

Third 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 turnover of HK\$6,894,000 for the nine months ended 30 September 2014, representing an increase of 93.7% from the corresponding period of previous year.

The Group recorded loan interest income of HK\$3,721,000 from provision of financing services for the nine months ended 30 September 2014 (nine months ended 30 September 2013: HK\$410,000).

The Group recorded HK\$713,000 of OEM licensing revenue for the nine months ended 30 September 2014, representing an increase of 23.6% from the corresponding period of previous year (nine months ended 30 September 2013: HK\$577,000).

Packaged software sales for nine months ended 30 September 2014 was HK\$2,460,000, representing a decrease of 4.4% from corresponding period of previous year (nine months ended 30 September 2013: HK\$2,573,000).

The Group's total operating expenses for the nine months ended 30 September 2014 totalled HK\$11,218,000 representing an increase of 12.6% as compared to the nine months ended 30 September 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 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 subscription of 496,180,000 unlisted warrants at an issue price HK\$0.015 per warrant conferring rights to subscribe for 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 the placing of 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 nine months ended 30 September 2014 of HK\$21,836,000 (nine months ended 30 September 2013: HK\$6,519,000). Loss per share attributable to the owners of the Company for the nine months ended 30 September 2014 is HK0.88 cents (loss per share for the nine months ended 30 September 2013: HK0.27 cents).

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

NINE MONTHS RESULTS (UNAUDITED)

The board of directors (the "Board") of China Bio Cassava Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the three months and nine months ended 30 September 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		Nine months ended	
		30 September 2014	2013	30 September 2014	2013
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	3				
– Interest Income		1,252	410	3,721	410
– Other Income		1,068	1,181	3,173	3,150
		2,320	1,591	6,894	3,560
Cost of sales		(45)	(43)	(116)	(128)
Gross profit		2,275	1,548	6,778	3,432
Other revenue	4	1	9	2	11
Selling and distribution expenses		(312)	(541)	(946)	(1,217)
Research and development expenses		(673)	(676)	(2,080)	(2,164)
General and administrative expenses		(2,785)	(2,746)	(8,192)	(6,571)
Equity-settled share-based payment		–	–	(17,398)	–
Other operating expenses		–	(7)	–	(10)
Loss before income tax	5	(1,494)	(2,413)	(21,836)	(6,519)
Income tax expense	6	–	–	–	–
Loss for the period		(1,494)	(2,413)	(21,836)	(6,519)
Loss per share for the period 8					
– Basic (HK cents)		(0.06)	(0.10)	(0.88)	(0.27)
– Diluted (HK cents)		N/A	N/A	N/A	N/A

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

	Three months ended		Nine months ended	
	30 September		30 September	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss for the period	(1,494)	(2,413)	(21,836)	(6,519)
Other comprehensive income, net of income tax				
Exchange differences arising on translation of foreign operations	2	-	2	1
Total comprehensive expense for the period	<u>(1,492)</u>	<u>(2,413)</u>	<u>(21,834)</u>	<u>(6,518)</u>
Total comprehensive expense attributable to owners of the Company	<u>(1,492)</u>	<u>(2,413)</u>	<u>(21,834)</u>	<u>(6,518)</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the nine months ended 30 September 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	-	-	-	-	-	-	-	(6,519)	(6,519)	(6,519)
Other comprehensive income for the period	-	-	-	-	-	-	1	-	1	1
Total comprehensive expense for the period	-	-	-	-	-	-	1	(6,519)	(6,518)	(6,518)
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 September 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>(204,826)</u>	<u>17,889</u>	<u>42,698</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	-	-	-	-	-	-	-	(21,836)	(21,836)	(21,836)
Other comprehensive income for the period	-	-	-	-	-	-	2	-	2	2
Total comprehensive expense for the period	-	-	-	-	-	-	2	(21,836)	(21,834)	(21,834)
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)
Exercise of share options	12	287	(109)	-	-	-	-	-	178	190
Lapsed of share options	-	-	(1,791)	-	-	-	-	1,791	-	-
At 30 September 2014	<u>24,821</u>	<u>163,244</u>	<u>65,784</u>	<u>37</u>	<u>6,952</u>	<u>3,000</u>	<u>(141)</u>	<u>(220,657)</u>	<u>18,219</u>	<u>43,040</u>

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 unlisted warrants completed on 22 May 2014.

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 nine months ended 30 September 2014.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated third quarterly financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value. The accounting policies and basis of preparation adopted in these third quarterly financial statements are consistent with those adopted in the Group's annual financial statements for the year ended 31 December 2013, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (which include individual HKFRSs, Hong Kong Accounting Standards ("HKAS") and Interpretations).

The unaudited condensed consolidated third quarterly financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2013.

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

The 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, HKFRS 12 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 condensed consolidated financial statements.

The Group has not 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 three months and nine months ended 30 September 2014 and 30 September 2013 are as follows:

	Unaudited		Unaudited	
	Three months ended 30 September		Nine months ended 30 September	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sales of software and embedded system	826	975	2,460	2,573
Licensing income	242	206	713	577
Interest income	1,252	410	3,721	410
	<u>2,320</u>	<u>1,591</u>	<u>6,894</u>	<u>3,560</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 nine months ended 30 September 2014 and 30 September 2013:

	Unaudited							
	Nine months ended 30 September							
	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>3,173</u>	<u>3,150</u>	<u>-</u>	<u>-</u>	<u>3,721</u>	<u>410</u>	<u>6,894</u>	<u>3,560</u>
Result								
Segment results	<u>554</u>	<u>467</u>	<u>(1,090)</u>	<u>(1,321)</u>	<u>2,520</u>	<u>(480)</u>	1,984	(1,334)
Interest income							2	2
Sundry income							-	9
Fair value loss on financial assets at fair value through profit and loss							-	(45)
Loss on disposal of property, plant and equipment							-	(9)
Write-off of obsolete inventories							-	(1)
Equity-settled share-based payment							(17,398)	-
Unallocated expenses							<u>(6,424)</u>	<u>(5,141)</u>
Loss before income tax							<u>(21,836)</u>	<u>(6,519)</u>

Revenue reported above represents revenue generated from external customers.

There were no inter-segment sales during the nine months ended 30 September 2014 and 30 September 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 nine months ended 30 September 2014 and 30 September 2013:

	Unaudited Nine months ended 30 September							
	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	2,202	1,464	1,110	2,593	34,088	37,217	37,400	41,274
Unallocated assets							8,328	3,157
Total consolidated assets							45,728	44,431
Segment liabilities	(1,288)	(1,351)	(187)	(183)	(142)	(48)	(1,617)	(1,582)
Unallocated liabilities							(1,071)	(151)
Total consolidated liabilities							(2,688)	(1,733)

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 Three months ended 30 September		Unaudited Nine months ended 30 September	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank interest income	1	–	2	2
Recovery of bad debt	–	1	–	1
Sundry income	–	8	–	8
	1	9	2	11

5 LOSS BEFORE INCOME TAX

	Unaudited		Unaudited	
	Three months ended 30 September 2014		Nine months ended 30 September 2014	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss before income tax is arrived at after charging:				
Depreciation of property, plant and equipment	37	38	108	78
Fair value (gain) loss on financial assets at fair value through profit and loss	-	(44)	-	45
Write-off of obsolete inventories*	-	-	-	1
Loss on disposal of property, plant and equipment*	-	7	-	9
	<u>-</u>	<u>7</u>	<u>-</u>	<u>9</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 nine months ended 30 September 2014 and 30 September 2013.

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

As at 30 September 2014, the Group has unused tax losses arising from the Group's subsidiaries approximately HK\$3,000,000 (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 does not recommend the payment of an interim dividend for the nine months ended 30 September 2014 (nine months ended 30 September 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 nine months ended 30 September 2014 attributable to the owners of the Company of approximately HK\$1,494,000 and HK\$21,836,000 respectively (three months and nine months ended 30 September 2013: HK\$2,413,000 and HK\$6,519,000 respectively) and the weighted average number of shares of 2,480,965,068 (three months and nine months ended 30 September 2013: 2,431,876,374) ordinary shares of the Company in issue during the periods.

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

BUSINESS REVIEW AND PROSPECTS

The consolidated turnover of the Company and its subsidiaries for nine months ended 30 September 2014, amounted to HK\$6,894,000, representing an increase of 93.7% from corresponding period of previous year. Loss attributable to owners of the Company for the nine months ended 30 September 2014 was HK\$21,836,000 compared to a loss of HK\$6,519,000 for the corresponding period of previous year. The loss per share was HK0.88 cents (nine months ended 30 September 2013: loss per share of HK0.27 cents).

The Group recorded loan interest income of HK\$3,721,000 from provision of financing services for the nine months ended 30 September 2014 (nine months ended 30 September 2013: HK\$410,000).

The Group recorded HK\$713,000 of OEM licensing revenue for the nine months ended 30 September 2014, representing an increase of 23.6% from the corresponding period of previous year (nine months ended 30 September 2013: HK\$577,000).

Packaged software sales for nine months ended 30 September 2014 was HK\$2,460,000, representing a decrease of 4.4% from corresponding period of previous year (nine months ended 30 September 2013: HK\$2,573,000).

The Group's total operating expenses for the nine months ended 30 September 2014 totalled HK\$11,218,000 representing an increase of 12.6% as compared to the nine months ended 30 September 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 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 subscription of 496,180,000 unlisted warrants at an issue price HK\$0.015 per warrant conferring rights to subscribe for 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 the placing of 496,180,000 unlisted warrants amounted to HK\$6,952,000.

Provision of financing services continues to contribute a remarkable revenue and profit to the Group. Sales and licensing of software and embedded systems maintained at a similar performance compared to the corresponding period of previous year. Management will continue to explore more opportunities for growth in all segments of business and provide all necessary supports to all existing businesses.

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 30 September 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 September 2014, there were a total of 14,300,000 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 September 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%

Options to subscribe for shares of the Company									
Directors	Date of grant	Outstanding	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding	Option exercise period	Exercise price per share	Approximate percentage of shareholding
		as at 1 January 2014				as at 30 September 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%
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	-
	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	
Leung Lap Fu Warren (Notes (ii) 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 (iii) 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 (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	
Tsang Wai Wa (Notes (v) below)	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	
Total		<u>17,750,000</u>	<u>9,000,000</u>	<u>(1,250,000)</u>	<u>(11,200,000)</u>	<u>14,300,000</u>			



Notes:

- i. Mr. Tam Kam Biu William resigned as executive director of the Company on 7 April 2014.
- ii. Mr. Leung Lap Fu Warren resigned as non-executive director of the Company on 29 November 2013.
- iii. Mr. Ip Chi Wai resigned as independent non-executive director of the Company on 14 November 2013.
- iv. Mr. Tse Wang Cheung Angus resigned as independent non-executive director of the Company on 19 November 2013.
- v. Mr. Tsang Wai Wa resigned as independent non-executive director of the Company on 14 March 2014.
- 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 September 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 September 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 September 2014, options to subscribe for up to an aggregate of 607,580,000 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 September 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	Outstanding as at 30 September 2014			
Directors	29/5/2007	15,000,000	-	-	(9,000,000)	6,000,000	29/5/2007 to 28/5/2017	HK\$0.450	
	21/9/2011	2,750,000	-	(250,000)	(1,000,000)	1,500,000	21/9/2011 to 20/9/2021	HK\$0.172	
	10/1/2014	-	9,000,000	(1,000,000)	(1,200,000)	6,800,000	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>(1,250,000)</u>	<u>(11,200,000)</u>	<u>607,580,000</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 September 2014, all options have been vested.
- (ii) During the period, there were no option being cancelled, but 1,250,000 options were exercised and 11,200,000 options were lapsed.

Details of options granted to directors of the Company under the Share Option Scheme are set out in the sub-section headed "Long Position in Underlying Shares of the Company" under the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures".

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

As at 30 September 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	21.14%
Culturecom Holdings Limited (Note)	524,622,500	21.14%

Note:

Winway H.K. Investments Limited is a wholly-owned subsidiary of Culturecom Investments Limited, which is, in turn, a wholly-owned subsidiary of Culturecom Holdings (BVI) Limited. Culturecom Holdings (BVI) Limited is a wholly-owned subsidiary of Culturecom Holdings Limited. Each of Culturecom Investments Limited, Culturecom Holdings (BVI) Limited and Culturecom Holdings Limited is deemed to be interested in 524,622,500 shares through its controlling interest (100%) in Winway H.K. Investments Limited.

Save as disclosed above, as at 30 September 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 nine months ended 30 September 2014. Neither the Company nor any of its subsidiaries purchased or sold of the Company's listed securities during the nine months ended 30 September 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 nine months ended 30 September 2014 under review.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain a high standard of corporate governance. Maintaining a good and solid framework of corporate governance will ensure the Company to run its business in the best interests of the shareholders. Throughout the nine months ended 30 September 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 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 nine months ended 30 September 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 November 2014.

By order of the Board
Kwan Kin Chung
Managing Director

Hong Kong, 11 November 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.