

Third Quarterly Report

2012



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

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8129)



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FINANCIAL HIGHLIGHTS

The Group recorded turnover of HK\$3,229,000 for the nine months ended 30 September 2012, representing a decrease of 12.1% from the corresponding period of previous year.

The Group recorded OEM licensing revenue of HK\$527,000 for the nine months ended 30 September 2012, representing an increase of 28.9% from the corresponding period of previous year.

Packaged software sales of HK\$2,702,000 for the nine months ended 30 September 2012, representing a decrease of 17.2% from the corresponding period of previous year.

The Group's total operating expenses for the nine months ended 30 September 2012 totalled HK\$9,172,000, which is about the same level as the nine months ended 30 September 2011.

The Group recorded a net loss attributable to owners of the Company for the nine months ended 30 September 2012 of HK\$6,271,000 (the nine months ended 30 September 2011: net loss of HK\$5,763,000). Loss per share attributable to the owners of the Company for the nine months ended 30 September 2012 was HK0.31 cent (the nine months ended 30 September 2011: loss per share of HK0.28 cent).

The unaudited consolidated results for the nine months ended 30 September 2012 and the comparison with last year are set out in the accompanying table.

NINE MONTHS 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 nine months ended 30 September 2012, together with the unaudited comparative figures for the corresponding periods in 2011 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Revenue	3	1,150	1,262	3,229	3,672
Cost of sales		<u>(107)</u>	<u>(120)</u>	<u>(328)</u>	<u>(332)</u>
Gross profit		1,043	1,142	2,901	3,340
Other revenue	4	-	132	-	138
Selling and distribution expenses		(498)	(716)	(1,688)	(2,053)
Research and development expenses		(723)	(823)	(2,156)	(2,182)
General and administrative expenses		(1,782)	(1,627)	(5,211)	(5,005)
Other operating expenses		<u>(117)</u>	<u>(1)</u>	<u>(117)</u>	<u>(1)</u>
Operating loss		(2,077)	(1,893)	(6,271)	(5,763)
Finance costs		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Loss before income tax		(2,077)	(1,893)	(6,271)	(5,763)
Income tax expense	6	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Loss for the period	5	<u>(2,077)</u>	<u>(1,893)</u>	<u>(6,271)</u>	<u>(5,763)</u>
		<i>HK cent</i>	<i>HK cent</i> (Restated)	<i>HK cent</i>	<i>HK cent</i> (Restated)
Loss per share for the period	8				
- Basic		<u>(0.10)</u>	<u>(0.09)</u>	<u>(0.31)</u>	<u>(0.28)</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		Nine months ended	
	30 September		30 September	
	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss for the period	(2,077)	(1,893)	(6,271)	(5,763)
Other comprehensive expense				
Exchange differences arising on translating foreign operations	—	(2)	—	—
Total comprehensive expense for the period	<u>(2,077)</u>	<u>(1,895)</u>	<u>(6,271)</u>	<u>(5,763)</u>
Total comprehensive expense attributable to:				
– Owners of the Company	<u>(2,077)</u>	<u>(1,895)</u>	<u>(6,271)</u>	<u>(5,763)</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the nine months ended 30 September 2012

	Share capital HK\$'000	Share premium HK\$'000	Share option reserve HK\$'000	Capital redemption reserve HK\$'000	Warrant reserve HK\$'000	Reorganisation reserve HK\$'000	Translation Reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2011	20,508	120,370	33,514	37	-	3,000	(145)	(164,121)	13,163
Loss for the period	-	-	-	-	-	-	-	(5,763)	(5,763)
Other comprehensive expense for the period	-	-	-	-	-	-	-	-	-
Total comprehensive expense for the period	-	-	-	-	-	-	-	(5,763)	(5,763)
Issue of warrants	-	-	-	-	8,000	-	-	-	8,000
Warrant Expenses	-	-	-	-	(906)	-	-	-	(906)
At 30 September 2011	<u>20,508</u>	<u>120,370</u>	<u>33,514</u>	<u>37</u>	<u>7,094</u>	<u>3,000</u>	<u>(145)</u>	<u>(169,884)</u>	<u>14,494</u>
At 1 January 2012	20,508	120,370	52,684	37	7,090	3,000	(145)	(191,670)	11,874
Loss for the period, representing total comprehensive expense for the period	-	-	-	-	-	-	-	(6,271)	(6,271)
At 30 September 2012	<u>20,508</u>	<u>120,370</u>	<u>52,684</u>	<u>37</u>	<u>7,090</u>	<u>3,000</u>	<u>(145)</u>	<u>(197,941)</u>	<u>5,603</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 nine months ended 30 September 2012.

The unaudited condensed consolidated third quarterly financial statements are presented in Hong Kong dollars (“HK\$”), which is the same as the functional currency of the Company.

2. Basis of preparation and accounting policies

The unaudited condensed consolidated third quarterly 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 third quarterly financial statements are consistent with those adopted in the Group’s annual financial statements for the year ended 31 December 2011, except for the adoption of the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which include individual HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations).

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

The unaudited condensed consolidated third quarterly financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2011.

In the current year, the Group has applied a number of new and revised standards, amendments and interpretations (“New and Revised HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010
HKAS 24 (Revised in 2009)	Related Party Disclosures
HKAS 32 (Amendments)	Classification of Rights Issues
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

Except as described below, the application of the New and Revised HKFRSs in the current year has had no material effect on the condensed consolidated third quarterly financial statements of the Group for the current and prior and/or on the disclosures set out in the unaudited condensed consolidated third quarterly financial statements.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets ¹ Disclosures – Offsetting Financial Assets and Financial Liabilities ² Mandatory Effective Date of HKFRS 9 and Transition Disclosures ³
HKFRS 9	Financial Instruments ³
HKFRS 10	Consolidated Financial Statements ²
HKFRS 11	Joint Arrangements ²
HKFRS 12	Disclosure of Interests in Other Entities ²
HKFRS 13	Fair Value Measurement ²
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income ⁵
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets ⁴
HKAS 19 (Revised in 2011)	Employee Benefits ²
HKAS 27 (Revised in 2011)	Separate Financial Statements ²
HKAS 28 (Revised in 2011)	Investments in Associates and Joint Ventures ²
HKAS 32 (Amendments)	Presentation – Offsetting Financial Assets and Financial Liabilities ⁶
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine ²

¹ Effective for annual periods beginning on or after 1 July 2011

² Effective for annual periods beginning on or after 1 January 2013

³ Effective for annual periods beginning on or after 1 January 2015

⁴ Effective for annual periods beginning on or after 1 January 2012

⁵ Effective for annual periods beginning on or after 1 July 2012

⁶ Effective for annual periods beginning on or after 1 January 2014

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 three months and nine months ended 30 September 2012 and 30 September 2011 are as follows:

	Unaudited		Unaudited	
	Three months ended		Nine months ended	
	30 September		30 September	
	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sale of goods	949	1,101	2,702	3,263
Licensing income	201	161	527	409
	<u>1,150</u>	<u>1,262</u>	<u>3,229</u>	<u>3,672</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 and operating segment for the nine months ended 30 September 2012 and 30 September 2011:

	Sales and licensing of software and embedded systems		Unaudited Nine months ended 30 September Development of biotech renewable energy		Consolidated	
	2012	2011	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:						
Sales to external customers	<u>3,229</u>	<u>3,672</u>	<u>-</u>	<u>-</u>	<u>3,229</u>	<u>3,672</u>
Segment results	(152)	(318)	(1,591)	(1,829)	(1,743)	(2,147)
Bank interest income					-	1
Net fair value loss on financial assets at fair value through profit or loss					(130)	(495)
Loss on disposal of property, plant and equipment					(117)	-
Gain on disposal of financial assets at fair value through profit or loss					-	5
Gain on disposal of a subsidiary					-	132
Unallocated expenses					<u>(4,281)</u>	<u>(3,259)</u>
Operating loss					<u>(6,271)</u>	<u>(5,763)</u>
Finance costs					<u>-</u>	<u>-</u>
Loss for the period					<u><u>(6,271)</u></u>	<u><u>(5,763)</u></u>

(b) Geographical information

The information table presents revenue information for the Group's geographical information for the nine months ended 30 September 2012 and 30 September 2011:

	Unaudited							
	Nine months ended 30 September							
	Hong Kong		Mainland China		Macau		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Revenue								
Sales to external customers	<u>3,229</u>	<u>3,672</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,229</u>	<u>3,672</u>

4. Other revenue

	Unaudited		Unaudited	
	Three months ended		Nine months ended	
	30 September		30 September	
	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest income on financial assets stated at amortised cost	-	-	-	1
Gain on disposal of financial assets at fair value through profit or loss	-	-	-	5
Gain on disposal of subsidiary	-	132	-	132
	<u>-</u>	<u>132</u>	<u>-</u>	<u>138</u>

5. Loss FOR THE PERIOD

	Unaudited		Unaudited	
	Three months ended		Nine months ended	
	30 September		30 September	
	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss for the period has been arrived at after charging (crediting):				
Depreciation of property, plant and equipment	28	57	123	170
Net fair value (gain) loss on financial assets at fair value through profit or loss	(5)	192	130	495
Loss on disposal of property, plant and equipment *	<u>117</u>	<u>-</u>	<u>117</u>	<u>-</u>

* included in other operating expenses

6. Income tax expense

No Hong Kong profits tax has been provided in both periods as the Group did not generate any assessable profits arising in Hong Kong during the nine months ended 30 September 2012 and 30 September 2011.

During the nine months ended 30 September 2012, 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 (the nine months ended 30 September 2011: Nil).

At 30 September 2012, the Group has deferred tax assets mainly arising from tax losses of the subsidiaries operating in Hong Kong and in the PRC of approximately HK\$6,100,000 and HK\$1,030,000 (At 31 December 2011: HK\$6,006,000 and HK\$1,001,000) 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 do not recommend the payment of interim dividend for the nine months ended 30 September 2012 (nine months ended 30 September 2011: 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 nine months ended 30 September 2012 of HK\$2,077,000 and HK\$6,271,000 respectively (the three months and nine months ended 30 September 2011: HK\$1,893,000 and HK\$5,763,000 respectively) and on the weighted average number of shares of 2,050,825,000 (the three months and nine months ended 30 September 2011 restated: 2,050,825,000) ordinary shares of the Company in issue during the periods.

The weighted average number of shares for the purposes of calculation basis loss per share for the three months and nine months ended 30 September 2011 have been restated to reflect the share consolidation in June 2012.

Diluted loss per share for the three months and nine months ended 30 September 2012 and 30 September 2011 are not presented as the impacts of the exercise of the outstanding share options and warrants were anti-dilutive.

BUSINESS REVIEW AND PROSPECTS

The consolidated turnover of the Company and its subsidiaries for the nine months ended 30 September 2012, amounted to HK\$3,229,000, representing a decrease of 12.1% from the corresponding period of previous year. Loss attributable to owners of the Company for the nine months ended 30 September 2012 amounted to HK\$6,271,000 compared to a loss of HK\$5,763,000 for the corresponding period of previous year. The loss per share attributable to the owners of the Company for the nine months ended 30 September 2012 was HK0.31 cent (the nine months ended 30 September 2011: loss per share of HK0.28 cent).

The Group's total operating expenses for the nine months ended 30 September 2012 was about the same level as the nine months ended 30 September 2011.

The Group recorded OEM licensing revenue of HK\$527,000 for the nine months ended 30 September 2012, representing an increase of 28.9% from the corresponding period of previous year.

Packaged software sales of HK\$2,702,000 for the nine months ended 30 September 2012, representing a decrease of 17.2% from the corresponding period of previous year.

The Group continue to promote its existing products, while seeking to diversify its business to new business areas. The Group currently does not have any commitment or future plans for material investments and capital assets.

OTHER INFORMATION

Share Consolidation

As approved at the extraordinary general meeting of the Company held on 27 June 2012, every four issued and unissued shares of HK\$0.0025 each in the share capital of the Company have been consolidated into one consolidated share of HK\$0.01 each effective from 28 June 2012 ("Share Consolidation").

For details, please refer to the announcements of the Company dated 30 May 2012 and 22 June 2012 respectively and the circular of the Company dated 11 June 2012.

Warrants

In February 2011, the Company issued up to the maximum of 800,000,000 listed warrants by the way of private placing. Each warrant conferring the right to subscribe for one new share at the subscription price of HK\$0.059 during the two-year period from 18 February 2011 to 17 February 2013 (or the last business day before 17 February 2013, if 17 February 2013 is not a business day) (both dates inclusive). Following the Share Consolidation, the subscription price of the warrants was adjusted from HK\$0.059 per share to HK\$0.236 per consolidated share and the total number of the shares to be issued upon exercise of the subscription rights thereunder shall be adjusted from 800,000,000 shares to 200,000,000 consolidated shares in accordance with the terms of the warrant instrument.

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 September 2012, 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 September 2012, there were a total of 21,000,000 outstanding share options of the Company granted to the directors of the Company, details of which are summarised in the following table:

Director	Date of grant	Options to subscribe for shares of the Company (Note 1)				(Adjusted) Outstanding as at 30 September 2012	Option exercise period	(Adjusted) Exercise price per share	Approximate percentage of shareholding
		(Adjusted) Outstanding as at 1 January 2012	Granted during the period	Exercised during the period	Lapsed during the period				
Kwan Kin Chung	29/5/2007	4,000,000	-	-	-	4,000,000	29/5/2007 to 28/5/2017	HK\$0.450	0.26%
	21/9/2011	1,250,000	-	-	-	1,250,000	21/9/2011 to 20/9/2021	HK\$0.172	
Tam Kam Biu William	29/5/2007	5,000,000	-	-	-	5,000,000	29/5/2007 to 28/5/2017	HK\$0.450	0.26%
	21/9/2011	250,000	-	-	-	250,000	21/9/2011 to 20/9/2021	HK\$0.172	
Wan Xiaolin	29/5/2007	3,000,000	-	-	-	3,000,000	29/5/2007 to 28/5/2017	HK\$0.450	0.16%
	21/9/2011	250,000	-	-	-	250,000	21/9/2011 to 20/9/2021	HK\$0.172	
Leung Lap Yan	29/5/2007	2,000,000	-	-	-	2,000,000	29/5/2007 to 28/5/2017	HK\$0.450	0.11%
	21/9/2011	250,000	-	-	-	250,000	21/9/2011 to 20/9/2021	HK\$0.172	
Leung Lap Fu Warren	29/5/2007	2,000,000	-	-	-	2,000,000	29/5/2007 to 28/5/2017	HK\$0.450	0.11%
	21/9/2011	250,000	-	-	-	250,000	21/9/2011 to 20/9/2021	HK\$0.172	
Ip Chi Wai	29/5/2007	1,000,000	-	-	-	1,000,000	29/5/2007 to 28/5/2017	HK\$0.450	0.06%
	21/9/2011	250,000	-	-	-	250,000	21/9/2011 to 20/9/2021	HK\$0.172	
Tse Wang Cheung Angus	29/5/2007	1,000,000	-	-	-	1,000,000	29/5/2007 to 28/5/2017	HK\$0.450	0.06%
	21/9/2011	250,000	-	-	-	250,000	21/9/2011 to 20/9/2021	HK\$0.172	
Tsang Wai Wa	21/9/2011	250,000	-	-	-	250,000	21/9/2011 to 20/9/2021	HK\$0.172	0.01%
Former Director: Chen Man Lung (Note 2)	29/5/2007	4,000,000	-	-	(4,000,000)	-	29/5/2007 to 28/5/2017	HK\$0.450	
	21/9/2011	250,000	-	-	(250,000)	-	21/9/2011 to 20/9/2021	HK\$0.172	
Total		<u>25,250,000</u>	<u>-</u>	<u>-</u>	<u>(4,250,000)</u>	<u>21,000,000</u>			

Notes:

- The exercise price and number of share options were adjusted due to the Share Consolidation became effective on 28 June 2012.
- Mr. Chen Man Lung has resigned as an executive director of the Company with effect from 18 June 2012.
- The option exercise period is commenced from the date of grant for ten years. The options may be exercised at any time within the option period provided that the options have been vested. As at 30 September 2012, all options have been vested.

Save as disclosed above, none of the directors or the chief executives of the Company had any interest or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations at 30 September 2012.

SHARE OPTION SCHEMES

On 27 April 2007, a share option scheme (the "Share Option Scheme") was adopted by the shareholders of the Company.

As at 30 September 2012, options to subscribe for up to an aggregate of 375,190,000 shares of HK\$0.01 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 (Note 1)								
Category of participant	Date of grant	(Adjusted)	Granted during the period	Exercised during the period	Lapsed during the period	(Adjusted)	Option exercise period	(Adjusted)
		Outstanding as at 1 January 2012				Outstanding as at 30 September 2012		Exercise price per share
Directors of the Company	29/5/2007	22,000,000	-	-	(4,000,000)	18,000,000	29/5/2007 to 28/5/2017	HK\$0.450
	21/9/2011	3,250,000	-	-	(250,000)	3,000,000	21/9/2011 to 20/9/2021	HK\$0.172
Employees other than the directors of the Company	29/5/2007	3,000,000	-	-	-	3,000,000	29/5/2007 to 28/5/2017	HK\$0.450
	21/9/2011	1,375,000	-	-	-	1,375,000	21/9/2011 to 20/9/2021	HK\$0.172
Consultants	29/5/2007	163,190,000	-	-	-	163,190,000	29/5/2007 to 28/5/2017	HK\$0.450
	21/9/2011	186,625,000	-	-	-	186,625,000	21/9/2011 to 20/9/2021	HK\$0.172
Total		<u>379,440,000</u>	<u>-</u>	<u>-</u>	<u>(4,250,000)</u>	<u>375,190,000</u>		

Notes:

1. The exercise price and number of share options were adjusted due to the Share Consolidation became effective on 28 June 2012.
2. The option exercise period is commenced from the date of grant for ten years. The options may be exercised at any time within the option period provided that the options have been vested. As at 30 September 2012, all options have been vested.
3. During the period, there were no options being exercised and cancelled, but 4,250,000 options were 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 30 September 2012, 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
Winway H.K. Investments Limited	524,622,500	25.58%
Culturecom Holdings Limited (<i>Note</i>)	524,622,500	25.58%

Note:

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 524,622,500 shares through its controlling interest (100%) in Winway H.K. Investments Limited.

Save as disclosed above, as at 30 September 2012, the directors are not aware of any other persons who had interests or short positions in the shares or underlying shares of the Company which were interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company has not redeemed any of its shares during nine months ended 30 September 2012. Neither the Company nor any of its subsidiaries purchased or sold of the Company's listed securities during the nine months ended 30 September 2012.

CORPORATE GOVERNANCE

The Code on Corporate Governance Practices set out in Appendix 15 of the GEM Listing Rules ("Code") takes effect from 1 January 2005. The Company is committed to maintain a high standard of corporate governance. To maintain a good and solid framework of corporate governance will ensure the Company to run its business in the best interests of the shareholders. Throughout the nine months ended 30 September 2012 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 nine months ended 30 September 2012 under review.

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 three independent non-executive directors, namely Mr. Tsang Wai Wa, Mr. Ip Chi Wai and Mr. Tse Wang Cheung Angus. Mr. Tsang Wai Wa 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 nine months ended 30 September 2012 have been reviewed by the audit committee together with management, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 12 November 2012.

By order of the Board
Leung Lap Yan
Chairman

Hong Kong, 12 November 2012

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