

Interim 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)

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FINANCIAL HIGHLIGHTS

The Group recorded turnover of HK\$4,574,000 for the six months ended 30 June 2014, representing an increase of 132% from the corresponding period of previous year.

The Group recorded loan interest income of HK\$2,469,000 from provision of financing services for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

The Group recorded HK\$471,000 of OEM licensing revenue for the six months ended 30 June 2014, representing an increase of 27.0% from the corresponding period of previous year (six months ended 30 June 2013: HK\$ 371,000).

Packaged software sales for the six months ended 30 June 2014 was HK\$1,634,000, representing an increase of 2.3% from corresponding period of previous year (six months ended 30 June 2013: HK\$1,598,000).

The Group's total operating expenses for the six months ended 30 June 2014 totalled HK\$7,448,000 representing an increase of 24.4% as compared to the six months ended 30 June 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.

On 9 May 2014, the Company entered into the Warrant Subscription Agreements in relation to the warrant subscription of 496,180,000 unlisted warrants at a issue price HK\$0.015 per warrant conferring rights to subscribe 496,180,000 ordinary shares of the Company at an initial subscription price of HK\$0.16 per share. The warrant subscription was completed on 22 May 2014 and the net proceeds from placing 496,180,000 unlisted warrants amounted to HK\$6,952,000.

The Group recorded a net loss attributable to owners of the Company for the six months ended 30 June 2014 of HK\$20,342,000 (six months ended 30 June 2013: HK\$4,106,000). Loss per share attributable to the owners of the Company for the six months ended 30 June 2014 is HK\$0.82 cents (loss per share for the six months ended 30 June 2013: HK\$0.17 cents).

The unaudited consolidated results for the six months ended 30 June 2014 and the comparison with last year are set out in the accompanying table.

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 2014, together with the unaudited comparative figures for the corresponding periods in 2013 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)

	Notes	Three months ended 30 June		Six months ended 30 June	
		2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Revenue	3				
– Interest income		1,319	–	2,469	–
– Other income		931	1,037	2,105	1,969
		2,250	1,037	4,574	1,969
Cost of sales		(36)	(43)	(71)	(85)
Gross profit		2,214	994	4,503	1,884
Other revenue	4	1	2	1	2
Selling and distribution expenses		(293)	(329)	(634)	(676)
Research and development expenses		(735)	(685)	(1,407)	(1,488)
General and administrative expenses		(2,699)	(1,972)	(5,407)	(3,825)
Equity-settled share-based payment		–	–	(17,398)	–
Other operating expenses		–	(1)	–	(3)
Loss before income tax	5	(1,512)	(1,991)	(20,342)	(4,106)
Income tax expense	6	–	–	–	–
Loss for the period		<u>(1,512)</u>	<u>(1,991)</u>	<u>(20,342)</u>	<u>(4,106)</u>
Loss per share for the period	8				
– Basic (HK\$ cent)		<u>(0.06)</u>	<u>(0.08)</u>	<u>(0.82)</u>	<u>(0.17)</u>
– Diluted (HK\$ cent)		<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

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

	Three months ended		Six months ended	
	30 June		30 June	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss for the period	(1,512)	(1,991)	(20,342)	(4,106)
Other comprehensive income, net of income tax				
Exchange differences arising on translation of foreign operations	3	-	-	1
	<u>3</u>	<u>-</u>	<u>-</u>	<u>1</u>
Total comprehensive expense for the period	<u>(1,509)</u>	<u>(1,991)</u>	<u>(20,342)</u>	<u>(4,105)</u>
Total comprehensive expense attributable to owners of the Company	<u>(1,509)</u>	<u>(1,991)</u>	<u>(20,342)</u>	<u>(4,105)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 June 2014 HK\$'000 (unaudited)	At 31 December 2013 HK\$'000 (audited)
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment	9	445	502
Trade and other receivables			
– non-current portion	11	6,500	6,500
Goodwill		609	609
		<u>7,554</u>	<u>7,611</u>
CURRENT ASSETS			
Inventories	10	55	54
Financial assets at fair value through profit or loss		102	525
Trade and other receivables	11	22,073	19,306
Bank balances and cash		17,163	15,425
		<u>39,393</u>	<u>35,310</u>
CURRENT LIABILITIES			
Other payables and accrued expenses		1,743	2,031
Amounts due to directors		862	556
		<u>2,605</u>	<u>2,587</u>
NET CURRENT ASSETS		<u>36,788</u>	<u>32,723</u>
NET ASSETS		<u>44,342</u>	<u>40,334</u>
CAPITAL AND RESERVES			
Share capital	12	24,809	24,809
Reserves		19,533	15,525
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u>44,342</u>	<u>40,334</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2014

	Reserves								Sub-total HK\$'000	Total HK\$'000
	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		
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	-	-	-	-	-	-	-	(4,106)	(4,106)	(4,106)
Other comprehensive income for the period	-	-	-	-	-	-	1	-	1	1
Total comprehensive expense for the period	-	-	-	-	-	-	1	(4,106)	(4,105)	(4,105)
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 30 June 2013	24,809	155,094	50,841	37	13,887	3,000	(144)	(202,413)	20,302	45,111
At 1 January 2014	24,809	162,957	50,286	37	-	3,000	(143)	(200,612)	15,525	40,334
Loss for the period, representing total comprehensive expense for the period	-	-	-	-	-	-	-	(20,342)	(20,342)	(20,342)
Recognition of share-based payments (Note a)	-	-	17,398	-	-	-	-	-	17,398	17,398
Placement of new warrants (Note b)	-	-	-	-	7,443	-	-	-	7,443	7,443
Transactions cost attributable to issue of warrants (Note b)	-	-	-	-	(491)	-	-	-	(491)	(491)
At 30 June 2014	24,809	162,957	67,684	37	6,952	3,000	(143)	(220,954)	19,533	44,342

Notes:

- 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.
- Warrant reserve represents the proceeds from the placing of 496,180,000 warrants completed on 22 May 2014.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

	Six months ended	
	30 June	
	2014	2013
	HK\$'000	HK\$'000
Net cash used in operating activities	(5,201)	(874)
Net cash used in investing activities	(13)	(4,473)
Net cash generated from financing activities	6,952	45,822
Increase in cash and cash equivalents	1,738	40,475
Cash and cash equivalents at 1 January	15,425	2,668
Cash and cash equivalents at 30 June	<u>17,163</u>	<u>43,143</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 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 six months ended 30 June 2014.

2. Summary of significant 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 2013, 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 unaudited 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 2013.

The unaudited 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 Group has applied the following new and revised Hong Kong Financial Reporting Standards (“HKFR Standards”) and Hong Kong Accounting Standards (“HKASs”) (HKFR Standards and HKASs are collectively referred to as “HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) that are relevant to its operations and effective for annual periods beginning on or after 1 January 2013.

Amendments to HKFRS 10, HKFRS12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – Int 21	Levies

The application of the above new or revised HKFRSs has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

Amendments to HKAS 16 and HKAS 38	Classification of Acceptable Methods of Depreciation and Amortisation ³
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle ¹
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ²
Amendments to HKFRS 11	Accounting for Acquisition of Interests in Joint Operations ³
HKFRS 9	Financial Instruments ²
HKFRS 14	Regulatory Deferral Accounts ³
HKFRS 15	Revenue from Contracts with Customers ⁴

¹ Effective for annual periods beginning on or after 1 July 2014

² Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised

³ Effective for annual periods beginning on or after 1 January 2016

⁴ Effective for annual periods beginning on or after 1 January 2017

The Group will adopt the above new or revised standards, amendments and interpretations to existing standards when they become effective. The Group has already commenced the assessment of the impact to the Group and is not yet in a position to state whether these would have a significant impact on its results of operations and financial position.

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 six months ended 30 June 2014 and 30 June 2013 are as follows:

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Sales of software and embedded system	691	844	1,634	1,598
Licensing income	240	193	471	371
Interest income	1,319	–	2,469	–
	<u>2,250</u>	<u>1,037</u>	<u>4,574</u>	<u>1,969</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 six months ended 30 June 2014 and 30 June 2013:

	Unaudited							
	Six months ended 30 June							
	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	<u>2,105</u>	<u>1,969</u>	<u>-</u>	<u>-</u>	<u>2,469</u>	<u>-</u>	<u>4,574</u>	<u>1,969</u>
Result								
Segment results	<u>373</u>	<u>110</u>	<u>(764)</u>	<u>(1,015)</u>	<u>1,694</u>	<u>-</u>	<u>1,303</u>	<u>(905)</u>
Interest income							1	2
Fair value loss on financial assets at fair value through profit and loss							-	(89)
Write-off of obsolete stocks							-	(1)
Loss on disposal of property, plant and equipment							-	(2)
Equity-settled share- based payment							(17,398)	-
Unallocated expenses							<u>(4,248)</u>	<u>(3,111)</u>
Loss before tax							<u>(20,342)</u>	<u>(4,106)</u>

Revenue reported above represents revenue generated from external customers.

There were no inter-segment sales during the six months ended 30 June 2014 and 30 June 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. Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segments for the six months ended 30 June 2014 and 30 June 2013:

	Unaudited							
	Six months ended 30 June							
	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	
Segment assets	2,064	1,702	1,436	2,531	31,267	-	34,767	4,233
Unallocated assets							12,180	42,669
Total consolidated assets							<u>46,947</u>	<u>46,902</u>
Segment liabilities	(1,374)	(1,346)	(187)	(184)	(147)	-	(1,708)	(1,530)
Unallocated liabilities							(897)	(261)
Total consolidated liabilities							<u>(2,605)</u>	<u>(1,791)</u>

For the purposes of monitoring segment performance and allocating resources between segments:

- All assets are allocated to reportable and operating segments other than assets of head office, including certain property, plant and equipment, prepayments, deposits and other receivables and bank balances and cash.
- All liabilities are allocated to reportable and operating segments other than liabilities of head office, including certain other payables and accrued expenses.

4. Other revenue

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank interest income	<u>1</u>	<u>2</u>	<u>1</u>	<u>2</u>

5. Loss before income tax

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Loss before income tax is arrived at after charging:				
Depreciation of property, plant and equipment	36	25	71	40
Fair value loss on financial assets at fair value through profit and loss	-	54	-	89
Write-off of obsolete inventories*	-	1	-	1
Loss on disposal of property, plant and equipment*	-	-	-	2
	<u>-</u>	<u>-</u>	<u>-</u>	<u>2</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 or derived from Hong Kong during the six months ended 30 June 2014 and 30 June 2013.

No profits taxes have been provided for the subsidiaries which are operating outside Hong Kong during the six months ended 30 June 2014 as these subsidiaries have not generated any assessable profits in the respective jurisdictions (six months ended 30 June 2013: Nil).

As at 30 June 2014, the Group has unused tax losses arising from the Group's subsidiaries approximately HK\$4,000,000 (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.

7. Interim dividend

The Board do not recommend the payment of interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

8. Loss per share

The calculation of the basic loss per share attributable to the owners of the Company is based on the unaudited consolidated loss for the three months and six months ended 30 June 2014 attributable to the owners of the Company of approximately HK\$1,512,000 and HK\$20,342,000 respectively (three months and six months ended 30 June 2013: HK\$1,991,000 and HK\$4,106,000 respectively) and the weighted average number of shares of 2,480,900,000 (three months and six months ended 30 June 2013: 2,406,958,287) ordinary shares of the Company in issue during the periods.

Diluted loss per share for the three months and six months ended 30 June 2014 and 30 June 2013 are not presented because the existence of the outstanding share options during the periods has anti-dilutive effect on the basic loss per share.

9. Property, plant and equipment

There was HK\$14,000 addition of property, plant and equipment for the six months ended 30 June 2014 (six months ended 30 June 2013: HK\$423,000).

10. Inventories

	Unaudited 30 June 2014 HK\$'000	Audited 31 December 2013 HK\$'000
Merchandise	28	17
Finished goods	27	37
	<u>55</u>	<u>54</u>

11. Trade and other receivables

		Unaudited 30 June 2014 HK\$'000	Audited 31 December 2013 HK\$'000
	Notes		
Trade receivables	(i)	398	220
Less: Allowances		—	—
		<u>398</u>	<u>220</u>
Loan and interest receivables	(ii)		
– Personal loans		7,590	12,217
– Mortgage loans		20,024	12,035
		<u>27,614</u>	<u>24,252</u>
Less: Allowances		(86)	(242)
		<u>27,528</u>	<u>24,010</u>
Prepayments		178	266
Deposits		463	494
Other receivables		6	816
		<u>647</u>	<u>1,576</u>
		<u><u>28,573</u></u>	<u><u>25,806</u></u>
Analysed for reporting purposes as:			
Current assets		22,073	19,306
Non-current assets		6,500	6,500
		<u><u>28,573</u></u>	<u><u>25,806</u></u>

Notes:

i. **Trade receivables**

The Group generally allows an average credit period of 30 – 90 days to its customers. The aging analysis of the Group's trade receivables presented based on invoice date was as follows:

	Unaudited 30 June 2014 HK\$'000	Audited 31 December 2013 HK\$'000
0 – 30 days	233	162
31 – 90 days	165	58
	<u>398</u>	<u>220</u>

ii. **Loan and interest receivables**

The loan receivables from customers bore fixed interest rate ranging from 1.4% to 2.7% per month and were payable according to the loan agreements.

The maturity profile of these loan receivables from customers (including interest receivables), net of impairment losses recognised, analysed by the remaining periods to their contracted maturity, is as follows:

	Unaudited 30 June 2014 HK\$'000	Audited 31 December 2013 HK\$'000
Less than 3 months	8,523	2,271
Over 3 months but less than 1 year	12,505	15,239
Over 1 year but less than 3 years	6,500	6,500
	<u>27,528</u>	<u>24,010</u>

12. Share capital

	Number of ordinary shares		Amount	
	2014 '000	2013 '000	2014 HK\$'000	2013 HK\$'000
Share with par value of HK\$0.01 each				
Authorised:				
At 1 January and 30 June	<u>50,000,000</u>	<u>50,000,000</u>	<u>500,000</u>	<u>500,000</u>
Issued and fully paid:				
At 1 January	2,480,900	2,050,825	24,809	20,508
Placing of new shares	–	400,000	–	4,000
Issue of shares upon exercise of warrants subscription rights	–	30,075	–	301
At 30 June	<u>2,480,900</u>	<u>2,480,900</u>	<u>24,809</u>	<u>24,809</u>

13. Warrants

On 9 May 2014, the Company entered into the conditional warrant subscription agreements with not less than six warrant subscribers in relation to the warrant subscription of a total of 496,180,000 warrants by the warrant subscribers, at the warrant issue price of HK\$0.015 per warrant, conferring rights to subscribe up to 496,180,000 new ordinary shares of the Company at an initial subscription price of HK\$0.16 per new share for a period of two years commencing from the date of issue of the Warrants. The warrant subscription was completed on 22 May 2014. An aggregate of 496,180,000 warrants, which are exercisable during two years from 22 May 2014 to 21 May 2016 (both days inclusive), have been issued to the warrant subscribers.

The following table disclosed details of the Company's warrants issued during the period:

Date of grant	Exercise price HK\$	Exercise period	Number of warrants				Outstanding at 30 June 2014
			Outstanding at 1 January 2014	Granted during the period	Exercised during the period	Lapsed during the period	
22/5/2014	0.16	22/5/2014 to 21/5/2016	–	496,180,000	–	–	496,180,000

At 30 June 2014, the Company had 496,180,000 warrants outstanding. The exercise in full of such warrants would, under the present capital structure of the Company, result in the issue of 496,180,000 additional shares of HK\$0.01 each.

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.

	2014	2014	2013	2013
		Weighted		Weighted
	Number	average	Number	average
		exercise		exercise
		price		price
		HK\$		HK\$
Exercisable period:				
At 1 January				
29/5/2007 to 28/5/2017	181,190,000	0.450	184,190,000	0.450
21/9/2011 to 20/9/2021	190,750,000	0.172	191,000,000	0.172
	<u>371,940,000</u>		<u>375,190,000</u>	
Granted during the periods				
10/1/2014 to 9/1/2024	248,090,000	0.147	–	
Lapsed during the periods				
29/5/2007 to 28/5/2017	(4,000,000)	0.450	–	
21/9/2011 to 20/9/2021	(750,000)	0.172	–	
	<u>(4,750,000)</u>		<u>–</u>	
At 30 June				
29/5/2007 to 28/5/2017	177,190,000	0.450	184,190,000	0.450
21/9/2011 to 20/9/2021	190,000,000	0.172	191,000,000	0.172
10/1/2014 to 9/1/2024	248,090,000	0.147	–	
	<u>615,280,000</u>		<u>375,190,000</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 10 January 2014 of approximately HK\$17,398,000 was included in the unaudited condensed consolidated statement of profit or loss for the six months ended 30 June 2014.

The fair value of services received from consultants was measured indirectly, by reference to the fair value of the options granted as the fair value of the services received could not be estimated reliably by the Company.

15. Commitments

(a) Capital commitments

As at 30 June 2014, the Group had no capital commitment (31 December 2013: 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 2014 HK\$'000	Audited 31 December 2013 HK\$'000
Within one year	1,045	1,502
In the second to the fifth year inclusive	110	408
	<u>1,155</u>	<u>1,910</u>

16. Material related party transactions

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:

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Information technology service income received: – Culture.com Technology Limited	<u>–</u>	<u>60</u>	<u>–</u>	<u>120</u>

Note:

The Group received service income from Culture.com Technology Limited, which is a subsidiary of Culturecom Holdings Limited, one of the substantial shareholders of the Company, for the IT services provided.



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 placing of new shares and issuance of warrants as the sources of funding. The Group keeps most of its cash in Hong Kong dollars in the bank accounts and a minimum amount of cash in Renminbi in the bank account of its subsidiary in the PRC as working capital of the Group.

The Group had no credit facilities and no borrowing outstanding as at 30 June 2014 (31 December 2013: Nil).

There was no charge on the Group's assets as at 30 June 2014 (31 December 2013: Nil).

The Group had no debt as at 30 June 2014 (31 December 2013: Nil).

The gearing ratio of the Group, based on total debt to total equity, was nil as at 30 June 2014 (31 December 2013: Nil).

Order book

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

Investment

There was no significant investment made during the six months ended 30 June 2014 (30 June 2013: Nil).

Acquisition, disposal of subsidiary and affiliated companies

The Group did not have any material acquisition or disposal of subsidiaries or affiliated companies for the six months ended 30 June 2014. (30 June 2013: one).

Employee information

As at 30 June 2014, the Group employed 38 staff (30 June 2013: 27). Total staff costs, including directors' emoluments were approximately HK\$4.8 million for the six months ended 30 June 2014 as compared with that of approximately HK\$3.1 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 bonuses 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

While the Group will continue to identify new business opportunities and diversify its business to new business segment so as to derive new sources of revenue and profits, 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 financial statements 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 2014 (31 December 2013: Nil).

BUSINESS REVIEW AND PROSPECTS


The consolidated turnover of the Company and its subsidiaries for six months ended 30 June 2014, amounted to HK\$4,574,000, representing an increase of 132% from corresponding period of previous year. Loss attributable to owners of the Company for the six months ended 30 June 2014 was HK\$20,342,000 compared to a loss of HK\$4,106,000 for the corresponding period of previous year. The loss per share was HK\$0.82 cents (six months ended 30 June 2013: loss per share of HK\$0.17 cents).

The Group recorded loan interest income of HK\$2,469,000 from provision of financing services for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

The Group recorded HK\$471,000 of OEM licensing revenue for the six months ended 30 June 2014, representing an increase of 27.0% from the corresponding period of previous year (six months ended 30 June 2013: HK\$371,000).

Packaged software sales for the six months ended 30 June 2014 was HK\$1,634,000, representing an increase of 2.3% from corresponding period of previous year (six months ended 30 June 2013: HK\$ 1,598,000).

The Group's total operating expenses for the six months ended 30 June 2014 totalled HK\$7,448,000 representing an increase of 24.4% as compared to the six months ended 30 June 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.

Encouraging results from newly acquired business segment of provision of financing services contributed a remarkable profit to the Group for the six months ended 30 June 2014. The performance of sales and licensing of software and embedded systems experienced an improvement compared to the performance for the six months ended 30 June 2013. The management of 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.

WARRANTS

On 9 May 2014, the Company entered into the conditional warrant subscription agreements with not less than six warrant subscribers in relation to the warrant subscription of a total of 496,180,000 unlisted warrants by the warrant subscribers, at the warrant issue price of HK\$0.015 per warrant, conferring rights to subscribe up to 496,180,000 new ordinary shares of the Company at an initial subscription price of HK\$0.16 per new share for a period of two years commencing from the date of issue of the warrants. The warrant subscription was completed on 22 May 2014. An aggregate of 496,180,000 unlisted warrants, which are exercisable during two years from 22 May 2014 to 21 May 2016 (both days inclusive), have been issued to the warrant subscribers. Please refer to the Company's announcements dated 9 May 2014 and 22 May 2014 for the details of the warrant subscription.

As at 30 June 2014, the Company had not yet used the net proceeds of the warrant subscription. The net proceeds from the warrant subscription of approximately HK\$6,952,000 and the net proceeds from the full exercise of warrants of approximately HK\$79,380,000 will be applied as general working capital of the Group.

None of the warrants had been exercised during the period ended 30 June 2014.



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

As at 30 June 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 30 June 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 30 June 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%
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	

Options to subscribe for shares of the Company									
Directors	Date of grant	Outstanding	Granted	Exercised	Lapsed	Outstanding	Option exercise period	Exercise price per share	Approximate percentage of shareholding
		as at 1 January 2014	during the period	during the period	during the period	as at 30 June 2014			
Chow Wing Tung	10/1/2014	-	1,000,000	-	-	1,000,000	10/1/2014 to 9/1/2024	HK\$0.147	0.04%
Tam Kam Biu William (Notes (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	
Tsang Wai Wa (Notes (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 (Notes (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 (Notes (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 (Notes (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 resigned as executive director of the Company on 7 April 2014.
- ii. Mr. Tsang Wai Wa resigned as independent non-executive director of the Company on 14 March 2014. The Board approved to extend the exercisable period of his share options for six months from the date of his resignation. The extension of the exercisable period to Mr. Tsang Wai Wa will expire on 13 September 2014.
- iii. Mr. Leung Lap Fu Warren resigned as non-executive director of the Company on 29 November 2013.
- iv. Mr. Ip Chi Wai resigned as independent non-executive director of the Company on 14 November 2013.
- v. Mr. Tse Wang Cheung Angus 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 30 June 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 30 June 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 30 June 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 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 2014	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			
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 30 June 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 30 June 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 30 June 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 six months ended 30 June 2014. Neither the Company nor any of its subsidiaries purchased or sold of the Company's listed securities during the six months ended 30 June 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 six months ended 30 June 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 had two independent non-executive directors 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 independent non-executive director fell below one-third of the Board members as required under Rule 5.05A of the GEM Listing Rules.

After the appointment of Mr. Tse On Kin as independent non-executive director of the Company on 10 June 2014, the Company has then complied with the Rule 5.05(1), Rule 5.28 and Rule 5.05A 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 six months ended 30 June 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 except the following deviation:

Code Provision E.1.2

Under the code provision E.1.2, the chairman of the Board should attend the annual general meeting. The former chairman of the Board, Mr. Leung Lap Yan, who stepped down from his position of the chairman of the Board on 10 June 2014, was unable to attend the annual general meeting of the Company held on 20 May 2014 as he was on business trip for other important business engagement. However, the managing director of the Company, present at the annual general meeting who then took the chair of that meeting in accordance with the Memorandum and Articles of Association of the Company.

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. Chow Wing Tung, Mr. Ko Wai Lun Warren and Mr. Tse On Kin. 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 six months ended 30 June 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 11 August 2014.

By order of the Board
China Bio Cassava Holdings Limited
KWAN KIN CHUNG
Managing Director

Hong Kong, 11 August 2014

As at the date of this report, the Board 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. Tse On Kin as Chairman and independent non-executive director and Mr. Chow Wing Tung and Mr. Ko Wai Lun Warren as independent non-executive directors.