



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)

First Quarterly Report
2013

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

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This report, for which the directors of China Bio Cassava Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

FINANCIAL HIGHLIGHTS

The Group recorded turnover of HK\$932,000 for the three months ended 31 March 2013, representing a decrease of 14.9% from the corresponding period of previous year.

Packaged software sales of HK\$754,000 for the three months ended 31 March 2013, representing a decrease of 17.8% from the corresponding period of previous year.

The Group recorded a net loss attributable to owners of the Company for the three months ended 31 March 2013 of HK\$2,115,000 (three months ended 31 March 2012: HK\$2,017,000).

The Group's total operating expenses for the three months ended 31 March 2013 increased slightly by less than 0.5% as compared to the corresponding period of previous year.

The Group's loss per share for the three months ended 31 March 2013 was HK0.09 cent (three months ended 31 March 2012 (restated): HK0.10 cent).

The unaudited consolidated results for the three months ended 31 March 2013 and the comparison with last year are set out in the accompanying table.

THREE MONTHS RESULTS (UNAUDITED)

The board of directors (the "Board") of China Bio Cassava Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the three months ended 31 March 2013, together with the unaudited comparative figures for the corresponding period in 2012 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	Notes	Three months ended 31 March	
		2013 HK\$'000	2012 HK\$'000
Revenue	3	932	1,095
Cost of sales		<u>(42)</u>	<u>(120)</u>
Gross profit		890	975
Selling and distribution expenses		(347)	(609)
Research and development expenses		(803)	(694)
General and administrative expenses		(1,853)	(1,689)
Other operating expenses		<u>(2)</u>	<u>-</u>
Loss before income tax		(2,115)	(2,017)
Income tax expense	4	<u>-</u>	<u>-</u>
Loss for the period		<u>(2,115)</u>	<u>(2,017)</u>
		<i>HK cent</i>	<i>HK cent</i> (Restated)
Loss per share during the period	5		
– Basic		<u>(0.09)</u>	<u>(0.10)</u>
– Diluted		<u>N/A</u>	<u>N/A</u>

**CONDENSED CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME (UNAUDITED)**

	Three months ended	
	31 March	
	2013	2012
	HK\$'000	HK\$'000
Loss for the period	(2,115)	(2,017)
Other comprehensive income		
Exchange differences arising on translating foreign operations	<u>1</u>	<u>–</u>
Total comprehensive expense for the period	<u>(2,114)</u>	<u>(2,017)</u>
Total comprehensive expense attributable to:		
– Owners of the Company	<u>(2,114)</u>	<u>(2,017)</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the three months ended 31 March 2013

	Share capital HK\$'000	Share premium HK\$'000	Share option reserve HK\$'000	Capital redemption reserve HK\$'000	Warrants reserve HK\$'000	Reorganisation reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 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	-	-	-	-	-	-	-	(2,017)	(2,017)
At 31 March 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>(193,687)</u>	<u>9,857</u>
At 1 January 2013	20,508	120,370	50,841	37	7,090	3,000	(145)	(198,307)	3,394
Loss for the period	-	-	-	-	-	-	-	(2,115)	(2,115)
Other comprehensive income for the period	-	-	-	-	-	-	1	-	1
Total comprehensive expense for the period	-	-	-	-	-	-	1	(2,115)	(2,114)
Placement of new shares (Note a)	4,000	36,000	-	-	-	-	-	-	40,000
Transactions cost attributable to issue of shares (Note a)	-	(1,276)	-	-	-	-	-	-	(1,276)
Placement of new warrants (Note b)	301	-	-	-	6,797	-	-	-	7,098
At 31 March 2013	<u>24,809</u>	<u>155,094</u>	<u>50,841</u>	<u>37</u>	<u>13,887</u>	<u>3,000</u>	<u>(144)</u>	<u>(200,422)</u>	<u>47,102</u>

Notes:

- (a) On 18 January 2013, the Company entered into the Placing Agreement with the Placing Agent, pursuant to which the Company has conditionally agreed to place, through the Placing Agent on a best effort basis, up to a maximum of 400,000,000 Placing Shares to the placees who and whose ultimate beneficial owners are independent third parties at a price of HK\$0.10 per Placing Share. The condition of the Placing had been fulfilled and the completion of the Placing took place on 31 January 2013.
- (b) Since 15 February 2013, the subscription rights attached to the listed warrants of the Company to subscribe for new shares had been expired. Up to the date of warrants expiry, warrant subscription amounting to HK\$7,097,700 was received, representing 30,075,000 warrants convertible into 30,075,000 shares of the Company of HK\$0.01 each with the subscription price of HK\$0.236 per share.

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 three months ended 31 March 2013.

2. **Summary of significant accounting policies**

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants. In addition, the unaudited condensed consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

3. **Revenue and segment information**

Revenue represents the total invoiced value of goods sold and licensing income. An analysis of the Group's revenue during the three months ended 31 March 2013 and 31 March 2012 are as follows:

	Unaudited Three months ended 31 March	
	2013	2012
	HK\$'000	HK\$'000
Sale of software and embedded system	754	917
Licensing income	178	178
	932	1,095
	932	1,095

The Group's operation segments, based on information reported to the board of directors of the Company, being the chief operating decision maker ("CODM"), 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 and operating 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 CODM further evaluates the result on a geographical basis (Hong Kong, Mainland China and Macau).

(a) **Segment revenues and results**

The following is an analysis of the Group's revenue and results by reportable and operating segment for the three months ended 31 March 2013 and 31 March 2012:

	Unaudited Three months ended 31 March					
	Sales and licensing of software and embedded systems		Development of biotech renewable energy		Total	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Revenue						
External sales	<u>932</u>	<u>1,095</u>	<u>-</u>	<u>-</u>	<u>932</u>	<u>1,095</u>
Segment profit (loss)	35	(76)	(515)	(656)	(480)	(732)
Net fair value loss on financial assets at fair value through profit or loss					(34)	(62)
Unallocated expenses					<u>(1,601)</u>	<u>(1,223)</u>
Loss before income tax					<u>(2,115)</u>	<u>(2,017)</u>

(b) **Geographical information**

The Group's operations are located in Hong Kong, Mainland China and Macau. Information about the Group's revenue from external customers is presented based on the location where the Group's customers are located.

The following table presents revenue and expenditure information for the Group's geographical information for the three months ended 31 March 2013 and 31 March 2012:

	Unaudited Three months ended 31 March							
	Hong Kong		Mainland China		Macau		Total	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Revenue								
External sales	<u>932</u>	<u>1,095</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>932</u>	<u>1,095</u>
Segment loss	(165)	(237)	(4)	(9)	(459)	(571)	(628)	(817)
Unallocated expenses							<u>(1,487)</u>	<u>(1,200)</u>
Loss before income tax							<u>(2,115)</u>	<u>(2,017)</u>

4. 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 three months ended 31 March 2013 (three months ended 31 March 2012: Nil).

No profits taxes have been provided for the subsidiaries which are operating outside Hong Kong during the three months ended 31 March 2013 as these subsidiaries have not generated any assessable profits in the respective jurisdictions (three months ended 31 March 2012: Nil).

At 31 March 2013, 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\$6,530,000 and HK\$1,057,000 (At 31 December 2012: HK\$6,563,000 and HK\$1,053,000) 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.

5. 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 three months ended 31 March 2013 attributable to the owners of the Company of approximately HK\$2,115,000 (three months ended 31 March 2012: HK\$2,017,000) and the weighted average of 2,332,195,000 (three months ended 31 March 2012: 2,050,825,000 ordinary shares, restated as the share consolidation effective from 28 June 2012) of the Company in issue during the periods. The comparative amount of the basic loss per share for the three months ended 31 March 2012 had been adjusted to reflect the impact of the share consolidation affected during the period.

Diluted loss per share for the three months ended 31 March 2013 and 31 March 2012 is not presented because the existence of outstanding share options during the periods has anti-dilutive effect on the basic loss per share.

6. Interim dividend

The directors do not recommend the payment of interim dividend for the three months ended 31 March 2013 (three months ended 31 March 2012: Nil).

BUSINESS REVIEW AND PROSPECTS

The consolidated turnover of the Company and its subsidiaries amounted to HK\$932,000 for the three months ended 31 March 2013, representing a decrease of 14.9% from the corresponding period of previous year. Loss attributable to owners of the Company for the three months ended 31 March 2013 of HK\$2,115,000, compared to a loss of HK\$2,017,000 for the corresponding period of previous year. The loss per share was HK0.09 cent (three months ended 31 March 2012 (restated): HK0.10 cent).

The Group's total operating expenses for the three months ended 31 March 2013 increased slightly by less than 0.5% as compared to the corresponding period of previous year.

Packaged software sales of HK\$754,000 for the three months ended 31 March 2013, representing a decrease of 17.8% from the corresponding period of previous year.

In addition to the continuing focus of the Group in promoting its existing products, 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.

PLACING OF NEW SHARES

On 18 January 2013, the Company entered into a placing agreement with Pinestone Securities Limited (the "Placing Agent"), pursuant to which the Company has conditionally agreed to place, through the Placing Agent on a best effort basis, up to 400,000,000 placing shares to the placees who and whose ultimate beneficial owners are independent third parties at a price of HK\$0.10 per placing share (the "Placing").

The condition of the Placing has been fulfilled and the completion of the Placing took place on 31 January 2013. The net proceeds from the Placing, after deducting the placing commission and other related expenses payable by the Company, are approximately HK\$39.7 million.

EXPIRY OF SUBSCRIPTION RIGHTS ATTACHED TO THE WARRANTS

Since 15 February 2013, the subscription rights attached to the listed warrants of the Company to subscribe for new shares have been expired. Up to the date of warrants expiry, warrant subscription amounting to HK\$7,097,700 was received, representing 30,075,000 warrants convertible into 30,075,000 shares of the Company of HK\$0.01 each with the subscription price of HK\$0.236 per share.

All remaining 169,925,000 warrants are not exercised and such warrants certificates have already ceased to be valid for any purpose.

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

As at 31 March 2013, save for the interest of the directors in share options as below, neither of the directors nor the chief executive of the Company had interests and or short positions in the shares of the Company ("Shares"), underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) ("SFO")) which (i) are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) were recorded in the register required to be kept under Section 352 of the SFO, or (iii) have to be notified to the Company and the Stock Exchange pursuant to the required standards of dealing by directors as referred to in Rule 5.46 of the GEM Listing Rules.

LONG POSITIONS IN UNDERLYING SHARES OF THE COMPANY

Share Option

As at 31 March 2013, 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				Outstanding as at 31 March 2013	Option exercise period	Exercise price per share	Approximate percentage of shareholding
		Outstanding as at 1 January 2013	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	0.21%
	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	0.21%
	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	0.13%
	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	0.09%
	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	0.09%
	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	0.05%
	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	0.05%
	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%
Total		<u>21,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,000,000</u>			

Note:

The option exercise period is commenced from the date of grant for ten years. The options may be exercised at any time within the option period provided that the options have been vested. As at 31 March 2013, all options have been vested.

Save as disclosed above, none of the directors or the chief executives of the Company had any interest or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations at 31 March 2013.

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

As at 31 March 2013, 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 shareholders	Number of shares	Approximate percentage holding
Winway H.K. Investments Limited	524,622,500	21.15%
Culturecom Holdings Limited (Note)	524,622,500	21.15%

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

Save as disclosed above, as at 31 March 2013, the directors of the Company 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 the three months ended 31 March 2013. Neither the Company nor any of its subsidiaries purchased or sold of the Company's listed securities during the three months ended 31 March 2013.

CORPORATE GOVERNANCE

The Company is committed to maintain a high standard of corporate governance. To maintain a good and solid framework of corporate governance will ensure the Company to run its business in the best interests of the shareholders. Throughout the three months ended 31 March 2013 under review, the Company has complied with the code provisions of the Corporate Governance Code set out in Appendix 15 to the GEM Listing Rules.

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 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 three months ended 31 March 2013 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 results for the three months ended 31 March 2013 have been reviewed by the audit committee together with management, which was of the opinion that the preparation of such results were complied with the applicable accounting standards and requirements and those adequate disclosures have been made.

APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 10 May 2013.

By order of the Board
Leung Lap Yan
Chairman

Hong Kong, 10 May 2013

As of the date of this report, the Board of the Company comprises Mr. Kwan Kin Chung, Mr. Yu Huaguo, 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, Mr. Ip Chi Wai and Mr. Tse Wang Cheung Angus as independent non-executive Directors.