

First Quarterly Report
2014



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)

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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 a turnover of HK\$2,324,000 for the three months ended 31 March 2014, representing an increase of 149% from the corresponding period of previous year.

The Group recorded loan interest income of HK\$1,150,000 from provision of financing services for the three months ended 31 March 2014 (three months ended 31 March 2013: Nil).

The Group recorded HK\$231,000 of OEM licensing revenue for the three months ended 31 March 2014, representing an increase of 29.8% from the corresponding period of previous year (three months ended 31 March 2013: HK\$178,000).

Packaged software sales for the three months ended 31 March 2014 was HK\$943,000, representing an increase of 25.1% from the corresponding period of previous year (three months ended 31 March 2013: HK\$754,000).

The Group's total operating expenses for the three months ended 31 March 2014 totalled HK\$3,721,000 representing an increase of 23.9% as compared to the three months ended 31 March 2013 (three months ended 31 March 2013: HK\$3,003,000).

On 10 January 2014, the Company granted share options to subscribe for an aggregate of 248,090,000 ordinary shares of HK\$0.01 each in the capital of the Company to certain eligible participants. The share-based payment regarding to the granted share options amounted to HK\$17,398,000.

The Group recorded a net loss attributable to owners of the Company for the three months ended 31 March 2014 of HK\$18,830,000 (three months ended 31 March 2013: HK\$2,115,000). Loss per share attributable to the owners of the Company for the three months ended 31 March 2014 is HK\$0.76 cents (loss per share for the three months ended 31 March 2013: HK\$0.09 cents).

The unaudited consolidated results for the three months ended 31 March 2014 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 2014, together with the unaudited comparative figures for the corresponding period in 2013 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)

	Notes	Three months ended	
		2014	2013
		HK\$'000	HK\$'000
Revenue	3		
– Interest income		1,150	–
– Other income		1,174	932
		<u>2,324</u>	<u>932</u>
Cost of sales		(35)	(42)
		<u>2,289</u>	<u>890</u>
Gross profit			
Selling and distribution expenses		(341)	(347)
Research and development expenses		(672)	(803)
General and administrative expenses		(2,708)	(1,853)
Equity-settled share-based payment		(17,398)	–
Other operating expenses		–	(2)
		<u>(18,830)</u>	<u>(2,115)</u>
Loss before tax			
Income tax expense	4	–	–
		<u>(18,830)</u>	<u>(2,115)</u>
Loss for the period			
		<u>(18,830)</u>	<u>(2,115)</u>
Loss per share during the period	5		
– Basic (HK\$ cent)		(0.76)	(0.09)
– Diluted (HK\$ cent)		N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

	Three months ended	
	31 March	
	2014	2013
	HK\$'000	HK\$'000
Loss for the period	(18,830)	(2,115)
Other comprehensive (expense) income, net of income tax		
<i>Items that may be reclassified subsequently to profit and loss:</i>		
Exchange differences arising on translation of foreign operations	(3)	1
Total comprehensive expense for the period	<u>(18,833)</u>	<u>(2,114)</u>
Total comprehensive expense attributable to owners of the Company	<u>(18,833)</u>	<u>(2,114)</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the three months ended 31 March 2014

	Reserves									
	Share capital HK\$'000	Share premium HK\$'000	Share options reserve HK\$'000	Capital redemption reserve HK\$'000	Warrant reserve HK\$'000	Reorganisation reserve HK\$'000	Foreign currency translation reserve HK\$'000	Accumulated losses HK\$'000	Sub-total HK\$'000	Total HK\$'000
At 1 January 2013	20,508	120,370	50,841	37	7,090	3,000	(145)	(198,307)	(17,114)	3,394
Loss for the period	-	-	-	-	-	-	-	(2,115)	(2,115)	(2,115)
Other comprehensive income for the period	-	-	-	-	-	-	1	-	1	1
Total comprehensive expense for the period	-	-	-	-	-	-	1	(2,115)	(2,114)	(2,114)
Placement of new shares	4,000	36,000	-	-	-	-	-	-	36,000	40,000
Transactions cost attributable to issue of shares	-	(1,276)	-	-	-	-	-	-	(1,276)	(1,276)
Placement of new warrants	301	-	-	-	6,797	-	-	-	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>22,293</u>	<u>47,102</u>
At 1 January 2014	24,809	162,957	50,286	37	-	3,000	(143)	(200,612)	15,525	40,334
Loss for the period	-	-	-	-	-	-	-	(18,830)	(18,830)	(18,830)
Other comprehensive expense for the period	-	-	-	-	-	-	(3)	-	(3)	(3)
Total comprehensive expense for the period	-	-	-	-	-	-	(3)	(18,830)	(18,833)	(18,833)
Recognition of share-based payments (Note)	-	-	17,398	-	-	-	-	-	17,398	17,398
At 31 March 2014	<u>24,809</u>	<u>162,957</u>	<u>67,684</u>	<u>37</u>	<u>-</u>	<u>3,000</u>	<u>(146)</u>	<u>(219,442)</u>	<u>14,090</u>	<u>38,899</u>

Note:

The recognition of share-based payment expenses as a result of the share options granted by the Company on 10 January 2014. Share options reserve represents the portion of the grant date fair value of unexercised share options granted under the share option scheme adopted by the Company.



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 acts as an investment holding company. The Company and its subsidiaries (collectively referred to as the “Group”) are principally engaged in the computer software and embedded systems development, sales and licensing of the software and systems, development of biotech renewable energy and the provision of financing services. There were no significant changes in the Group’s operations during the three months ended 31 March 2014.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value. The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). In addition, the unaudited condensed consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

3. REVENUE AND SEGMENT INFORMATION

i. Revenue

Revenue represents the amounts received and receivables that are derived from sales of goods to customers, licensing income and interest income from provision of financing services.

An analysis of the Group's revenue by major products and services for the three months ended 31 March 2014 and 31 March 2013 are as follows:

	Unaudited Three months ended 31 March	
	2014	2013
	HK\$'000	HK\$'000
Sales of software and embedded system	943	754
Licensing income	231	178
Interest income	1,150	–
	<u>2,324</u>	<u>932</u>

ii. Segment information

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.

The Group's reportable and operating segments are as follows:

- (a) Sales and licensing of software and embedded systems
- (b) Development of biotech renewable energy
- (c) Provision of financing services

a. **Segment revenue and results**

The following is an analysis of the Group's revenue and results by reportable and operating segments for the three months ended 31 March 2014 and 31 March 2013:

	Unaudited							
	Three months ended 31 March							
	Sales and licensing of software and embedded systems		Development of biotech renewable energy		Provision of financing services		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Revenue								
External sales	1,174	932	-	-	1,150	-	2,324	932
Result								
Segment results	293	35	(358)	(515)	744	-	679	(480)
Fair value loss on financial assets at fair value through profit and loss							-	(34)
Equity-settled share-based payment							(17,398)	-
Unallocated expenses							(2,111)	(1,601)
Loss before tax							(18,830)	(2,115)

Revenue reported above represents revenue generated from external customers.

There were no inter-segment sales during the three months ended 31 March 2014 and 31 March 2013.

Segment result represents the profit or loss earned or incurred by each segment without allocation of central administration costs including interest income and other items not directly related to the relevant segments. This is the measure reported to CODM for the purposes of resource allocation and assessment of segment performance.

b. Geographical information

The following table provides an analysis of the Group's revenue from external customers based on the location where the Group's customers are located for the three months ended 31 March 2014 and 31 March 2013:

	Unaudited							
	Three months ended 31 March							
	Hong Kong		Mainland China		Macau		Total	
2014	2013	2014	2013	2014	2013	2014	2013	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Revenue								
External sales	2,324	932	-	-	-	-	2,324	932

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, or derived from Hong Kong during the three months ended 31 March 2014 (three months ended 31 March 2013: Nil).

No profits taxes have been provided for the subsidiaries which are operating outside Hong Kong during the three months ended 31 March 2014 as these subsidiaries have not generated any assessable profits in the respective jurisdictions (three months ended 31 March 2013: Nil).

As at 31 March 2014, the Group has unused tax losses arising from the Group's subsidiaries approximately HK\$4,740,000 (At 31 December 2013: HK\$5,034,000) that are available for offsetting against future profits. No deferred tax assets have been recognised as these subsidiaries have been loss making for several years and it is not considered probable that taxable profits will be available against which the tax losses can be utilised..

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 2014 attributable to the owners of the Company of approximately HK\$18,830,000 (three months ended 31 March 2013: HK\$2,115,000) and the weighted average of 2,480,900,000 (three months ended 31 March 2013: 2,332,195,000) ordinary shares of the Company in issue during the periods.

Diluted loss per share for the three months ended 31 March 2014 and 31 March 2013 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 2014 (three months ended 31 March 2013: Nil).



BUSINESS REVIEW AND PROSPECTS

The consolidated turnover of the Company and its subsidiaries for the three months ended 31 March 2014, amounted to HK\$2,324,000, representing an increase of 149% from the corresponding period of previous year. Loss attributable to owners of the Company for the three months ended 31 March 2014 was HK\$18,830,000 compared to a loss of HK\$2,115,000 for the corresponding period of previous year. The loss per share was HK\$0.76 cents (three months ended 31 March 2013: loss per share of HK\$0.09 cents).

The Group recorded loan interest income of HK\$1,150,000 from provision of financing services for the three months ended 31 March 2014 (three months ended 31 March 2013: Nil).

The Group recorded HK\$231,000 of OEM licensing revenue for the three months ended 31 March 2014, representing an increase of 29.8% from the corresponding period of previous year.

Packaged software sales for the three months ended 31 March 2014 was HK\$943,000, representing an increase of 25.1% from the corresponding period of previous year.

The Group's total operating expenses for the three months ended 31 March 2014 totalled HK\$3,721,000, representing an increase of 23.9% as compared to the three months ended 31 March 2013.

On 10 January 2014, the Company granted share options to subscribe for an aggregate of 248,090,000 ordinary shares of HK\$0.01 each in the capital of the Company to certain eligible participants. The share-based payment regarding to the granted share options amounted to HK\$17,398,000.

In the view of satisfactory results in provision of financing services and sales and licensing of software and embedded systems for the three months ended 31 March 2014, the Group will continue to provide resources and supports for obtaining growth in profitability in financing services and continue its marketing effort in promoting Q9 CIS & Qcode CIS to institutional customers and the end user markets.

The Group currently does not have any commitment or future plans for material investments and capital assets.

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

As at 31 March 2014, 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 2014, there were a total of 22,000,000 outstanding share options of the Company granted to the directors of the Company, details of which are summarised in the following table:

Directors	Date of grant	Options to subscribe for shares of the Company				Outstanding as at 31 March 2014	Option exercise period	Exercise price per share	Approximate percentage of shareholding
		Outstanding as at 1 January 2014	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	
	10/1/2014	-	1,200,000	-	-	1,200,000	10/1/2014 to 9/1/2024	HK\$0.147	
Yu Huaguo	10/1/2014	-	1,200,000	-	-	1,200,000	10/1/2014 to 9/1/2024	HK\$0.147	0.05%
Poon Yu Keung	10/1/2014	-	1,200,000	-	-	1,200,000	10/1/2014 to 9/1/2024	HK\$0.147	0.05%
Hung Ching Fung	10/1/2014	-	1,200,000	-	-	1,200,000	10/1/2014 to 9/1/2024	HK\$0.147	0.05%
Tam Kam Biu William (Note (i) below)	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	
	10/1/2014	-	1,200,000	-	-	1,200,000	10/1/2014 to 9/1/2024	HK\$0.147	

Options to subscribe for shares of the Company

Directors	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 2014	Granted during the period	Exercised during the period	Lapsed during the period				Outstanding as at 31 March 2014
Leung Lap Yan	29/5/2007	2,000,000	-	-	-	2,000,000	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	
	10/1/2014	-	1,000,000	-	-	1,000,000	10/1/2014 to 9/1/2024	HK\$0.147	
Chow Wing Tung	10/1/2014	-	1,000,000	-	-	1,000,000	10/1/2014 to 9/1/2024	HK\$0.147	0.04%
Tsang Wai Wa (Note (ii) below)	21/9/2011	250,000	-	-	-	250,000	21/9/2011 to 20/9/2021	HK\$0.172	0.05%
	10/1/2014	-	1,000,000	-	-	1,000,000	10/1/2014 to 9/1/2024	HK\$0.147	
Leung Lap Fu Warren (Note (iii) below)	29/5/2007	2,000,000	-	-	(2,000,000)	-	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	
Ip Chi Wai (Note (iv) below)	29/5/2007	1,000,000	-	-	(1,000,000)	-	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	
Tse Wang Cheung Angus (Note (v) below)	29/5/2007	1,000,000	-	-	(1,000,000)	-	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>17,750,000</u>	<u>9,000,000</u>	<u>-</u>	<u>(4,750,000)</u>	<u>22,000,000</u>			

Notes:

- i. Mr. Tam Kam Biu William has resigned as executive director of the Company on 7 April 2014.
- ii. Mr. Tsang Wai Wa has resigned as independent non-executive director of the Company on 14 March 2014.
- iii. Mr. Leung Lap Fu Warren has resigned as non-executive director of the Company on 29 November 2013.
- iv. Mr. Ip Chi Wai has resigned as independent non-executive director of the Company on 14 November 2013.
- v. Mr. Tse Wang Cheung Angus has resigned as independent non-executive director of the Company on 19 November 2013.

- vi. Pursuant to the share option scheme of the Company adopted 27 April 2007, the resigned directors may exercise their options in whole or in part at any time within a period of three months (or such other period as the Board may determine) commencing on the date of resignation and any option not so exercised shall lapse and determine without compensation at the end of such period.
- vii. 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 2014, 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 2014.

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.

As at 31 March 2014, options to subscribe for up to an aggregate of 615,280,000 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 New Share Option Scheme are as follows:

Category of participant	Date of grant	Options to subscribe for shares of the Company					Option exercise period	Exercise price per share
		Outstanding as at 1 January 2014	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 31 March 2014		
Directors	29/5/2007	15,000,000	-	-	(4,000,000)	11,000,000	29/5/2007 to 28/5/2017	HK\$0.450
	21/9/2011	2,750,000	-	-	(750,000)	2,000,000	21/9/2011 to 20/9/2021	HK\$0.172
	10/1/2014	-	9,000,000	-	-	9,000,000	10/1/2014 to 9/1/2024	HK\$0.147
Employees other than the directors	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
	10/1/2014	-	2,000,000	-	-	2,000,000	10/1/2014 to 9/1/2024	HK\$0.147
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
	10/1/2014	-	237,090,000	-	-	237,090,000	10/1/2014 to 9/1/2024	HK\$0.147
Total		<u>371,940,000</u>	<u>248,090,000</u>	<u>-</u>	<u>(4,750,000)</u>	<u>615,280,000</u>		

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 31 March 2014, all options have been vested.
- (ii) During the period, there were no options being exercised and cancelled, but 4,750,000 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 31 March 2014, 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 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 31 March 2014, 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.

INTERESTS IN COMPETING BUSINESS

None of the directors, the controlling shareholders of the Company and their respective associates (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 2014. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed securities during the three months ended 31 March 2014.

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 2014 under review.

MINIMUM NUMBERS OF INDEPENDENT NON-EXECUTIVE DIRECTORS AND AUDIT COMMITTEE MEMBERS

Following the resignation of Mr. Tsang Wai Wa on 14 March 2014, the Company has two independent non-executive directors ("INEDs") and two audit committee members, the number of which fell below the minimum number required under Rule 5.05(1) and Rule 5.28 of the GEM Listing Rules. Further, the number of INED fell below one-third of the Board members as required under Rule 5.05A of the GEM Listing Rules. The Company is actively identifying suitable candidate to fill the vacancy in order to comply with the requirements of the GEM Listing Rules.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

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 2014 under review, the Company has complied with the code provisions of the Corporate Governance Code set out in Appendix 15 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. Chow Wing Tung and Mr. Ko Wai Lun Warren. Mr. Chow Wing Tung 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 2014 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 that adequate disclosures have been made.

APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 12 May 2014.

By order of the Board
Leung Lap Yan
Chairman

Hong Kong, 12 May 2014

As of the date of this report, the Board of the Company comprises Mr. Kwan Kin Chung, Mr. Yu Huaguo, Mr. Poon Yu Keung and Mr. Hung Ching Fung as executive Directors, Mr. Leung Lap Yan as non-executive Director, Mr. Chow Wing Tung and Mr. Ko Wai Lun Warren as independent non-executive Directors.