrative expenses for the six months ended 30 June 2011 compared to the six months ended 30 June 2010.

The unaudited consolidated results for the six months ended 30 June 2011 and the comparison with last year are set out in the accompanying tables.

**INTERIM RESULTS (UNAUDITED)**

The board of directors (the "Board") of China Bio Cassava Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the three months and six months ended 30 June 2011, together with the unaudited comparative figures for the corresponding periods in 2010 as follows:

**CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)**

	Notes	Three months ended 30 June		Six months ended 30 June	
		2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Revenue	3	1,172	1,431	2,410	2,921
Cost of sales		<u>(108)</u>	<u>(143)</u>	<u>(212)</u>	<u>(301)</u>
<b>Gross profit</b>		<b>1,064</b>	<b>1,288</b>	<b>2,198</b>	<b>2,620</b>
Other revenue	4	1	676	6	676
Selling and distribution expenses		(672)	(980)	(1,337)	(1,757)
Research and development expenses		(666)	(271)	(1,359)	(851)
General and administrative expenses		(2,082)	(1,309)	(3,378)	(2,375)
Other operating expenses		<u>-</u>	<u>(285)</u>	<u>-</u>	<u>(285)</u>
<b>Operating loss</b>		<b>(2,355)</b>	<b>(881)</b>	<b>(3,870)</b>	<b>(1,972)</b>
Finance costs		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Loss before income tax</b>		<b>(2,355)</b>	<b>(881)</b>	<b>(3,870)</b>	<b>(1,972)</b>
Income tax expense	6	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Loss for the period</b>	5	<b><u>(2,355)</u></b>	<b><u>(881)</u></b>	<b><u>(3,870)</u></b>	<b><u>(1,972)</u></b>
		<i>HK cent</i>	<i>HK cent</i>	<i>HK cent</i>	<i>HK cent</i>
<b>Loss per share for the period</b>	8				
– Basic		<u>(0.03)</u>	<u>(0.01)</u>	<u>(0.05)</u>	<u>(0.02)</u>
– Diluted		<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	Three months ended		Six months ended	
	30 June		30 June	
	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss for the period	(2,355)	(881)	(3,870)	(1,972)
Other comprehensive income (expense)				
Exchange differences arising on translation of foreign operations	4	(518)	2	(512)
Total comprehensive expense for the period	<u>(2,351)</u>	<u>(1,399)</u>	<u>(3,868)</u>	<u>(2,484)</u>
Total comprehensive expense attributable to:				
– Owners of the Company	<u>(2,351)</u>	<u>(1,399)</u>	<u>(3,868)</u>	<u>(2,484)</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 June 2011 HK\$'000 (Unaudited)	At 31 December 2010 HK\$'000 (Audited)
<b>NON-CURRENT ASSET</b>			
Property, plant and equipment	9	454	524
<b>CURRENT ASSETS</b>			
Inventories	10	78	101
Financial assets at fair value through profit or loss		519	1,195
Trade receivables	11	463	438
Prepayments, deposits and other receivables		2,085	3,076
Amount due from a shareholder		–	136
Bank balances and cash		14,308	9,527
		<u>17,453</u>	<u>14,473</u>
<b>CURRENT LIABILITIES</b>			
Trade payables	12	39	31
Other payables and accrued expenses		1,376	1,710
Amount due to a related company		2	2
Amount due to a director		97	91
		<u>1,514</u>	<u>1,834</u>
<b>NET CURRENT ASSETS</b>		<u>15,939</u>	<u>12,639</u>
<b>NET ASSETS</b>		<u>16,393</u>	<u>13,163</u>
<b>CAPITAL AND RESERVES</b>			
Equity attributable to the owners of the Company			
Share capital	13	20,508	20,508
Reserves		(4,115)	(7,345)
<b>TOTAL EQUITY</b>		<u>16,393</u>	<u>13,163</u>

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

	Share capital HK\$'000	Share premium HK\$'000	Share option reserve HK\$'000	Capital redemption reserve HK\$'000 (Note a)	Warrant reserve HK\$'000 (Note b)	Reorganisation reserve HK\$'000 (Note c)	Translation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2010	20,508	120,370	33,514	37	-	3,000	291	(158,696)	19,024
Loss for the period	-	-	-	-	-	-	-	(1,972)	(1,972)
Other comprehensive expense for the period	-	-	-	-	-	-	(512)	-	(512)
Total comprehensive expense for the period	-	-	-	-	-	-	(512)	(1,972)	(2,484)
At 30 June 2010	<u>20,508</u>	<u>120,370</u>	<u>33,514</u>	<u>37</u>	<u>-</u>	<u>3,000</u>	<u>(221)</u>	<u>(160,668)</u>	<u>16,540</u>
At 1 January 2011	20,508	120,370*	33,514*	37*	-*	3,000*	(145)*	(164,121)*	13,163
Loss for the period	-	-	-	-	-	-	-	(3,870)	(3,870)
Other comprehensive income for the period	-	-	-	-	-	-	2	-	2
Total comprehensive income (expense) for the period	-	-	-	-	-	-	2	(3,870)	(3,868)
Issue of warrants	-	-	-	-	8,000	-	-	-	8,000
Warrant expenses	-	-	-	-	(902)	-	-	-	(902)
At 30 June 2011	<u>20,508</u>	<u>120,370*</u>	<u>33,514*</u>	<u>37*</u>	<u>7,098*</u>	<u>3,000*</u>	<u>(143)*</u>	<u>(167,991)*</u>	<u>16,393</u>

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

### Notes:

- Capital redemption reserve of the Group represents repurchased 3,650,000 of its own shares at an aggregate consideration of HK\$174,000 during the year 2002. All the shares repurchased were subsequently cancelled.
- Warrant reserve represents the proceeds from the placing of 800,000,000 warrants ("Warrants") completed on 16 February 2011. The subscription period of the Warrants is from 18 February 2011 to 17 February 2013 (both days inclusive).
- The reorganisation reserve of the Group represent the difference between the nominal value of the shares of the subsidiaries acquired plus the HK\$7,500,000 loan capitalised and the nominal value of the shares issued by the Company as the consideration thereof.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

	Six months ended	
	30 June	
	2011	2010
	HK\$'000	HK\$'000
Net cash used in operating activities	(2,651)	(2,433)
Net cash from (used in) investing activities	334	(3)
Net cash from financing activities	7,098	—
Increase (decrease) in cash and cash equivalents	4,781	(2,436)
Cash and cash equivalents at 1 January	9,527	15,087
Cash and cash equivalents at 30 June	<u>14,308</u>	<u>12,651</u>



Notes:

**1. GENERAL INFORMATION**

The shares of the Company are listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. 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 six months ended 30 June 2011.

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

**2. BASIS OF PREPARATION AND ACCOUNTING POLICIES**

The unaudited condensed consolidated interim financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value. The accounting policies and basis of preparation adopted in these interim financial statements are consistent with those adopted in the Group's annual financial statements for the year ended 31 December 2010, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (which include individual HKFRSs, Hong Kong Accounting Standards and Interpretations).

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

The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2010.

The Group has adopted new and amended standards and interpretations of Hong Kong Financial Reporting Standards which are mandatory for the accounting periods beginning on or after 1 January 2011 and relevant to its operations. The adoption of such new and amended standards and interpretations does not have material impact on the condensed consolidated interim financial information and does not result in substantial changes to the Group's accounting policies.

### 3. 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 six months ended 30 June 2011 and 30 June 2010 are as follows:

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Sale of goods	1,046	1,312	2,162	2,688
Licensing income	126	119	248	233
	<u>1,172</u>	<u>1,431</u>	<u>2,410</u>	<u>2,921</u>

The Group's operation segments, based on information reported to the board of directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focus on types of goods or services delivered or provided.

Specially, the Group's reportable segments under HKFRS 8 are as follows:

- (a) Sales and licensing of software and embedded systems.
- (b) Development of biotech renewable energy.

In addition, the chief operating decision maker further evaluates the result on a geographical basis (Hong Kong, Mainland China and Macau).

**(a) Business segments**

The following is an analysis of the Group's revenue and results by reportable segment for the six months ended 30 June 2011 and 2010:

	Unaudited Six months ended 30 June					
	Sales and licensing of software and embedded systems		Development of biotech renewable energy		Consolidated	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
<b>Revenue</b>						
Sales to external customers	<u>2,410</u>	<u>2,921</u>	<u>-</u>	<u>-</u>	<u>2,410</u>	<u>2,921</u>
<b>Segment result</b>	(214)	19	(766)	(139)	(980)	(120)
Bank interest income					1	1
Net fair value (loss) gain on financial assets at fair value through profit or loss					(303)	376
Gain on disposal of financial assets at fair value through profit or loss					5	-
Gain on disposal of a subsidiary					-	299
Unallocated expenses					<u>(2,593)</u>	<u>(2,528)</u>
Operating loss					<u>(3,870)</u>	<u>(1,972)</u>
Finance costs					-	-
<b>Loss for the period</b>					<u><u>(3,870)</u></u>	<u><u>(1,972)</u></u>

**(b) Geographical information**

The following table presents revenue, assets and expenditure information for the Group's geographical information for the six months ended 30 June 2011 and 2010:

	Hong Kong		Mainland China		Macau		Total	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
	<b>Revenue</b>							
Sales to external customers	<u>2,410</u>	<u>2,919</u>	<u>-</u>	<u>2</u>	<u>-</u>	<u>-</u>	<u>2,410</u>	<u>2,921</u>
<b>Segment assets</b>	3,669	2,600	23	17	2,034	2,193	5,726	4,810
Unallocated assets							<u>12,181</u>	<u>14,102</u>
<b>Total assets</b>							<u><u>17,907</u></u>	<u><u>18,912</u></u>
<b>Capital expenditure</b>	<u>43</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>43</u>	<u>-</u>

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.

## 4. OTHER REVENUE

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Interest income on financial assets stated at amortised cost	1	1	1	1
Gain on disposal of financial assets at fair value through profit or loss	-	-	5	-
Net fair value gain on financial assets at fair value through profit or loss	-	376	-	376
Gain on disposal of subsidiary	-	299	-	299
	<u>1</u>	<u>676</u>	<u>6</u>	<u>676</u>

## 5. LOSS FOR THE PERIOD

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Loss for the period has been arrived at after charging (crediting):				
Depreciation of property, plant and equipment	56	48	113	94
Net fair value loss (gain) on financial assets at fair value through profit or loss	243	(376)	303	(376)
Gain on disposal of financial assets at fair value through profit or loss	-	-	(5)	-
Write off of prepaid lease payment*	-	285	-	285
	<u>-</u>	<u>285</u>	<u>-</u>	<u>285</u>

\* Included in other operating expenses

## 6. INCOME TAX EXPENSE

Hong Kong Profit Tax is calculated at 16.5% of the estimated assessable profits for both periods. No Hong Kong profits tax has been provided in both periods as the Group did not generate any assessable profits arising in Hong Kong for the six months ended 30 June 2011 and 2010.

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 profits taxes have been provided for the subsidiaries which are operating outside Hong Kong as these subsidiaries have not generated any assessable profits in the respective jurisdictions during the six months ended 30 June 2011 (six months ended 30 June 2010: Nil).

At 30 June 2011, 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\$5,400,000 and HK\$1,170,000 (31 December 2010: HK\$5,254,000 and HK\$1,159,000) 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 subsidiary which is operating in the PRC can be carried forward for five years and tax losses of the companies within the Group which are operating in Hong Kong will not be expired under the current tax legislation.

## 7. INTERIM DIVIDEND

The board of directors of the Company does not recommend the payment of interim dividend for the six months ended 30 June 2011 (six months ended 30 June 2010: Nil).

## 8. LOSS PER SHARE

The calculation of the basic loss per share attributable to the owners of the Company is based on the Group's unaudited consolidated loss attributable to owners of the Company for the three months and six months ended 30 June 2011 of HK\$2,355,000 and HK\$3,870,000 respectively (three months and six months ended 30 June 2010: HK\$881,000 and HK\$1,972,000 respectively) and on the weighted average number of shares of 8,203,300,000 (three months and six months ended 30 June 2010: 8,186,675,824) ordinary shares of the Company in issue during the periods.

Diluted loss per share for the three months and six months ended 30 June 2011 and 2010 are not presented as the impacts of the exercise of the outstanding share options and warrants were anti-dilutive.

## 9. PROPERTY, PLANT AND EQUIPMENT

There was approximately HK\$43,000 addition of property, plant and equipment for the six months ended 30 June 2011 (2010: Nil).

## 10. INVENTORIES

	Unaudited 30 June 2011 HK\$'000	Audited 31 December 2010 HK\$'000
Merchandise	22	58
Finished goods	56	43
	<u>78</u>	<u>101</u>

## 11. TRADE RECEIVABLES

	Unaudited 30 June 2011 HK\$'000	Audited 31 December 2010 HK\$'000
Trade receivables	<u>463</u>	<u>438</u>

The Group allows an average credit period of 30-90 days to its customers. The aged analysis of the trade receivables was as follows:

	Unaudited 30 June 2011 HK\$'000	Audited 31 December 2010 HK\$'000
0-30 days	323	285
31-90 days	140	111
91-180 days	-	42
	<u>463</u>	<u>438</u>

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

**12. TRADE PAYABLES**

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

	Unaudited 30 June 2011 HK\$'000	Audited 31 December 2010 HK\$'000
0-30 days	25	13
31-90 days	2	7
91-180 days	2	2
Over 180 days	10	9
	<u>39</u>	<u>31</u>

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

**13. SHARE CAPITAL**

	Number of shares of HK\$0.0025 each '000	Share capital HK\$'000
Authorised:		
At 1 January 2010, 31 December 2010 (audited) and 30 June 2011 (unaudited)	<u>200,000,000</u>	<u>500,000</u>
Issued and fully paid:		
At 1 January 2010, 31 December 2010 (audited) and 30 June 2011 (unaudited)	<u>8,203,300</u>	<u>20,508</u>

**14. SHARE-BASED EMPLOYEE COMPENSATION**

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 period. There is no movement for the share options during the six months ended 30 June 2011 and 2010.

	2011	2011	2010	2010
		Weighted		Weighted
		average		average
		exercise price		exercise price
	Number	HK\$	Number	HK\$
At 30 June 2010,				
31 December 2010				
and 30 June 2011	<u>756,760,000</u>	<u>0.1125</u>	<u>756,760,000</u>	<u>0.1125</u>

All share options as at 30 June 2010 and 30 June 2011 are accounted for under HKFRS 2 "Share-based Payment". The options outstanding at 30 June 2011 had a weighted average remaining contractual life of 5.9 years (2010: 6.9 years). The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

	2011	2011	2010	2010
		Weighted		Weighted
		average		average
		exercise price		exercise price
	Number	HK\$	Number	HK\$
Exercisable period:				
29-5-2007 to 28-5-2017	<u>756,760,000</u>	<u>0.1125</u>	<u>756,760,000</u>	<u>0.1125</u>

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.

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 were 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.

## 15. COMMITMENTS

### (a) Capital commitments

As at 30 June 2011, the Group had no capital commitment (31 December 2010: Nil).

### (b) Commitments under operating leases

As 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:

	Unaudited 30 June 2011 HK\$'000	Audited 31 December 2010 HK\$'000
Within one year	1,109	1,112
In the second to the fifth year inclusive	462	803
	<u>1,571</u>	<u>1,915</u>

## 16. 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 as follows:

	Notes	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
		2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Office rental expenses					
– Culturecom Centre Limited	(i)	98	95	195	189
– Winway H.K. Investments Limited	(ii)	24	138	48	276
		<u>122</u>	<u>233</u>	<u>243</u>	<u>465</u>
Consultancy fees					
– Ms. Heidi Leung	(iii)	90	90	180	180
Acquisition of a company					
– Culturecom Limited	(iv)	–	–	35	–

Notes:

- (i) Office rental agreements with fixed monthly rental in Kwun Tong were entered into with Culturecom Centre Limited, a subsidiary of Culturecom Holdings Limited, one of the substantial shareholders of the Company.
  - (ii) Office rental agreements with fixed monthly rental in Cyberport and Kwun Tong were entered into with Winway H.K. Investments Limited, a subsidiary of Culturecom Holdings Limited, one of the substantial shareholders of the Company.
  - (iii) The Group paid monthly consultancy fee of HK\$30,000 to Ms. Heidi Leung in providing marketing and public relationship services. Ms. Heidi Leung is a daughter of Mr. Leung Lap Yan, one of the non-executive directors of the Company.
  - (iv) The Group acquired 100% equity interests of Growlong Company Limited from Culturecom Limited, a subsidiary of Culturecom Holdings Limited, one of the substantial shareholders of the Company.
- (b) During the six months ended 30 June 2011, the compensation (including short-term employee benefits and post-employment benefits) amounting to HK\$606,000 was paid to key management personnel (six months ended 30 June 2010: HK\$715,000).

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **Liquidity and financial resources**

The Group has no interest bearing debt. The Group relies on the 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 PRC in Renminbi and the balance in Hong Kong dollars.

The Group had no credit facilities and no borrowing outstanding as at 30 June 2011 (31 December 2010: Nil).

There was no charge on the Group's assets as at 30 June 2011 (31 December 2010: Nil).

The Group had no debt as at 30 June 2011 (31 December 2010: Nil).

The gearing ratio of the Group, based on total debt to total equity, was nil as at 30 June 2011 (31 December 2010: Nil).

### **Order book**

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

### **Investment**

Other than the establishment of the two new subsidiaries during the six months ended 30 June 2011 (31 December 2010: Nil), there was no significant investment made.

Acquisition, disposal of subsidiary and affiliated companies

The Group did not have any material acquisition and disposal of subsidiaries or affiliated companies for the six months ended 30 June 2011 (30 June 2010: one).

### **Employee information**

As at 30 June 2011, the Group employed 28 staff (31 December 2010: 30). Total staff costs, including directors' emoluments were approximately HK\$2.8 million for the six months ended 30 June 2011 as compared with those of approximately HK\$2.6 million for the corresponding period of the preceding financial year.

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 the individuals' performance.

#### **Future plans for material investments and capital assets**

The Group will continue to promote its existing products, Q9 CIS Chinese and English versions, to OEM customers in the Greater China region, and the Group will continue to identify new business opportunities and diversify its business to new business areas so as to derive new sources of revenue. The Group currently does not have any commitment or future plans for material investments and capital assets.

#### **Segment information**

Details of the segment information have been set out in Note 3 under notes to the unaudited interim results and further elaborated under "Business Review and Prospects".

#### **Hedging policy**

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

#### **Contingent liabilities**

The Group does not have any contingent liabilities as at 30 June 2011 (31 December 2010: Nil).

### **BUSINESS REVIEW AND PROSPECTS**

The consolidated turnover of the Company and its subsidiaries for the six months ended 30 June 2011 was amounted to approximately HK\$2,410,000, representing a decrease of 17.5% from the corresponding period of last year. Loss attributable to owners of the Company for the six months ended 30 June 2011 amounted to approximately HK\$3,870,000 compared to a loss of approximately HK\$1,972,000 for the corresponding period of last year. The loss per share was HK0.05 cent (six months ended 30 June 2010: loss per share of HK0.02 cent).

The Group's total operating expenses for the six months ended 30 June 2011 were increased by 15.3% compared to first six months of 2010. The increase in the Group's total operating expenses was mainly due to the increase in general and administrative expenses for the six months ended 30 June 2011 compared to the six months ended 30 June 2010.

The Group recorded OEM licensing revenue of approximately HK\$248,000 for the six months ended 30 June 2011, representing an increase of 6.4% from the corresponding period of last year.

Packaged software sales of approximately HK\$2,162,000 for the six months ended 30 June 2011, representing a decrease of 19.6% from the corresponding period of last year.

In addition to the continuing focus of the Group in promoting its existing products, Q9 CIS Chinese and English versions, to OEM customers in the Greater China region, the Group is contemplating to diversify its business to new business areas and identify new business opportunities so as to derive new sources of revenue. Management believes the Group has sufficient resources and ability to diversify its new business areas for new business, and derive new sources of revenue for the Group.

### **OTHER MAJOR EVENT**

On 16 September 2010, the Company entered into a non-binding letter of intent (the "Letter of Intent") with Mr. Li Gaohua (the "Vendor") as proposed vendor and Chengdu Chenming Electric Vehicles Manufacturing Co., Ltd. (成都晨明電動車輛製造有限公司) ("Chengdu Chenming") in relation to the possible acquisition of the entire share capital of Asia World Capital Investment Holdings Limited (the "Target") ("Possible Acquisition"). It is expected that the Target, through its wholly owned subsidiary, will enter into a sino-equity joint venture with Chengdu Chenming for production and manufacturing of electric vehicles in the People's Republic of China. On 18 January 2011, the Company entered into a letter of confirmation with the Vendor and Chengdu Chenming where, it was agreed, among other things, that the validity of the Letter of Intent was extended to 16 April 2011. As no legally-binding formal agreement has been reached by the parties, the Letter of Intent was lapsed on 16 April 2011.

The details are set out in the announcements of the Company dated 21 September 2010, 17 December 2010, 18 January 2011 and 21 April 2011.

### **PRIVATE PLACING OF LISTED WARRANTS**

In February 2011, the Company issued 800,000,000 listed warrants (the "Warrants") by the way of private placing at the issue price of HK\$0.01 each conferring the rights to subscribe for one new share of the Company at the subscription price of HK\$0.059 up to an aggregate amount of HK\$47,200,000 during the period from 18 February 2011 to 17 February 2013 (both days inclusive). During the period under review, none of the Warrants had been exercised.

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

As at 30 June 2011, save for the interest of the directors in share options as below, neither of the directors nor the chief executive of the Company had interests and or short positions in the shares of the Company ("Shares"), underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) ("SFO")) which (i) are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) were recorded in the register required to be kept under Section 352 of the SFO, or (iii) have to be notified to the Company and the Stock Exchange pursuant to the required standards of dealing by directors as referred to in Rule 5.46 of the GEM Listing Rules.

## LONG POSITIONS IN UNDERLYING SHARES OF THE COMPANY

### Share Option

As at 30 June 2011, there were a total of 88,000,000 outstanding share options of the Company granted to the directors of the Company, details of which are summarised in the following table:

	Date of grant	Options to subscribe for shares of the Company					Option exercise period	Exercise price per share	Approximate percentage of shareholding
		Outstanding as at 1 January 2011	Granted during the period	Exercised during the period	Lapsed/ Transferred to other category during the period	Outstanding as at 30 June 2011			
<b>Former Director:</b>									
Shiu Kwok Keung (Note (i))	29/5/2007	4,000,000	-	-	(4,000,000)	-	29/5/2007 to 28/5/2017	HK\$0.1125	-
<b>Directors:</b>									
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%
<b>Total</b>		<b>92,000,000</b>	<b>-</b>	<b>-</b>	<b>(4,000,000)</b>	<b>88,000,000</b>			

Notes :

- (i) Mr. Shiu Kwok Keung resigned as independent non-executive director of the Company with effect from 14 May 2011. The options granted to Mr. Shiu were re-classified from the category of "Directors of the Company" to the category of "Other participants".
- (ii) The option exercise period is commenced from the date of grant for ten years. The options may be exercised at any time within the option period provided that the options have been vested. As at 30 June 2011, all options have been vested.
- (iii) The above share options were granted pursuant to the Company's share option scheme adopted on 27 April 2001.

Save as disclosed above, none of the directors or the chief executives of the Company had any interest or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations at 30 June 2011.

### **SHARE OPTION SCHEMES**

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

As at 30 June 2011, options to subscribe for up to an aggregate of 756,760,000 shares of HK\$0.0025 each had been granted by the Company under the New Share Option Scheme. Details of the share options which had been granted under the Share Option Scheme are as follows:

Category of participant	Date of grant	Options to subscribe for shares of the Company						Outstanding as at 30 June 2011	Option exercise period	Exercise price per share
		Outstanding as at 1 January 2011	Granted during the period	Exercised during the period	Lapsed during the period	Transferred from other category during the period	Transferred to other category during the period			
Directors of the Company	29/5/2007	92,000,000	-	-	-	-	(4,000,000)	88,000,000	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
Other participants	29/5/2007	-	-	-	-	4,000,000	-	4,000,000	29/5/2007 to 28/5/2017	HK\$0.1125
<b>Total</b>		<b>756,760,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,000,000</b>	<b>(4,000,000)</b>	<b>756,760,000</b>		

*Notes:*

- (i) The option exercise period is commenced from the date of grant for ten years. The options may be exercised at any time within the option period provided that the options have been vested. As at 30 June 2011, all options have been vested.
- (ii) 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 Positions in Underlying Shares of the Company" under the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures".



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

As at 30 June 2011, 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**

<b>Name of shareholders</b>	<b>Number of shares</b>	<b>Approximate percentage holding</b>
Winway H.K. Investments Limited	2,098,490,000	25.58%
Culturecom Holdings Limited ( <i>Note (i)</i> )	2,098,490,000	25.58%
L & W Holding Limited	479,430,000	5.84%
Ms. Chow Lai Wah Livia ( <i>Note (ii)</i> )	669,700,000	8.16%
Mr. Basilio Dizon ( <i>Note (iii)</i> )	669,700,000	8.16%

#### **Notes:**

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

Save as disclosed above, as at 30 June 2011, the directors are not aware of any other persons who had interests or short positions in the shares or underlying shares of the Company which were interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.

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

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

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

The Company has not redeemed any of its shares during six months ended 30 June 2011. Neither the Company nor any of its subsidiaries purchased or sold the Company's listed securities during the six months ended 30 June 2011.

### **CORPORATE GOVERNANCE**

The Code on Corporate Governance Practices set out in Appendix 15 of the GEM Listing Rules ("Code") takes effect from 1 January 2005. The Company is committed to maintain a high standard of corporate governance. To maintain a good and solid framework of corporate governance will ensure the Company to run its business in the best interests of the shareholders. Throughout the six months ended 30 June 2011 under review, the Company has complied with the Code.

### **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 for the six months ended 30 June 2011 under review.

### **NON-COMPLIANCE WITH RULE 5.05(1) AND RULE 5.28 OF THE GEM LISTING RULES**

Upon the resignation of Mr. Shiu Kwok Keung on 14 May 2011, the Company has two independent non-executive directors and two members of audit committee which falls below the minimum number required under Rule 5.05(1) and Rule 5.28 of the GEM Listing Rules. The Company is actively identifying suitable candidate to fill the vacancy of an independent non-executive director and audit committee member of the Company in order to comply with Rule 5.05(1) and Rule 5.28 of the GEM Listing Rules.

### **AUDIT COMMITTEE**

The Audit Committee, 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, currently comprises two independent non-executive directors, namely Mr. Ip Chi Wai and Mr. Tse Wang Cheung Angus. Mr. Ip Chi Wai is the chairman of the Audit Committee.

The primary duties of the Audit Committee are to review and supervise the Group's financial reporting process and internal control procedures. The Group's unaudited condensed consolidated interim results for the six months ended 30 June 2011 have been reviewed by the Audit Committee together with the management, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

### **APPROVAL OF THE INTERIM FINANCIAL STATEMENTS**

The interim financial statements were approved by the Board of Directors on 11 August 2011.

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

Hong Kong, 11 August 2011

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

*This report will remain on the GEM website at <http://www.hkgem.com> on the "latest company report" page for at least 7 days from the day of its posting and on the Company's website at [www.bio-cassava.com](http://www.bio-cassava.com).*