
THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about this prospectus, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

A copy of this prospectus, together with the documents specified under the paragraph headed "Documents delivered to the Registrar of Companies" in Appendix IV, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) of Hong Kong.

The Registrar of Companies in Hong Kong and the Securities and Futures Commission of Hong Kong take no responsibility as to the contents of this prospectus.

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, 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 prospectus.



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)

PRIVATE PLACING OF UP TO 800,000,000 LISTED WARRANTS IN REGISTERED FORM HAVING RIGHTS TO SUBSCRIBE FOR SHARES IN THE SHARE CAPITAL OF THE COMPANY AT THE INITIAL SUBSCRIPTION PRICE OF HK\$0.059 PER SHARE

Financial adviser to the Company



KINGSTON CORPORATE FINANCE LTD.

Placing Agent



KINGSTON SECURITIES LTD.

This prospectus is published for the purpose of obtaining the listing on the Stock Exchange of all warrants to be issued by China Bio Cassava Holdings Limited (the "Company") and contains particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company and its subsidiaries and such warrants. Application has been made to the Stock Exchange for the listing of and permission to deal in the warrants to be issued by the Company and the shares of the Company falling to be issued on exercise of the subscription rights attaching to such warrants. Commencement of dealings in the warrants are expected to be on 18 February 2011.

It should be noted that the Placing Agreement in relation to the placing of warrants to be issued by the Company contains provisions entitling Kingston Securities Limited to terminate its obligations thereunder, among others on the occurrence of certain events, which result in a material adverse change in the political, economic or stock market conditions in Hong Kong in the context of the placing of the warrants and which materially affect the success of the placing of warrants or any breach of warranties and representations on the part of the Company under the Placing Agreement which is material in the context of the placing of warrants prior to 5:30 p.m. on the date of completion of the Placing Agreement. If the obligations of Kingston Securities Limited under the Placing Agreement are so terminated, the placing of warrants will not proceed.

Dealings in the warrants to be issued by the Company and the shares of the Company falling to be issued on the exercise of subscription rights attached to the warrants may be settled through the Central Clearing and Settlement System ("CCASS") established and operated by the Hong Kong Securities Clearing Company Limited ("HKSCC"). You should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser for details of the settlement arrangements and how such arrangements may affect your rights and interests. Subject to the granting of the listing of and permission to deal in the warrants to be issued by the Company and the shares of the Company falling to be issued on the exercise of subscription rights attached to such warrants on the Stock Exchange, as well as the compliance with the stock admission requirements of HKSCC, the warrants and the Shares which may fall to be issued upon the exercise of the subscription rights attaching to the Warrants will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the warrants on the Stock Exchange, or, under contingent situation, such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

24 January 2011

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EXPECTED TIMETABLE

2011

Despatch of the prospectus (for information of the Shareholders only)	Monday, 24 January
Placing closes	4:00 p.m. on Tuesday, 1 February
Latest time for submitting the application forms for the Warrants accompanied by appropriate remittances	Wednesday, 9 February
Warrant certificates to be despatched on or before	Wednesday, 16 February
Latest time for the Placing Agent to exercise its right to terminate the Placing Agreement	5:30 p.m. on Wednesday, 16 February
Announcement of the level of indication of interest in the Placing to be published on the websites of the Company and the Stock Exchange on or before	Wednesday, 16 February
Dealings in the Warrants on the Stock Exchange commence	Friday, 18 February

Note: All times as disclosed in this prospectus refer to Hong Kong time.

The dates and times specified above are indicative only and are subject to change. The Company will notify the Shareholders of any change thereto as and when appropriate.

CHARACTERISTICS OF GEM

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.

PRELIMINARY

THIS PROSPECTUS IS ALSO SENT OR DELIVERED TO THE SHAREHOLDERS OF THE COMPANY FOR INFORMATION PURPOSES ONLY. SHAREHOLDERS OF THE COMPANY SHOULD NOTE THAT THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER OR INVITATION ON BEHALF OF THE COMPANY BY THE PLACING AGENT, OR ANY OTHER PARTY INVOLVED IN THE PLACING TO APPLY FOR OR TO TAKE UP ANY WARRANTS, SHARES OR ANY OTHER SECURITIES OF THE COMPANY.

This prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Group and the Warrants. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus 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 prospectus misleading.

This prospectus is published in connection with the Placing, being an offer of Warrants carrying rights to subscribe for Shares, subject to the terms and conditions set out or referred to herein. Each potential purchaser of the Warrants should determine the relevance of the information contained in this prospectus and any purchase of the Warrants should be based on such information as each purchaser deems necessary. The Placing Agent does not undertake to review the financial condition or affairs of the Company during the term of the Warrants or to advise any investor or potential investor in the Warrants of any information which come to their attention. No action has been taken in any jurisdiction other than Hong Kong to permit an offering of the Warrants or the distribution of this prospectus and the Application Form. Accordingly, this prospectus and the Application Form may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction other than Hong Kong or in any circumstances in which such offer or invitation is not authorised or to any person to whom it is unlawful to make such offer to invitation except under such circumstances that will result in compliance with any applicable laws or regulations.

No person has been authorised to give any information or to make any representation not contained in this prospectus in connection with the Placing or the Warrants and, if given or made, such information or representation must not be relied upon as having been authorised by the Company, the Placing Agent, or any other party involved in the Placing. Neither the delivery of this prospectus and the Application Form nor any issue or sale of any Warrants shall under any circumstances create any implication that there has been no change in the affairs of the Company or any of its subsidiaries since the date hereof. This prospectus together with the Application Form does not constitute, and may not be used for the purpose of, an offer or solicitation by anyone in any jurisdiction other than Hong Kong in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation and no action is being taken to permit an offering of the Warrants or the distribution of this prospectus in any jurisdiction where any such action is required.

The Stock Exchange and HKSCC have made no assessment of, nor does either of them take any responsibility for, the financial soundness of the Company or merits of investing in the Warrants, nor has either of them verified the accuracy or the truthfulness of statements made or opinions expressed in this prospectus.

PRELIMINARY

The distribution of this prospectus and the Application Form and the offering, sale, issue and delivery of the Warrants in certain jurisdictions may be restricted by law. Persons into whose possession this prospectus and the Application Form have come are required by the Company to inform themselves of and to observe, any such restrictions.

Investors subscribing for or purchasing the Warrants are required to pay the Placing Price plus 1% brokerage, a 0.003% SFC transaction levy and a 0.005% Stock Exchange trading fee.

Application has been made to the Stock Exchange for the listing of and permission to deal in the Warrants and the Shares falling to be issued on the exercise of Subscription Rights on the Stock Exchange. No Shares or Warrants are listed or dealt in on any other stock exchange and the Company is not currently seeking to list the Shares or Warrants on any other stock exchange.

Subject to the granting of the listing of and permission to deal in the Warrants and the Shares which may fall to be issued on the exercise of Subscription Rights on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Warrants and Shares which may fall to be issued on the exercise of Subscription Rights will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Warrants on the Stock Exchange or, under contingent situation, such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Potential Warrantholders are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of holding the Warrants or exercising their rights thereunder. It is emphasised that none of the Company, the Directors or any other party involved in the Placing accepts responsibility for any tax effects on, or liabilities of, the Warrantholders resulting from the subscription, purchase, holding or disposal of, the Warrants and/or exercise of any rights attaching to the Warrants.

EACH SUBSCRIBER OR PURCHASER OF THE WARRANTS MUST COMPLY WITH ALL APPLICABLE LAWS AND REGULATIONS IN FORCE IN EACH JURISDICTION IN WHICH IT SUBSCRIBES, PURCHASES, OFFERS OR SELLS THE WARRANTS OR POSSESSES OR DISTRIBUTES THIS PROSPECTUS AND THE APPLICATION FORM AND MUST OBTAIN ANY CONSENT, APPROVAL OR PERMISSION REQUIRED BY IT FOR THE SUBSCRIPTION, PURCHASE, OFFER OR SALE OF THE WARRANTS UNDER THE LAWS AND REGULATIONS IN FORCE IN ANY JURISDICTION TO WHICH IT IS SUBJECT OR IN WHICH IT MAKES SUCH SUBSCRIPTION, PURCHASE, OFFER OR SALE, AND NONE OF THE COMPANY, THE PLACING AGENT, THE PLACING MANAGER AND ANY OTHER PERSONS INVOLVED IN THE PLACING SHALL HAVE ANY RESPONSIBILITY THEREFOR.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following expressions shall have the following meanings:

“Announcement”	the Company’s announcement dated 29 December 2010 in relation to the Placing
“Application Form”	the application form for the application of the Warrants in relation to the Placing
“Board”	the board of Directors
“Business Day(s)”	a day (excluding Saturday, Sunday and public holiday) on which licensed banks in Hong Kong are generally open for business during their normal business hours
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Company”	China Bio Cassava Holdings Limited, a company incorporated in Cayman Islands with limited liability, the issued Shares of which are listed on the GEM
“Completion Date”	not later than three Business Days following the fulfillment of conditions of the Placing or such later date as the parties to the Placing Agreement may agree. Relevant information is set out under the paragraph headed “Conditions of the Placing” under the section headed “The Placing” of this prospectus
“Director(s)”	director(s) of the Company
“Exercise Moneys”	in relation to any Warrant, the amount stated on the certificate for such Warrant as the amount in cash which the registered holder of such Warrant is entitled to subscribe for Shares upon the exercise in full of the Subscription Rights represented thereby
“General Mandate”	the general mandate granted by the Shareholders at the annual general meeting of the Company held on 18 May 2010 to the Directors to allot, issue or deal with not exceeding 20% of the issued Shares at the time of the grant of the mandate
“GEM”	the Growth Enterprises Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM

DEFINITIONS

“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Instrument”	a separate instrument to be executed by the Company by way of a deed poll containing terms of the Warrants, including the adjustment mechanisms of the initial subscription price for Shares
Latest Practicable Date”	21 January 2011, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information herein
“Placing”	the placing of up to 800,000,000 Warrants, on a best effort basis, by the Placing Agent pursuant to the Placing Agreement
“Placing Agent”	Kingston Securities Limited, a licensed corporation to carry out business in type 1 (dealing in securities) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Placing Agreement”	the conditional placing agreement dated 29 December 2010 entered into by the Company and the Placing Agent in relation to the Placing
“Placing Price”	HK\$0.01, being the issue price per Warrant payable in full on application under the Placing
“PRC”	the People’s Republic of China which shall, for the purpose of this prospectus, exclude Hong Kong, the Macau Special Administration Region of the PRC and Taiwan
“Registrar”	Union Registrars Limited, the Company’s branch registrar and transfer office as for the time being maintained in Hong Kong maintaining the register of members of the Company
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shares”	ordinary share(s) of HK\$0.0025 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares

DEFINITIONS

“Share Options”	the share option(s) granted under the share option scheme(s) adopted by the Company on 27 April 2007
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Date”	in relation to any Warrant, the close of business on any Business Day falling during the Subscription Period on which any of the Subscription Rights represented by such Warrant are duly exercised
“Subscription Form”	in relation to any Warrant, the form endorsed on each Warrant certificate in respect thereof (or a separate form to be obtained from the office of the Registrar)
“Subscription Period”	the two-year period from the date of commencement of dealings of the Warrants on the Stock Exchange, which is expected to be from 18 February 2011 to 17 February 2013 (or the last Business Day before 17 February 2013 if 17 February 2013 is not a Business Day), both days inclusive
“Subscription Price”	the sum payable in respect of each Share to which the registered holder of each Warrant will be entitled upon exercise of the Subscription Rights represented thereby, being HK\$0.059 or such adjusted price as may for the time being be applicable
“Subscription Rights”	the rights of the holders of the Warrants represented by the Warrants to subscribe in aggregate up to HK\$47,200,000 for Shares pursuant to the Warrants
“Warrant(s)”	warrant(s) of the Company in registered form, each conferring rights to holder(s) thereof to subscribe for one Share at an initial subscription price of HK\$0.059 (subject to adjustments which details are set out in Appendix I to this prospectus) at any time during the Subscription Period
“Warrantholder(s)”	holder(s) of the Warrants
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	percent.

SUMMARY OF THE PLACING

The information in this section is only a summary of the Placing and should be read in conjunction with, and is qualified by reference to, the other information set out in this prospectus:

Issuer:	China Bio Cassava Holdings Limited
Placing Agent:	Kingston Securities Limited
The Warrants:	<p>800,000,000 Warrants in registered form conferring rights to subscribe up to HK\$47,200,000 in aggregate in cash for up to 800,000,000 Shares at the Subscription Price.</p> <p>As at the Latest Practicable Date, the Company has 8,203,300,000 Shares in issue, the 800,000,000 Shares to which the 800,000,000 Warrants relate upon full exercise, represented approximately 9.75% of the existing issued share capital of the Company and approximately 8.89% of the issued share capital as enlarged by the allotment and issue of the 800,000,000 Shares to which the Warrants relate, which Shares will rank pari passu in all respects with the Shares in issue on the relevant Subscription Date.</p>
Placing Price:	HK\$0.01 per Warrant
Placing basis:	On a best efforts basis
Conditions of the Placing:	The Placing is conditional on the satisfaction of the conditions set out in the paragraph headed “Conditions of the Placing” in the section headed “The Placing” of this prospectus.
Use of proceeds:	The maximum net proceeds from the Placing will be approximately HK\$7,030,000 which are intended to be used by the Group as general working capital of the Group which will be mainly used for the administration and relevant overhead expenses and any additional proceeds from the issue of the new Shares upon the exercise of the Subscription Rights in future up to a maximum amount of approximately HK\$47,200,000 will be applied as general working capital which will be used for (1) promotion of the Company’s products and services (2) the administration and relevant overhead expenses.
Board lot:	The board lot for trading in the Warrants is 200,000 units conferring rights to subscribe for 200,000 Shares at HK\$11,800 in cash on the basis of the Subscription Price of HK\$0.059 per Share (subject to adjustments which details are set out in Appendix I to this prospectus).

SUMMARY OF THE PLACING

Form: The 800,000,000 Warrants will be issued in registered form, giving the holders thereof the rights to subscribe up to HK\$47,200,000 in aggregate in cash for up to 800,000,000 Shares at the Subscription Price during the Subscription Period. Such rights to subscribe will be created in and governed by the Instrument and the Warrant certificates.

Holders of the Warrants will be entitled to the benefit of, be bound by, and be deemed to have notice of all such terms and conditions and the provisions of the Instrument, copies of which will be available at the principal place of business for the time being of the Company in Hong Kong.

Denomination: The Warrants are represented by certificates in units of Subscription Price of HK\$0.059 each or integral multiples in respect thereof.

Exercise: The Warrants are exercisable only in amounts of HK\$0.059 each or in integral multiples thereof. A Warrant may only be exercised by the delivery of a completed and signed Subscription Form together with the relevant Warrant certificate to the Registrar together with a remittance for the aggregate Subscription Price for the Subscription Rights exercised.

Registrar: Union Registrars Limited at 18th Floor, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong.

Expected market capitalisation: Based on the Placing Price, the expected market capitalisation of the 800,000,000 Warrants upon listing will be approximately HK\$8,000,000.

Subscription price: HK\$0.059 per Share (subject to adjustments in accordance with the provisions of the Instrument).

The initial Subscription Price of HK\$0.059 per Share represented:

- (i) a premium of approximately 7.27% over the closing price of HK\$0.055 per Share as quoted on the Stock Exchange on 29 December 2010, being the date of the Placing Agreement;
- (ii) a premium of approximately 5.36% over the average closing price of approximately HK\$0.056 per Share as quoted on the Stock Exchange for the last five consecutive trading days for the Shares immediately prior to the date of the Placing Agreement;
- (iii) a discount of approximately 4.84% to the average closing price of approximately HK\$0.062 per Share as quoted on the

SUMMARY OF THE PLACING

Stock Exchange for the last ten consecutive trading days for the Shares immediately prior to the date of Placing Agreement; and (iv) a premium of approximately 13.46% over the closing price of HK\$0.052 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The aggregate of the Placing Price and the initial Subscription Price of HK\$0.069 per Share represented (i) a premium of approximately 25.45% over the closing price of HK\$0.055 per Share as quoted on the Stock Exchange on 29 December 2010, being the date of the Placing Agreement; (ii) a premium of approximately 23.21% over the average closing price of approximately HK\$0.056 per Share as quoted on the Stock Exchange for the last five consecutive trading days for the Shares immediately prior to the date of the Placing Agreement; (iii) a premium of approximately 11.29% over the average closing price of approximately HK\$0.062 per Share as quoted on the Stock Exchange for the last ten consecutive trading days for the Shares immediately prior to the date of the Placing Agreement; and (iv) a premium of approximately 32.69% over the closing price of HK\$0.052 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

Subscription period:

The two-year period commencing from the date on which dealings in the Warrants on the Stock Exchange shall commence, which is expected to be 18 February 2011 and expiring on 17 February 2013 (or the last Business Day before 17 February 2013 if 17 February 2013 is not a Business Day), both days inclusive.

The Shares falling to be issued upon the exercise of Subscription Rights will, upon allotment and issue, rank *pari passu* in all respects with the fully-paid Shares in issue on the relevant Subscription Date and shall accordingly entitle the holders to participate in full in all dividends or other distributions paid or made on the Shares on or after the relevant Subscription Date unless adjustment therefor has been made as provided in the Instrument and other than any dividend or other distribution previously declared, or recommended or resolved to be paid or made if the record date therefor shall be on or before the relevant Subscription Date and notice of the amount and record date therefor shall have been given to the Stock Exchange prior to the relevant Subscription Date.

SUMMARY OF THE PLACING

Transfers of Warrants:

The Subscription Rights conferred by the Warrants are transferable in board lots of 200,000 (equivalent to HK\$11,800 of the subscription monies payable upon exercise of such board lot of Warrants).

Warrants may only be transferred by delivery of a transfer form for registration to the Registrar in such form as may from time to time be in use and obtainable from the Registrar together with the relevant Warrant certificate(s). Where such dealings takes place on the Stock Exchange, delivery must currently be made at the end of the second trading day after the dealings has been entered into.

Currently, Hong Kong stamp duty is chargeable on contract notes evidencing sale or purchase of Warrants at a rate of HK\$2.00 per HK\$1,000 or part thereof (of which HK\$1.00 per HK\$1,000 is payable by the seller and HK\$1.00 per HK\$1,000 is payable by the purchaser) by reference to the value of the consideration or the market value, whichever is higher. A transfer deed duty of HK\$5.00 per transfer deed will also be charged.

Listing and dealing:

Application will be made to the GEM Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the 800,000,000 Warrants and the Shares which may fall to be issued upon the exercise of the Subscription Rights on the Stock Exchange. It is expected that dealings in Warrants on the Stock Exchange will commence on 18 February 2011.

Subject to the granting of the listing of and permission to deal in the 800,000,000 Warrants and the Shares which may fall to be issued upon the exercise of the Subscription Rights on the Stock Exchange, as well as compliance with the stock admission requirements of HKSCC, the Warrants and the Shares which may fall to be issued upon the exercise of Subscription Rights will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Warrants on the Stock Exchange or, under contingent situation, such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

SUMMARY OF THE PLACING

Rights of Warrants upon liquidation: If any effective resolution is passed during the Subscription Period for the voluntary winding-up of the Company, then if such winding-up be for the purpose of reconstruction or amalgamation pursuant to a scheme of arrangement to which the Warrantholders, or some person designated by them for such purpose by special resolution, shall be a party or in conjunction with which a proposal is made to the Warrantholders and is approved by special resolution, the terms of such scheme of arrangement or (as the case may be) proposal shall be binding on all the Warrantholders.

In the event a notice is given by the Company to its shareholders to convene a shareholders' meeting for the purposes of considering and if thought fit approving, a resolution to voluntarily wind-up the Company, the Company shall forthwith give notice thereof to each Warrantholder and thereupon every Warrantholder shall be entitled by irrevocable surrender of his Warrant certificate(s) to the Company (such surrender to occur not later than 2 Business Days prior to the proposed shareholders' meeting referred to above) with the Subscription Form(s) duly completed together with payment of the Exercise Moneys or the relative portion thereof, to exercise the Subscription Rights represented by such Warrants, and the Company shall as soon as possible and in any event no later than the day immediately prior to the date of the proposed shareholders' meeting allot such number of Shares to the Warrantholders which fall to be issued pursuant to the exercise of the Subscription Rights represented by such Warrant. The Company shall give notice to the Warrantholders of the passing of such resolution within 7 days of the passing thereof.

Subject to the foregoing, if the Company is wound up, all Subscription Rights which have not been exercised at the commencement of the winding-up shall lapse and each Warrant certificate will cease to be valid for any purpose.

Adjustment to the Subscription Price:

The Subscription Price of HK\$0.059 shall be adjusted as provided in the Instrument in each of the following cases (but shall not be adjusted below the nominal value of Shares):

- (i) an alteration of the nominal amount of the Shares by reason of any consolidation or subdivision;
- (ii) an issue (other than in lieu of a cash dividend) by the Company of Shares credited as fully-paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund);

SUMMARY OF THE PLACING

- (iii) a capital distribution (as defined in the Instrument) being made by the Company, whether on a reduction of capital or otherwise except pursuant to any purchase by the Company of its Shares which is permitted, for so long as the Warrants are listed on the Stock Exchange, by the GEM Listing Rules and in accordance with the provisions of its memorandum and articles of association, to Shareholders in their capacity as such;
- (iv) a grant by the Company to the Shareholders (in their capacity as such) of rights to acquire for cash any assets of the Company or any of its subsidiaries (as defined in the Instrument);
- (v) an offer or grant being made by the Company to Shareholders of any new Shares by way of rights or options, or warrants to subscribe for Shares at a price which is less than 80% of the market price (calculated as provided in the Instrument); provided however that no adjustment shall be made if the Company shall make a like offer or grant (as the case may be) at the same time to each Warrantholder (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws or requirements of any recognised regulatory body or any stock exchange) as if he had exercised the Subscription Rights represented by his warrant certificate(s) in full on the day immediately preceding the record date for such offer or grant;
- (vi) an issue wholly for cash being made by the Company or any other company of securities convertible into or exchangeable for or carrying rights of subscription for new Shares, if in any case the total effective consideration (as defined in the Instrument) per share is less than 80% of the market price (calculated, as provided in the Instrument), or the terms of any such issue being altered so that the said total effective consideration is less than 80% of the market price;
- (vii) an issue being made wholly for cash of shares other than pursuant to an employee share scheme (as defined in the Instrument) at a price less than 80% of the market price (calculated as provided in the Instrument); and

SUMMARY OF THE PLACING

- (viii) a purchase by the Company of any of its Shares or securities convertible into Shares or any rights to acquire Shares (excluding any such purchase made on the Stock Exchange or any stock exchange recognized by the Securities and Futures Commission of Hong Kong and the Stock Exchange) in circumstances where the Directors consider that it may be appropriate to make an adjustment to the Subscription Price.

Governing law:

The laws of Hong Kong.

DIRECTORS, SENIOR MANAGEMENT, CORPORATE INFORMATION AND OTHER PARTIES INVOLVED IN THE PLACING

1. NAME AND ADDRESS OF THE DIRECTORS

Name	Correspondence Address
<i>Executive Directors</i>	
Mr. Kwan Kin Chung	Room 513, Hiu On House, Hiu Lai Court, Sau Mau Ping, Kowloon, Hong Kong
Mr. Tam Kam Biu William	7K Phoenix Apartment, 70 Lee Garden Road, Causeway Bay, Hong Kong
Mr. Wan Xiaolin	Flat C, 2nd Floor, Yat Wah Mansion, Lei King Wan, 41 Tai Hong Street, Hong Kong
Mr. Chen Man Lung	Flat D, 24 Floor, Block 21, Laguna City, Lam Tin, Kowloon, Hong Kong
<i>Non-executive Directors</i>	
Mr. Leung Lap Yan	Flat A, 9th Floor, Carrie Court, 22 Man Fuk Road, Kowloon, Hong Kong
Mr. Leung Lap Fu Warren	Flat A, 9th Floor, Carrie Court, 22 Man Fuk Road, Kowloon, Hong Kong
<i>Independent Non-executive Directors</i>	
Mr. Ip Chi Wai	Flat 605, 6th Floor, Block P, Kornhill, Quarry Bay, Hong Kong
Mr. Tse Wang Cheung Angus	Flat 2210, 22nd Floor, Block D, Kornhill, Quarry Bay, Hong Kong
Mr. Shiu Kwok Keung	2108, Bik Tsui House, Hiu Tsui Court, Chai Wan, Hong Kong

Senior management of the Company is the same as the Directors.

DIRECTORS, SENIOR MANAGEMENT, CORPORATE INFORMATION AND OTHER PARTIES INVOLVED IN THE PLACING

2. QUALIFICATIONS OF DIRECTORS

Executive Directors

Mr. Kwan Kin Chung, aged 41, joined the Group in February 2001 and was appointed as an executive director of the Company. He was appointed as the managing director of the Company in January 2007 and responsible for the restructuring of the group businesses and corporate investment. He is also a director of a number of subsidiaries of the Company. Mr. Kwan held the position as a vice president of Culturecom Holdings Limited (a substantial shareholder of the Company) (“Culturecom”) from 1998 to 2002. He is currently the managing director of Culturecom. He holds a Bachelor of Arts in Economics from Zhongshan University, Guangzhou, the PRC. He is one of the family members of Mr. Kuan Sio Kai (a substantial shareholder of the Company).

Mr. Tam Kam Biu William, aged 54, joined the Group in January 2000 as a non-executive director of the Company. In August 2000, Mr. Tam became the chief financial officer and in September 2000 as an executive director of the Company. He was appointed as the chairman of remuneration committee of the Company in September 2006. He is also a director of a number of subsidiaries of the Company. Immediately before he joined the Group on a full time basis, Mr. Tam was the chief financial officer, company secretary and executive director of ViaGOLD Capital Limited, a company listed on the Australian Stock Exchange, which is one of substantial shareholder of Culturecom. Mr. Tam has remained a non-executive director of ViaGOLD Capital Limited. He is also an independent non-executive director of Soluteck Holdings Limited (a company whose shares are listed on the GEM of the Stock Exchange) and China Solar Energy Holdings Limited (a company whose shares are listed on the Main Board of the Stock Exchange). Mr. Tam has over 20 years of experience in financial management and corporate finance, gained with a number of Hong Kong listed companies and international groups. Mr. Tam obtained a degree in Master of Business Administration in 1981 from York University in Toronto, Canada and became an associate member of the Hong Kong Institute of Certified Public Accountants in September 1987 and an associate of the Association of Chartered Certified Accountants in May 1988.

Mr. Wan Xiaolin, aged 52, was appointed as executive director of the Company in September 2003. He is an executive director of Culturecom and is responsible for its administration, human resources and training, accounts and finance and information technology related management activities. He holds a Bachelor of Arts in Economics from Shanghai Maritime University, Shanghai, the PRC.

DIRECTORS, SENIOR MANAGEMENT, CORPORATE INFORMATION AND OTHER PARTIES INVOLVED IN THE PLACING

Mr. Chen Man Lung, aged 45, was appointed as an executive director of the Company in May 2007. He is currently an executive director of Culturecom. Mr. Chen is an independent non-executive director of Opes Asia Development Limited, a company whose shares are listed on the Stock Exchange and chief financial officer of ViaGOLD Capital Limited, a company whose shares are listed on Australian Stock Exchange. He also acts as a director of the Hong Kong Comics & Animation Federation Limited and academic advisor to Academy of Visual Arts and Humanities Programme of Hong Kong Baptist University. Mr. Chen obtained the Degree of Bachelor of Arts in Sociology and the Degree of Master of Arts in Chinese Studies from the Hong Kong Baptist University and The Hong Kong University of Science and Technology respectively. He has over 16 years of experience in investment industry.

Non-executive Directors

Mr. Leung Lap Yan, aged 62, was appointed as the Chairman and an executive director of the Company in 2001. Mr. Leung has been re-designated as non-executive director in May 2007 and remains as the Chairman of the Company after the re-designation. He is also a director of a number of subsidiaries of the Company. Apart from being an inventor, Mr. Leung is a well known script writer, having written such dramas as New Justice Pao, Dynasty and The Pride of Chao Zhou. From 1978 to 1980, Mr. Leung was employed as the manager of programme planning of Rediffusion Television and from 1986 to 1989 as the assistant to the controller of production of Television Broadcasts Limited. During the period 1983 to 1986, he was the director (drama) of the Singapore Broadcasting Corporation. In 1993, he moved to Taiwan where he developed the first version of QCode, a character input system. A year later he worked together with Mr. Lau Man Kin to upgrade QCode and founded the Group. He is a brother of Mr. Leung Lap Fu Warren (a non-executive director of the Company).

Mr. Leung Lap Fu Warren, aged 60, was appointed as an executive director of the Company in 2001. He has been re-designated as non-executive director in May 2007. He is also a director of a number of subsidiaries of the Company. For most of the 1970's, Mr. Leung worked for multinational companies, Wallem Ship Management Company Limited and C.N. Company, a member of the Swire Group, as a marine engineer specialising in automatic control systems projects. Between 1979 and 1981, he was a business manager with a subsidiary of the Kowloon Development Group. Thereafter he worked as a plant superintendent first with HSBC Property (Asia) Limited, then as senior engineer with the Macau Jockey Club and lastly with the Lee Garden Hotel Management Group. He has a number of engineering and technical qualifications, including being a high-tension electrical engineering worker registered by Electrical & Mechanical Services Department of Hong Kong Government. He is a brother of Mr. Leung Lap Yan (a non-executive director of the Company).

DIRECTORS, SENIOR MANAGEMENT, CORPORATE INFORMATION AND OTHER PARTIES INVOLVED IN THE PLACING

Independent Non-executive Directors

Mr. Ip Chi Wai, aged 43, graduated from the University of Hong Kong with a bachelor's degree in law. He is a solicitor admitted in Hong Kong and has over 10 years of experience in the legal profession. He was appointed as an independent non-executive director of the Company in September 2000. He is the chairman of the audit committee and a member of remuneration committee of the Company. Mr. Ip is also an independent non-executive director, a member of audit committee and remuneration committee of Asia Standard Hotel Group Limited.

Mr. Tse Wang Cheung Angus, aged 45, worked in a law firm prior to becoming a partner in the law firm of Tse Yuen Ting Wong. He was appointed as an independent non-executive director of the Company in September 2000 and is a member of audit committee and remuneration committee.

Mr. Shiu Kwok Keung, aged 43, is an executive director of Opes Asia Development Limited, a company whose shares are listed on the Main Board of the Stock Exchange. During 2006, he was the senior vice president of China Solar Energy Holdings Limited, a company whose shares are listed on the Main Board of the Stock Exchange. Prior to that, he has extensive experience in finance, accounting and corporate development. Mr. Shiu holds a Master of Science degree in Finance from the National University of Ireland, Dublin, a Master of Professional Accounting degree from the Southern Cross University in Australia and a Bachelor of Social Sciences degree in China Studies (Economics) from the Hong Kong Baptist University. He is a Chartered Financial Analyst charterholder and a Certified Practicing Accountant of CPA Australia. Mr. Shiu was appointed as an independent non-executive director and a member of the audit committee member of the Company in September 2006.

**DIRECTORS, SENIOR MANAGEMENT, CORPORATE INFORMATION AND
OTHER PARTIES INVOLVED IN THE PLACING**

3. CORPORATE INFORMATION AND OTHER PARTIES INVOLVED IN PLACING

Registered office	P.O. Box 309 Ugland House George Town Grand Cayman Cayman Islands British West Indies
Head office and principal place of business	6th Floor, Culturecom Centre 47 Hung To Road Kwun Tong Kowloon Hong Kong
Authorised representatives	Mr. Kwan Kin Chung Mr. Tam Kam Biu William
Compliance officer	Mr. Tam Kam Biu William
Company secretary	Ms. Chan Pui Chi
Auditors	ZHONGLEI (HK) CPA Company Limited Suites 216-218, 2nd Floor Shui On Centre 6-8 Harbour Road Wanchai Hong Kong
Financial adviser	Kingston Corporate Finance Limited Suite 2801, 28th Floor One International Finance Centre 1 Harbour View Street Central, Hong Kong
Placing Agent	Kingston Securities Limited Suite 2801, 28th Floor One International Finance Centre 1 Harbour View Street Central, Hong Kong

**DIRECTORS, SENIOR MANAGEMENT, CORPORATE INFORMATION AND
OTHER PARTIES INVOLVED IN THE PLACING**

Legal advisers

As to Hong Kong laws
S. H. Leung & Co.
Room 502, 5th Floor
AON China Building
No. 29 Queen's Road Central
Central, Hong Kong

As to Cayman Islands law
Maples and Calder
53rd Floor, The Center
99 Queen's Road Central
Hong Kong

Principal bankers

The Hongkong and Shanghai Banking
Corporation Limited
673 Nathan Road
Mongkok, Kowloon
Hong Kong

Citibank (Hong Kong) Limited
8th Floor, Dorset House
Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

Principal share registrar and transfer office

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705
George Town
Grand Cayman
Cayman Islands

Hong Kong branch share registrar and
transfer office

Union Registrars Limited
18th Floor, Fook Lee Commercial Centre
Town Place, 33 Lockhart Road
Wanchai, Hong Kong

DIRECTORS, SENIOR MANAGEMENT, CORPORATE INFORMATION AND OTHER PARTIES INVOLVED IN THE PLACING

4. AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the audit committee are, among other things, to review and supervise the financial reporting process and internal control system of the Group. The audit committee has three members comprising the three independent non-executive Directors, namely, Mr. Ip Chi Wai, Mr. Tse Wang Cheung Angus and Mr. Shiu Kwok Keung.

THE PLACING

1. REASONS FOR THE PLACING AND USE OF PROCEEDS

The Directors consider that the Placing is a suitable opportunity to raise capital for the Company. In particular, (i) it does not have an instant dilution effect on the shareholding of the existing Shareholders; (ii) it raises funds immediately upon completion of the Placing, and if the Warrants are exercised, further funds will be raised for additional general working capital and the financial conditions and Shareholder base of the Company will accordingly be strengthened; and (iii) it provides investors with an alternative means to invest in the Company.

The maximum gross proceeds from the Placing will be HK\$8,000,000 and the maximum net proceeds from the Placing will be approximately HK\$7,030,000 which are intended to be used by the Group for general working capital of the Group mainly used for the administration and relevant overhead expenses, and any additional proceeds from the issue of the new Shares upon the exercise of the Subscription Rights attaching to the Warrants in future up to a maximum amount of approximately HK\$47,200,000 will be applied as general working capital for (1) promoting the Company's products and services; (2) the administration and relevant overhead expenses. As disclosed in the announcement of the Company dated 21 September 2010, the Company and the potential vendor have entered into a non-binding letter of intent in relation to the possible acquisition of an entity which is expected to be engaged in production and manufacturing of electric vehicles in the PRC. The parties have subsequently agreed to extend the validity of the letter of intent for a period of 3 months to 16 April 2011. The Company and the potential vendor are still under negotiations and have not reached any agreement in relation to the possible acquisition. The terms and conditions of the possible acquisition have not yet been finalized. The proposed consideration for the possible acquisition may consist of a combination of cash and/or new shares of the Company as the parties may agree. The Company intends to use the proceeds from the Placing principally for general working capital purposes for the Group and if necessary, for the consideration of the proposed acquisition. Whilst it is uncertain whether and when the holders of the Warrants will exercise the Subscription Rights attaching to the Warrants, in the event that the proposed acquisition becomes materialized, the Company also intends to use the net proceeds from the issue of the new Shares upon exercise of the Warrants for the general working capital of the new business under the proposed acquisition. At the Latest Practicable Date and save as disclosed herein, no specific investment projects have been identified by the Group.

The new Shares to be allotted and issued upon the exercise of the Subscription Rights attaching to the Warrants will be issued under the General Mandate. Pursuant to the General Mandate, the total maximum number of new Shares that the Company is authorised to allot and issue is 1,640,660,000 Shares, and such mandate has not been utilized up to the Latest Practicable Date. As such, no specific Shareholders' approval is required for the issue of the Warrants and the Shares to be issued upon exercise of the Subscription Rights attached to the Warrants. Assuming the full exercise of the Subscription Rights attaching to the Warrants, the total funds, including the funds raised by the Placing and exercise of the Subscription Rights attaching to the Warrants, to be raised is approximately HK\$54,130,000, net of, among other fees, the commission of the Placing, the administration fee, the printing expenses and the fees for the application of listing of the new Shares. Based on the above, the net issue price per Share issued pursuant to funds raised by the Placing and exercise of the Subscription Rights attached to the Warrants is approximately HK\$0.068.

THE PLACING

2. CONDITIONS OF THE PLACING

Completion of the Placing Agreement is conditional on the fulfillment of the following conditions on or before 28 February 2011 (or such later date as may be agreed by the Company and the Placing Agent) (the “**Long Stop Date**”):

- (a) the GEM Listing Committee of the Stock Exchange having granted (either unconditionally or subject only to conditions to which the Company and Placing Agent do not reasonably object) listing of and permission to deal in the Shares to be issued upon exercise of Subscription Rights attaching to the Warrants and such permission and listing not subsequently being revoked or withdrawn prior to Completion;
- (b) the registration of one or more duly signed copies of the Prospectus (with all the documents required by section 342C of the Companies Ordinance to be attached thereto) by the Registrar of Companies in Hong Kong; and
- (c) the warrant being true and accurate on and as of the date of the Placing Agreement and the dates on which they are deemed to be repeated under the Placing Agreement.

In the event that the above conditions are not fulfilled and/or waived (as the case may be) by the Long Stop Date, the Placing Agreement will lapse and none of the parties will have any liabilities to the other save or any antecedent breaches thereof. For avoidance of doubt, condition (a) and (b) cannot be waived.

3. THE PLACING AGREEMENT

Placing Agent

The Placing Agent has conditionally agreed to place up to 800,000,000 Warrants, as agent for the Company, by way of private placement on a best effort basis and will receive a placing commission of 2% on the gross proceeds of such number of Warrants successfully placed, which was negotiated on an arm’s length basis between the Company and the Placing Agent and determined with reference to amongst other things, the market rate and the price performance of the Shares. The Directors (including independent non-executive Directors) consider that the terms of the Placing, including the placing commission, are fair and reasonable based on the current market conditions and the Placing is in the interests of the Company and Shareholders as a whole.

To the best of the Directors’ knowledge and information and belief, having made all reasonable enquires, the Placing Agent and its ultimate beneficial owners are third parties independent of and are not connected with the Company and its connected persons (as defined in the GEM Listing Rules).

THE PLACING

Placing Price

The Placing Price is HK\$0.01 per Warrant and is determined based on arm's length negotiation (with reference to the Company's share price performance) between the Company and the Placing Agent. The Directors (including independent non-executive Directors) consider that the Placing Price is fair and reasonable.

Placees

The placees shall be professional, institutional and/or other investors and securities dealer independent of, not connected with, and not being parties acting in concert with the Company and its subsidiaries and their connected persons (as defined in the GEM Listing Rules). The total number of holders of Warrants will be no less than 100 as required by Rule 11.23(3)(b)(ii) of the GEM Listing Rules at the time of listing of the Warrants. The market capitalisation of the listed Warrants upon listing will be approximately HK\$8,000,000 and the Company has complied with Rule 11.23(3)(b)(i) of the GEM Listing Rules.

Termination

The Placing Agreement has provided that the Placing Agent shall have the right to terminate the Placing Agreement by notice in writing to the Company at any time prior to 5:30 p.m. on the Completion Date if in the absolute opinion of the Placing Agent, the success of the Placing contemplated hereunder would be materially and adversely affected by:

- (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the absolute opinion of the Placing Agent materially and adversely affect the business or the financial or trading position or prospects of the Company as a whole or is materially adverse in the context of the subscription contemplated hereunder; or
- (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the absolute opinion of the Placing Agent materially and adversely affect the business or the financial or trading position or prospects of the Company as a whole or materially and makes it inexpedient or inadvisable to proceed with the subscription contemplated hereunder; or

THE PLACING

- (c) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the absolute opinion of the Placing Agent is likely to materially or adversely affect the success of the subscription contemplated hereunder or otherwise makes it inexpedient or inadvisable to proceed with the subscription contemplated hereunder; or
- (d) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or
- (e) any material breach of any of the representations, warranties or undertakings contained hereinabove (as the case may be) comes to the knowledge of the Placing Agent; or
- (f) any suspension in the trading of all securities listed on the Stock Exchange generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive Business Days, excluding any suspension in connection with the clearance of the Announcement or the prospectus or other announcements in connection with the Placing.

If the Placing Agreement is so terminated, all obligations of each party under the Placing Agreement shall cease and determine and neither party shall have any claim against the other party in respect of any matter arising out of or in connection with the Placing Agreement except for any antecedent breach of any obligation mentioned in the Placing Agreement.

4. LISTING AND DEALING

Application has been made to the GEM Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Warrants and any Shares that may fall to be issued upon the exercise of the Subscription Rights attaching to the Warrants. Save as the current listing of the Shares and proposed listing of the Warrants on the GEM, no part of the Shares or loan capital of the Company is listed or dealt in on any other stock exchange and the Company is not currently seeking to list the Warrants or the Shares or its loan capital on any other stock exchange.

Subject to the fulfillment of the conditions set out in the paragraph headed "Conditions of the Placing", it is expected that dealings in the Warrants on the Stock Exchange will commence on 18 February 2011. Dealings in the Warrants will take place in board lots of 200,000 units of initially HK\$11,800 of the Subscription Rights.

THE PLACING

Subject to the granting of the listing of and permission to deal in the 800,000,000 Warrants and the Shares which may fall to be issued upon the exercise of Subscription Rights on the Stock Exchange, as well as compliance with the stock admission requirements of HKSCC, the 800,000,000 Warrants and the Shares which may fall to be issued upon the exercise of Subscription Rights will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Warrants on the Stock Exchange or, under contingent situation such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements will be made for the Warrants to be admitted into CCASS.

Investors subscribing for or purchasing the Warrants are required to pay the Placing Price plus 1% brokerage, a 0.003% SFC transaction levy and a 0.005% Stock Exchange trading fee.

5. SHAREHOLDING STRUCTURE OF THE COMPANY

The existing shareholding structure of the Company and the shareholding structure of Company upon exercise in full of the Subscription Rights under the Warrants (assuming that the Placing is completed in full and none of the outstanding Share Options and other convertible securities of the Group (if any) is exercised or converted) are set out as below:

Name of Shareholder	As at the Latest Practicable Date		Immediately after full exercise of the Subscription Rights attaching to the Warrants (assuming that the Placing is completed in full)	
	Number of Shares	%	Number of Shares	%
Winway H.K. Investments Limited (<i>Note</i>)	2,098,490,000	25.58	2,098,490,000	23.31
Places	–	–	800,000,000	8.89
Other public Shareholders	6,104,810,000	74.42	6,104,810,000	67.80
Total	8,203,300,000	100	9,003,300,000	100

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 2,098,490,000 shares through its controlling interest (100%) in Winway H.K. Investments Limited.

6. FUND RAISING ACTIVITY

The Company has not conducted any equity fund raising activity in the past 12 months immediately before the Latest Practicable Date.

RISK FACTORS

RISKS RELATING TO THE GROUP

Net losses

The Group has never reported a profit during the past ten years, and the Group incurred net loss of approximately HK\$13,581,000 for the year ended 31st December 2009 and HK\$12,978,000 for the year ended 31st December 2008 respectively. It is difficult to predict if the Group will be able to generate a profit in the future.

There is no assurance that the Group will generate sufficient cashflows from operations in the near future. If the Group is unable to generate sufficient cashflows from operations, such operations will have to be funded by the proceeds from the Placing and other sources of finance. In the event that the Group is unable to obtain adequate financing to fund its operations and for the pursuit of its business plan, the existing operations, performance and prospects of the Group as well as its ability to implement its business plan may be adversely affected.

Reliance on limited number of products

To date, the Group's turnover has been generated principally from sales and licensing of Q9 CIS and QCode which together represented 100% of its total turnover for the last five years. Nevertheless, should any one market of these major products shift for any reason, the potential loss in turnover would be significant enough to affect adversely the Group's financial position. Unlike software companies with diversified product lines, substantially all of the Group's net sales are derived from licensing and selling Q9 CIS and QCode products. If the demand for, or the prices of, the Group's products drop as a result of competition, promotional activities, technological changes or other factors such as lower growth or a contraction in the worldwide CIS software market, the Group's operating results will be materially and adversely affected.

Competition

The markets for CIS are highly competitive and are characterised by an increasing number of entrants that have introduced or developed products similar to those offered by the Group. The Group's competitors and potential competitors may have substantially greater resources, larger customer bases, greater brand name recognition and more established relationships than the Group. As a result, these competitors may be able to adapt to new or emerging technologies and changes in customer requirements more quickly, take advantage of business opportunities more readily, devote greater resources to the marketing and sale of their products and services and adopt more aggressive pricing policies than the Group. This intense competition may limit the profitability of the Group or result in a loss of market share.

Piracy

Infringement of intellectual property rights through the sale of counterfeit goods or pirated software occurs frequently in Hong Kong, the PRC and elsewhere in Asia. There is no assurance that the Group will be able to prevent infringement of intellectual property rights, which could adversely affect its business and profitability. Although the Hong Kong and the PRC authorities have passed further measures to discourage software piracy, pirating activities are expected to continue in the foreseeable future and

RISK FACTORS

the low prices of the pirated copies of the Group's software products may adversely affect the Group's sales and profit in the retail sector. Piracy of equipment and devices produced by manufacturers that have licensed the Group's software for incorporation in their products would result in a loss of licensing income.

Risk of infringement claims by third parties

There can be no assurance that third parties may not initiate litigation against the Group alleging infringement of their proprietary rights. In the event of a successful claim of infringement and the Group's failure or inability to develop non-infringing technology or to obtain a licence relating to the infringed or similar technology on a timely basis, the Group's business could be harmed. In addition, even if the Group is able to obtain a licence relating to the infringed or similar technology from such third parties, licence fees could be substantial and may adversely affect the Group's results of operations with such third parties.

Reliance on a limited number of distributors

For the financial year ended 31st December, 2009, 31st December, 2008 and 31st December, 2007, 30.6%, 23.9% and 23.2% respectively of the Group's turnover was derived from the Group's top five distributors in Hong Kong. Should any one of these major distributors for any reason shift its purchases away from the Group's products, the potential loss in turnover would be significant enough to adversely affect the Group's financial results.

Limited insurance coverage of the Group

The insurance market may not be able to keep pace with the speed of change of the industry in which the Group operates and the Group may not be able to obtain adequate insurance to cover a wide range of risks to which it may be exposed on reasonable commercial terms. Any successful claim made against the Group which is not covered by the Group's insurance or is in excess of its insurance coverage could have a material adverse effect on the Group's business, operations and financial position.

Although the Group's existing software relates solely to CIS, any defect or error in those systems may trigger delay in receiving, or a loss of, client revenues, adverse customer reaction towards the Group, or negative publicity. Since the Group has not taken out any insurance on product liability, any successful claim made against the Group could have a material adverse effect on the Group's business, results of operations and financial position.

RISKS RELATING TO THE INDUSTRY

Rapid technological changes and product obsolescence

The CIS software market is characterised by rapidly changing technology and evolving industry standards. Other companies might introduce CIS products using more effective technologies, or new software operating systems and network systems. Additionally, new CIS software industry standards could emerge. If these changes occur, the Group's existing products could become obsolete unless the Group is able to address technological change in a timely manner.

RISK FACTORS

Demand for technical and marketing personnel

The success of the Group's operations is reliant on its ability to attract and retain employees with the appropriate technical expertise or business experience. In particular, the Group needs to retain software engineers with experience in a number of different operating system platforms and hardware engineers with experience in different types of small and medium sized electronic appliances and, to the extent such expertise cannot be outsourced, the Group also requires employees with the appropriate language and linguistic qualifications and experience. If the Group fails to retain and attract this expertise, its operations will be adversely affected. The sales and marketing, technical support as well as the research and development functions of the Group all require staff with the relevant technological background and training. In addition, the cost of such expertise may increase significantly in the foreseeable future which could adversely affect the profitability of the Group's business.

RISKS RELATING TO THE PLACING AND INFORMATION CONTAINED IN THIS PROSPECTUS

Potential share price volatility

An active public market for the warrants may not develop or be sustained after the Placing. Although the issue price will be determined based on several considerations, the market price after the Placing may fluctuate significantly due to a number of factors, some of which are beyond the Group's control, including:

- stock market price and volume fluctuations;
- announcements by the Group or its competitors of significant acquisitions, strategic partnerships, joint ventures or capital commitments and loss of a major strategic partner by the Group or its competitors;
- addition or resignation of key personnel;
- changes in pricing made by the Group, its competitors or providers of complementary products and services;
- potential litigation; and
- general economic and other factors.

Potential future dilution of Shareholders' interests

As the Group will continue to look for opportunities to diversify its business, it is anticipated that funding will be required from time to time to finance the expansion of the business and operations of the Group. The Directors will consider the funding options available to them at the time, which may include the issue of Shares by the Company. If additional funds are raised through the issuance of new equity or equity linked securities of the Company other than on a pro rata basis to existing Shareholders, the percentage ownership of the Shareholders may experience subsequent dilution and such securities may have rights, preferences and privileges in priority to those of the placing warrants.

RISK FACTORS

Potential future dilution through share options

The Company has in place the new Share Option scheme under which options to subscribe for 756,760,000 shares have been granted as at the latest practicable date, details of which are set out in the section 26 headed “Share-based Employee Compensation” in the notes to the Consolidated Financial Statements for the year ended 31st December 2009.

The full exercise of all of these options would result in the issue of 756,760,000 Shares, representing approximately 8.4% of the issued share capital of the Company immediately following the Placing. This will result in a dilution in the assets and earnings per share of the Company.

GENERAL INFORMATION OF THE GROUP

1. DESCRIPTION OF THE BUSINESS

The Company is an investment holding company. The Group is principally engaged in computer software and embedded systems development and sales and licensing of software and systems.

2. MAJOR CUSTOMERS AND SUPPLIERS

The percentages of purchases and sales for the year ended 31 December 2009 attributable to the Group's major suppliers and customers are as follows:

Purchases	
– the largest supplier	37.5%
– five largest suppliers combined	73.8%
Sales	
– the largest customer	10.8%
– five largest customers combined	30.6%

None of the directors, their associates or any shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) had an interest in the major suppliers or customers noted above for the year ended 31 December 2009.

3. FINANCIAL AND TRADING PROSPECTS

In addition to the continuing focus of the Group in promoting its existing products, Q9 CIS Chinese and English version, to OEM customers in the Greater China region, the Group is contemplating to diversify its business to new business areas and identify new business opportunities so as to derive new sources of revenue. Management believes the Group has sufficient resources and ability to diversify its new business areas related to the new business, and derives new sources of revenue for the Group in the near future.

4. BUSINESS REVIEW

The Group recorded turnover of HK\$4,425,000 for the nine months ended 30 September 2010, representing an increase of 1.2% from the corresponding period of previous year.

The Group recorded OEM licensing revenue of HK\$386,000 for the nine months ended 30 September 2010, representing a decrease of 35.8% from the corresponding period of previous year.

Packaged software sales of HK\$3,568,000 for the nine months ended 30 September 2010, representing an increase of 18.4% from the corresponding period of previous year.

The Group's total operating expenses for the nine months ended 30 September 2010 decreased by HK\$2,397,000, representing a decrease of 24.1% compared to the corresponding period of previous year. The decrease in the Group's total operating expenses was mainly due to decrease in general and administrative expenses for the nine months ended 30 September 2010 compared to the corresponding period of previous year.

The Warrants will be issued in registered form subject to and with the benefit of Instrument by way of deed poll. They will be issued in registered form and will form one class and rank pari passu in all respects with each other.

The Warrants will confer rights to subscribe up to HK\$47,200,000 in aggregate for Shares, at an initial Subscription Price of HK\$0.059 per Share (subject to adjustment).

Upon the Placing becoming unconditional, the Warrants will represent direct obligations of the Company to Warrantholders as described in the Instrument. The following is a summary of the major provisions of the Instrument and the principal terms and conditions of the Warrants as set out on the Warrant certificates. Warrantholders will be entitled to the benefit of, be bound by, and be deemed to have notice of all such terms and conditions and the provisions of the Instrument, copies of which will be available at the principal place of business for the time being of the Company in Hong Kong.

1. SUBSCRIPTION RIGHTS

- (A) Each Warrantholder shall have, in respect of the Warrants of which he is the registered holder for the time being, the Subscription holder for the time being, the Subscription Rights which may be exercised in whole or in part, but not in respect of a fraction of a Share, at any time on or after 18 February 2011 to 17 February 2013 (or the last Business Day before 17 February 2013 if 17 February 2013 is not a Business Day) to subscribe in cash the whole or part, in integral multiples of the Subscription Price upon exercise of the Subscription Rights represented thereby, for fully paid Shares at an initial subscription price of HK\$0.059 per Share subject to adjustment as referred to below. Any Subscription Rights which have not been exercised upon the expiry of the Subscription Period will lapse and thereupon the Warrants and the Warrant certificates will cease to be valid for any purpose.
- (B) In order to exercise in whole or in part the Subscription Rights represented by this Warrant certificate, the Warrantholder must complete and sign the Subscription Form (which will be irrevocable) and deliver this Warrant certificate (and if the Subscription Form used is not the form endorsed hereon, a separate subscription form) to the Registrars together with a remittance for the Exercise Moneys (or, in the case of partial exercise, the relevant portion of the Exercise Moneys). In each case compliance must also be made with any exchange control, fiscal or other laws or regulations for the time being applicable. Unless otherwise agreed by the Directors, Subscription Forms must be submitted to the Registrars in Hong Kong.
- (C) The number of Shares to be allotted on exercise of the Subscription Rights shall be calculated by dividing the amount specified in the relevant Subscription Form and duly remitted as aforesaid by the Subscription Price applicable on the Subscription Date. No fraction of a Share shall be allotted and any balance of the Exercise Moneys paid on exercise of the Subscription Rights represented by this Warrant certificate shall be retained by the Company for its benefit, provided always that for the purpose of determining whether any (and if so what) fraction of a Share arises:

- (i) if the Subscription Rights represented by this Warrant certificate and any one or more other Warrant certificates are exercised on the same Subscription Date by the same Warrantholder then the Subscription Rights represented by such Warrant certificates shall be aggregated; and
 - (ii) regard shall be had, where applicable, to the provisions of Clause 6(C) of the Instrument.
- (D) The Company has undertaken in the Instrument that Shares falling to be issued upon the exercise of the Subscription Rights will be issued and allotted not later than 10 Business Days after the relevant Subscription Date and unless adjustment thereof has been made as provided in Clause 4 of the Instrument, will rank *pari passu* in all respects with the fully-paid Shares in issue on the relevant Subscription Date and accordingly shall entitle the holders thereof to participate in all dividends and/or other distributions declared, paid or made and/or offers of further securities made by the Company to existing holders of Shares on or after the relevant Subscription Date and other than any dividend, other distribution and/or offers previously declared or recommended or resolved to be paid or made if the record date (as defined in the Instrument) therefor is on or before the relevant Subscription Date and notice of the amount and record date therefor has been given to the Stock Exchange prior to the relevant Subscription Date.
- (E) As soon as practicable after the relevant allotment and issue of Shares under this Condition (and not later than 10 Business Days after the relevant Subscription Date), there shall be issued free of charge to the Warrantholder(s) of the Warrants represented by this Warrant certificate:
 - (i) a certificate (or certificates) for the relevant Shares in the name(s) of such Warrantholder(s);
 - (ii) (if applicable) a balancing Warrant certificate in registered form in the name(s) of such Warrantholder(s) in respect of any Subscription Rights represented by this Warrant certificate and remaining unexercised; and
 - (iii) (if applicable) the certificate mentioned in Clause 6(A)(3) of the Instrument.

The certificate(s) for Shares arising on the exercise of Subscription Rights, the balancing Warrant certificate (if any) and the certificate mentioned in Clause 6(A)(3) of the Instrument (if any) shall be sent by post at the risk of such Warrantholder(s) to the address of such Warrantholder(s) or (in the case of a joint holding) to that one of them whose name stands first in the Register. If the Company agrees, such certificates may by prior arrangement be retained by the Registrars to await collection by the relevant Warrantholder(s).

2. ADJUSTMENTS OF SUBSCRIPTION PRICE

The Instrument contains detailed provisions relating to the adjustment of the Subscription Price. The following is a summary of, and is subject to, the provisions of Clause 4 of the Instrument:–

- (A) The Subscription Price shall (except as mentioned in paragraphs (B) and (C) of this Condition) be adjusted as provided in the Instrument in each of the following cases (but the Subscription Price shall however not be adjusted below the nominal value of the Shares until the Subscription Right Reserve (as defined in the Instrument) is maintained pursuant to Clause 6 thereof):–
- (i) an alteration of the nominal amount of the Shares by reason of any consolidation or subdivision;
 - (ii) an issue (other than in lieu of a cash dividend) by the Company of Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund);
 - (iii) a Capital Distribution (as defined in the Instrument) being made by the Company (whether on a reduction of capital or otherwise, except pursuant to any purchase by the Company of its own shares which is permitted, for so long as the Warrants are listed on the Stock Exchange, by the rules of the Stock Exchange and is in accordance with the provisions of its Memorandum of Association and Articles of Association) to the holders of Shares in their capacity as such;
 - (iv) a grant by the Company to the holders of Shares (in their capacity as such) of rights to acquire for cash any assets of the Company or any of its Subsidiaries;
 - (v) an offer or grant being made by the Company to the holders of Shares any new Shares by way of rights or of options or warrants to subscribe for Shares at a price which is less than 80 per cent. of the market price (calculated as provided in the Instrument), provided however that no adjustment shall be made if the Company shall make a like offer or grant (as the case may be) at the same time to each Warrantholder (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws or the requirements of any recognised regulatory body or any stock exchange) as if he had exercised the Subscription Rights represented by his Warrant certificate(s) in full on the day immediately preceding the record date for such offer or grant;
 - (vi) an issue wholly for cash being made by the Company or any other company of securities convertible into or exchangeable for or carrying rights of subscription for new Shares, if in any case the total Effective Consideration (as defined in the Instrument) per Share is less than 80 per cent. of the market price (calculated as provided in the Instrument), or the terms of any such issue being altered so that the said total Effective Consideration is less than 80 per cent. of the market price;

- (vii) an issue being made wholly for cash of Shares (other than pursuant to an Employee Share Scheme) at a price less than 80 per cent. of the market price (calculated as provided in the Instrument); and
 - (viii) a purchase by the Company of Shares or securities convertible into Shares or any rights to acquire Shares (excluding any such purchases made on the Stock Exchange or any recognised stock exchange, being a stock exchange recognised for this purpose by the Securities and Futures Commission of Hong Kong and the Stock Exchange) in circumstances where the Directors consider that it may be appropriate to make an adjustment to the Subscription Price.
- (B) Except as mentioned in paragraph (C) of this Condition, no such adjustment as is referred to in paragraph (A) of this Condition shall be made in respect of:
- (i) an issue of fully-paid Shares upon the exercise of any conversion rights attached to securities wholly or partly convertible into Shares or upon the exercise of any rights (including the Subscription Rights) to acquire Shares;
 - (ii) an issue of Shares or other securities of the Company or any Subsidiary wholly or partly convertible into or carrying rights to acquire Shares pursuant to an Employee Share Scheme;
 - (iii) an issue by the Company of Shares or by the Company or any Subsidiary of securities wholly or partly convertible into or carrying rights to acquire Shares, in any such case in consideration or part consideration for the acquisition of any other securities, assets or business;
 - (iv) an issue of fully-paid Shares by way of capitalisation of all or part of the Subscription Right Reserve (as defined in the Instrument) to be established in certain circumstances pursuant to the terms and conditions contained in the Instrument (or any similar reserve which has been or may be established pursuant to the terms of any other securities wholly or partly convertible into or carrying rights to acquire Shares); or
 - (v) an issue of Shares pursuant to a scrip dividend scheme in lieu of a cash dividend where an amount not less than the nominal amount of the Shares so issued is capitalised and the market value (calculated as provided in the Instrument) of such Shares is not more than 110 per cent. of the amount of dividend which holders of Shares could elect to or would otherwise receive in cash.
- (C) Notwithstanding the provisions referred to in paragraphs (A) and (B) of this Condition, in any circumstances where the Directors shall consider that an adjustment to the Subscription Price provided for under the said provisions should not be made, or should be calculated on a different basis, or that an adjustment to the Subscription Price should be made notwithstanding that no such adjustment is required under the said provisions, or that an adjustment should take effect on a different time or at a different date from that provided for

under the said provisions, the Company may appoint the Auditors or an approved merchant bank to consider whether for any reason whatever the adjustment to be made (or the absence of adjustment) would not or might not fairly and appropriately reflect the relative interests of the persons affected thereby and, if the Auditors or such approved merchant bank shall consider this to be the case, the adjustment shall be modified or nullified or an adjustment made instead of no adjustment in such manner (including, without limitation, making an adjustment calculated on a different basis and/or the adjustment shall take effect from such other time and/or date) as shall be certified by the Auditors or such approved merchant bank to be; in its opinion, appropriate.

- (D) Any adjustment to the Subscription Price shall be made to the nearest HK\$0.001 so that any amount under HK\$0.0005 shall be rounded down and any amount of HK\$0.0005 or more shall be rounded up. No adjustment shall be made to the Subscription Price in any case in which the amount by which the same would be reduced would be less than HK\$0.001 and any adjustment which would otherwise then be required shall not be carried forward. No adjustment may be made (except on a consolidation of Shares) which would increase the Subscription Price.
- (E) Every adjustment to the Subscription Price shall be certified to be fair and appropriate by the Auditors or an approved merchant bank and notice of each adjustment (giving the relevant particulars) shall be given to the Warrantholders. Any such certificates of the Auditors and/or approved merchant bank will be available at the principal place of business of the Company in Hong Kong, where copies may be obtained. In giving any certificate or making any adjustment hereunder, the Auditors or the approved merchant bank shall be deemed to be acting as experts and not as arbitrators and in the absence of manifest error, the decision shall be conclusive and binding on the Company and the Warrantholders and all persons claiming through or under them respectively.

3. REGISTERED WARRANTS

The Warrants are issued in registered form. The Company shall be entitled to treat the registered Warrantholder as the absolute owner thereof and accordingly shall not except as ordered by a Court of competent jurisdiction or required by law be bound to recognise any equitable or other claim to or interest in such Warrant on the part of any other person, whether or not it shall have express or other notice thereof.

4. WINDING UP THE COMPANY

- (A) If any effective resolution is passed during the Subscription Period for the voluntary winding-up of the Company, then if such winding-up be for the purpose of reconstruction or amalgamation pursuant to a scheme of arrangement to which the Warrantholders, or some person designated by them for such purpose by Special Resolution, shall be a party or in conjunction with which a proposal is made to Warrantholders and is approved by Special Resolution, the terms of such scheme of arrangement or (as the case may be) proposal shall be binding on all the Warrantholders.

- (B) In the event a notice is given by the Company to its shareholders to convene a shareholders' meeting for the purposes of considering and if thought fit approving, a resolution to voluntarily wind-up the Company, the Company shall forthwith give notice thereof to each Warrentholder and thereupon, every Warrant holder shall be entitled by irrevocable surrender of his Warrant certificate(s) to the Company (such surrender to occur not later than 2 Business Days prior to the proposed shareholders' meeting referred to above) with the Subscription Form(s) duly completed together with payment of the Exercise Moneys or the relative portion thereof, to exercise the Subscription Rights represented by such Warrants, and the Company shall as soon as possible and in any event no later than the day immediately prior to the date of the proposed shareholders' meeting allot such number of Shares to the Warrant holders which fall to be issued pursuant to the exercise of the Subscription Rights represented by such Warrant. The Company shall give notice to the Warrant holders of the passing of such resolution within 7 days of the passing thereof.
- (C) Subject to the foregoing, if the Company is wound up, all Subscription Rights which have not been exercised at the commencement of the winding-up shall lapse and each Warrant certificate will cease to be valid for any purpose.

5. REGISTER, TRANSFER AND TRANSMISSION

The Subscription Rights represented by this Warrant certificate are transferable, in whole amounts or integral multiples of HK\$0.059 (or such other sum as the Directors shall from time to time determine) of Subscription Rights, by instrument of transfer in any usual or common form or in any other form which may be approved by the Directors. Where the transferor or the transferee is HKSCC Nominees Limited or its successor thereto (or such other company as may be approved by the Directors for this purpose) the transfer may be executed on behalf of HKSCC Nominees Limited under the hands of authorised person(s) or by machine imprinted signature(s) on its behalf or of such person(s), as the case may be. For this purpose, the Company shall maintain a register of Warrant holders and the provisions of the Company's Articles of Association for the time being relating to the registration, transfer and transmission of Shares shall apply, mutatis mutandis, to the registration, transfer and transmission of the Warrants and shall have full effect as if the same had been incorporated herein. Unless the Directors otherwise agree all transfers and other documents of title to the Warrants must be lodged for registration with, and registered by, the Registrars in Hong Kong.

Persons who hold Warrants and have not registered the Warrants in their own names and wish to exercise the Subscription Rights should note that they may incur additional costs and expenses in connection with any expedited re-registration of the Warrants prior to their transfer or the exercise of the Subscription Rights, in particular, during the period commencing 10 Business Days or any period from time to time fixed by the Rules Governing the Listing of Securities on the Stock Exchange or other rules or regulations of other relevant authorities for standard registration services prior to and including the last day of the Subscription Period.

Since the Warrants will be admitted to CCASS, so far as applicable laws or regulations of relevant regulatory authorities, terms of the Instrument and circumstances permit, the Company may determine the last trading day of the Warrants to be a date at least three trading days before the last day of the Subscription Period.

6. CLOSURE OF REGISTER OF WARRANTHOLDERS

The registration of transfers may be suspended and the Register may be closed for such period as the Directors may from time to time direct, provided that the same shall not be closed for a period or for periods together, of more than 30 days in any one year. Any transfer or exercise of the Subscription Rights attached to the Warrants made while the Register is so closed shall, as between the Company and the person claiming under the relevant transfer of Warrants or, as the case may be, as between the Company and the Warrantholder who has so exercised the Subscription Rights attached to his Warrants (but not otherwise), be considered as made immediately after the reopening of the Register.

7. PURCHASE AND CANCELLATION

The Company or any of the Subsidiaries may at any time purchase Warrants:

- (A) in the open market or by tender (available to all Warrantholders alike) at any price; or
- (B) by private treaty at a price, exclusive of expenses, not exceeding 110 per cent. of the closing price of the Warrants on the Stock Exchange prior to the date of purchase thereof,

but not otherwise. All Warrants purchased as aforesaid shall be cancelled forthwith and may not be reissued or re-sold.

8. MEETINGS OF WARRANTHOLDERS AND MODIFICATION OF RIGHTS

- (A) The Instrument contains provisions for convening meetings of Warrantholders to consider any matter affecting the interests of Warrantholders, including the modification by Special Resolution of the provisions of the Instrument and/or the Conditions. A Special Resolution duly passed at any such meeting shall be binding on the Warrantholders, whether present or not.
- (B) All or any of the rights for the time being attached to the Warrants (including any of the provisions of the Instrument) may from time to time (whether or not the Company is being wound up) be altered or abrogated (including but without prejudice to that generality by waiving compliance with, or by waiving or authorising any past or proposed breach of, any of the provisions of these Conditions and/or the Instrument) and the sanction of a Special Resolution shall be necessary and sufficient to effect such alteration or abrogation and any modification to the Instrument may be effected only by deed poll executed by the Company and expressed to be supplemental to the Instrument.

Where the warrantholder is a recognised clearing house (within the meaning of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)) or its nominee(s), it may authorise such person or persons as it thinks fit to act as its representative (or representatives) or proxy (or proxies) at any meeting of the Warrantholders provided that, if more than one person is so authorised, the authorisation or proxy form must specify the number and class of Warrants in respect of which each such person is so authorised. The person so authorised will be entitled to exercise the same power on behalf of the recognised clearing house as that clearing house or its nominee(s) could exercise as if such person were an individual Warrantholder.

9. REPLACEMENT OF WARRANT CERTIFICATES

If a Warrant certificate is mutilated, defaced, lost or destroyed, it may, at the discretion of the Directors, be replaced at the principal office of the Registrars in Hong Kong (unless the Directors otherwise direct) on payment of such costs as may be incurred in connection therewith and on such terms as to evidence, indemnity and/or security as the Directors may require and on payment of such fee not exceeding HK\$2.50 (or such higher fee as may from time to time be permitted by the Stock Exchange) as the Directors may determine. Mutilated or defaced Warrant certificates must be surrendered before replacements shall be issued.

In the case of lost Warrant certificates, Section 71A subsections (2), (3), (4), (6), (7) and (8) of the Companies Ordinance shall apply as if “shares” referred to therein included Warrants.

10. PROTECTION OF SUBSCRIPTION RIGHTS

The Instrument contains certain undertakings by and restrictions on the Company designed to protect the Subscription Rights.

11. CALL

If at any time the aggregate amount of the Exercise Moneys attaching to the Warrants which have not been exercised is less than 10 per cent. of the aggregate amount of Exercise Moneys attached to all Warrants issued under the Instrument, the Company may, on giving not less than one month’s notice, require Warrantheolders either to exercise their Subscription Rights or to allow them to lapse. On expiry of such notice, all unexercised Warrants will be cancelled automatically without compensation to Warrantheolders.

12. FURTHER ISSUES

The Company shall be at liberty to issue further subscription warrants in such manner and on such terms as it sees fit.

13. UNDERTAKINGS BY THE COMPANY

In addition to the undertakings given by it in relation to the grant and exercise of the Subscription Rights and the protection thereof the Company has undertaken in the Instrument that:–

- (A) it shall send to each Warrantheolder at the same time as the same are sent to the holders of Shares, its audited accounts and all other notices, reports and communications despatched by it to the holders of the Shares generally;
- (B) it shall pay all Cayman Islands and Hong Kong stamp duties, registration fees or similar charges (as applicable) in respect of the execution of the Instrument, the creation and initial issue of the Warrants in registered form, the exercise of the Subscription Rights and the issue of Shares upon exercise of the Subscription Rights;

- (C) it shall use all best efforts to procure that at all times during the Subscription Period, the Warrants may be dealt in on the Stock Exchange (save that this obligation shall lapse in the event that the listing of the Warrants on the Stock Exchange is withdrawn following an offer for all or any of the Warrants (whether by way of proposal to Warrantholders or by way of scheme of arrangement or otherwise));
- (D) it shall use all best efforts to procure that all Shares allotted upon exercise of the Warrants may, upon allotment or as soon as reasonably practicable thereafter, be dealt in on the Stock Exchange (save that this obligation shall lapse in the event that the listing of the Shares on the Stock Exchange is withdrawn following an offer for all or any of the Shares where a like offer is extended to the Warrantholders;
- (E) it shall ensure that all requisite consents which may be required in the Cayman Islands and Hong Kong are in place in relation to the Warrants and the Shares to be issued pursuant to the Warrants as described in the Instrument; and
- (F) it shall keep available for issue sufficient Ordinary Capital to satisfy in full all outstanding Subscription Rights.

14. OVERSEAS WARRANTHOLDERS

If a Warrantholder has a registered address in any territory (other than Hong Kong) where, in the opinion of the Directors, the allotment of Shares to such Warrantholder upon exercise of any Subscription Rights would or might, in the absence of compliance with registration or any other special formalities in such territory, be unlawful or impracticable under the laws of such territory, then the Company shall, acting as agent for such Warrantholder, as soon as practicable after an exercise by such Warrantholder of any Subscription Rights either:

- (A) allot the Shares which would otherwise have been allotted to such Warrantholder to one or more third parties selected by the Company; or
- (B) allot such Shares to such Warrantholder and then, on his behalf, sell them to one or more third parties selected by the Company;

in each case for the best consideration then reasonably obtainable by the Company. As soon as reasonably practicable following any such allotment or (as the case may be) allotment and sale, the Company shall pay to the relevant Warrantholder an amount equal to the consideration received by the Company therefor (but having deducted therefrom any brokerage, commission, stamp duty, withholding tax and any other payments, charges or taxes incurred by the Company in respect of such payment and, in the case of an allotment and sale as aforesaid, such sale) by posting the relevant remittance, by way of a Hong Kong dollar cheque, to him at his risk. The Company is hereby deemed to be authorised to effect any of the aforesaid transactions pursuant to this Condition 15 as agent for such Warrantholder and for this purpose the Company may appoint one or more persons to execute such transfers, renunciations or other documents on behalf of the relevant Warrantholder as may be required to be executed and generally may make all such arrangements as may appear to the Directors to be necessary or appropriate in connection therewith.

15. NOTICES

The Instrument contains provisions relating to notices to be given to Warrantholders.

Every Warrantholder shall register with the Company an address either in Hong Kong or elsewhere to which notices can be sent and if any Warrantholder shall fail so to do notice may be given to such Warrantholder by sending the same in any of the manners hereinafter mentioned to his last known place of business or residence or, if there be none, by posting the same for three days at the registered office for the time being of the Company.

A notice may be given by publication on the Stock Exchange website (which for the time being is at) at <http://www.hkgem.com> (which shall remain on the “Latest Company Announcement” page of such website for at least 7 days from the day of its posting) or by advertisement of the same in both an English language newspaper circulating in Hong Kong and a Chinese language newspaper circulating in Hong Kong or by delivery, prepaid letter (airmail in the case of an overseas address), cable or telex message.

All notices with respect to Warrants standing in the names of joint holders shall be given to whichever of such persons is named first in the Register and notice so given shall be sufficient notice to all the holders of such Warrants.

16. GOVERNING LAW

The Instrument and the Warrants are governed by and will be construed in accordance with the laws of Hong Kong.

1. FINANCIAL INFORMATION

The financial information of the Group for each of the three years ended 31 December 2007, 2008 and 2009 is disclosed in the annual reports of the Company for the years ended 31 December 2008 and 2009 respectively. The unaudited financial information of the Group for the nine months ended 30 September 2009 and 2010 is disclosed in the third quarterly report of the Company for the nine months ended 30 September 2010. The aforementioned financial information of the Group is published on both the GEM website (<http://www.hkgem.com>) and the Company's website (<http://www.bio-cassava.com>).

2. STATEMENT OF INDEBTEDNESS**(a) Borrowings**

At the close of business on 31 December 2010, being the latest practicable date for the purpose of preparing this indebtedness statement prior to the printing of this document, the Group had no borrowings outstanding.

(b) Debt securities

As at the close of business on 31 December 2010, the Group had no outstanding debt securities issued or authorized or otherwise created but unissued.

(c) Pledge of assets

At the close of business on 31 December 2010, the Group did not pledge any asset to banks or other financial institutions.

(d) Contingent liabilities

At the close of business on 31 December 2010, the Group had no contingent liabilities.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Group did not have outstanding at the close of business on 31 December 2010 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

3. WORKING CAPITAL

After taking into account the financial resources available to the Group, including the internally generated funds, the Directors are of the opinion that the Group will have sufficient working capital for its present requirements for at least the next 12 months from the date of this prospectus.

4. MATERIAL ADVERSE CHANGES

As at the Latest Practicable Date, the Directors confirm that there were no material adverse change in the financial or trading position or outlook of the Group subsequent to 31 December 2009, being the date to which the last audited financial statements of the Company were made up, up to the Latest Practicable Date.

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION

1. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group had been prepared for illustrative purposes only, and because of its hypothetical nature, it does not provide any assurance or indication that any event will take place in the future and may not give a true picture of the financial position of the Group as at 30 June 2010 or any future date.

Unaudited consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2010 <i>HK\$'000</i> <i>(Note 1)</i>	Adjustment <i>HK\$'000</i> <i>(Note 2)</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company immediately after the Placing <i>HK\$'000</i>
<u>16,540</u>	<u>7,030</u>	<u>23,570</u>
Unaudited consolidated net tangible assets of the Group attributable to the owners of the Company per share before the Placing		<u>HK\$0.002</u> <i>(Note 3)</i>
Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per share after the Placing		<u>HK\$0.003</u> <i>(Note 3)</i>

Notes:

1. The unaudited consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2010 is based on the unaudited consolidated net tangible assets attributable to the owners of the Company as at 30 June 2010 of approximately HK\$16,540,000 as disclosed in the interim report of the Company for the six months ended 30 June 2010. The aforementioned financial information of the Group is published on both the GEM website (<http://www.hkgem.com>) and the Company's website (<http://www.bio-cassava.com>).
2. The adjustment is made to reflect the effect of the Placing had it been taken place on 30 June 2010. If the Placing is completed, the gross proceeds will be HK\$8,000,000, and the expected net proceeds, after deducting all relevant expenses of approximately HK\$970,000, to the Company will be approximately HK\$7,030,000.
3. The number of shares used for the calculation of unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per share both before and after the Placing is based on 8,203,300,000 ordinary shares issued as at 30 June 2010.

**2. REPORT ON UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED
NET TANGIBLE ASSETS OF THE GROUP****ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA STATEMENT OF ADJUSTED
CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP**

24 January 2011

The Board of Directors
China Bio Cassava Holdings Limited
6th Floor, Culturecom Centre,
47 Hung To Road, Kwun Tong,
Kowloon, Hong Kong.

Dear Sirs,

We report on the unaudited pro forma statement of adjusted consolidated net tangible assets of China Bio Cassava Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”), which has been prepared by the Directors of the Company for illustrative purposes only, to provide information about how the proposed private placing of up to 800,000,000 listed warrants might have affected the financial information presented, for inclusion in Appendix III of the prospectus dated 24 January 2011 (the “Prospectus”). The basis of preparation of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group is set out on page 44 to the Prospectus.

Respective responsibilities of Directors of the Company and reporting accountants

It is the responsibility solely of the Directors of the Company to prepare the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group in accordance with paragraph 31 of Chapter 7 of the Rules Governing the Listing of Securities on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

It is our responsibility to form an opinion, as required by paragraph 31(7) of Chapter 7 of the GEM Listing Rules, on the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group with the Directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been properly compiled by the Directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as disclosed pursuant to paragraph 31(1) of Chapter 7 of the GEM Listing Rules.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group is for illustrative purpose only, based on the judgments and assumptions of the Directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of the financial position of the Group as at 30 June 2010 or any future date.

Opinion

In our opinion:

- (a) the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been properly compiled by the Directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as disclosed pursuant to paragraph 31(1) of Chapter 7 of the GEM Listing Rules.

ZHONGLEI (HK) CPA Company Limited

Certified Public Accountants (Practising)

Chan Chi Kei, Ronald

Practising Certificate Number: P04255

Suites 216-218, 2/F Shui On Centre,
6-8 Harbour Road, Wanchai,
Hong Kong

1. RESPONSIBILITY STATEMENT

This prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus 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 document misleading.

2. SHARE CAPITAL

As at the Latest Practicable Date, the authorised and issued share capital of the Company were as follows:

	<i>HK\$</i>
<i>Authorised:</i>	
<u>200,000,000,000</u> Shares	<u>500,000,000.00</u>
	<i>HK\$</i>
<i>Issued and fully paid or credited as fully paid:</i>	
<u>8,203,300,000</u> Shares	<u>20,508,250.00</u>

The 800,000,000 Warrants will confer rights to subscribe in aggregate up to HK\$47,200,000 for up to 800,000,000 Shares to be issued upon full exercise of the Warrants. The Warrants will be transferrable and exercisable in units of Subscription Rights of HK\$11,800 each and thus every Warrant will entitle the Warrantholder to subscribe in cash for one Share at the initial Subscription Price of HK\$0.059. The Shares falling to be issued upon the exercise of the Subscription Rights will upon allotment and issue rank equally in all respects with the existing Shares in issue on the relevant Subscription Date save for any right or entitlement to dividends or other rights or distributions the record date for which precedes the date on which such Subscription Rights are exercised pursuant to the terms of the Instrument. Save as disclosed above, there is no alteration of the capital of any member of the Group since the date to which the latest published audited accounts of the Company were made up.

As at the Latest Practicable Date, there is an outstanding 756,760,000 Share Options granted entitling the holders thereof to subscribe for up to 756,760,000 Shares. Save for the above, the Company had no outstanding options or warrants or other convertible securities that are convertible/exchangeable into Shares as at the Latest Practicable Date.

The Shares are listed on the GEM, and the Warrants are proposed to be listed on the GEM. Save as disclosed herein, no part of the securities of the Company is listed or dealt in, nor is listing or permission to deal in the securities of the Company being or proposed to be sought, on any other stock exchange. There are no arrangements under which future dividends will be waived or agreed to be waived.

As at the Latest Practicable Date, there are no arrangements under which future dividends will be waived or agreed to be waived, founder or management or deferred Shares.

Save as disclosed in this prospectus, as at the Latest Practicable Date, no Share or loan capital of the Company or any of its subsidiaries was under option or was agreed conditionally or unconditionally to be put under option.

3. DISCLOSURE OF INTERESTS BY DIRECTORS

(a) Interests and short positions of the Directors and the chief executive of the Company in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the following Directors are granted and have interests in the options of the Company:

Name of Directors	Capacity	No. of options outstanding	Approx. % of shareholding	Date granted	Period during which options exercisable	Exercise price per Share
Kwan Kin Chung	Beneficial owner	16,000,000	0.195	29/5/2007	29/5/2007 to 28/5/2017	HK\$0.1125
Tam Kam Biu William	Beneficial owner	20,000,000	0.244	29/5/2007	29/5/2007 to 28/5/2017	HK\$0.1125
Wan Xiaolin	Beneficial owner	12,000,000	0.146	29/5/2007	29/5/2007 to 28/5/2017	HK\$0.1125
Chen Man Lung	Beneficial owner	16,000,000	0.195	29/5/2007	29/5/2007 to 28/5/2017	HK\$0.1125
Leung Lap Yan	Beneficial owner	8,000,000	0.098	29/5/2007	29/5/2007 to 28/5/2017	HK\$0.1125
Leung Lap Fu Warren	Beneficial owner	8,000,000	0.098	29/5/2007	29/5/2007 to 28/5/2017	HK\$0.1125
Ip Chi Wai	Beneficial owner	4,000,000	0.049	29/5/2007	29/5/2007 to 28/5/2017	HK\$0.1125
Tse Wang Cheung Angus	Beneficial owner	4,000,000	0.049	29/5/2007	29/5/2007 to 28/5/2017	HK\$0.1125
Shiu Kwok Keung	Beneficial owner	4,000,000	0.049	29/5/2007	29/5/2007 to 28/5/2017	HK\$0.1125
	Subtotal:	<u>92,000,000</u>				

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company was interested, or deemed to be interested in the long and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) were required pursuant to section 352 of the SFO to be entered in the register referred to therein; or (c) were required pursuant to Rules 5.46 to 5.47 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

(b) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial Shareholders

As at the Latest Practicable Date, the following persons (not being Director or chief executive of the Company) had, or was deemed to have, interests or short positions in the shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Long positions in shares of the Company

Name of shareholders	Number of shares	Approximate percentage holding
Step Up Co., Ltd.	486,630,000	5.93%
Mr. Kuan Sio Kai (<i>Note (i)</i>)	486,630,000	5.93%
Winway H.K. Investments Limited	2,098,490,000	25.58%
Culturecom Holdings Limited (<i>Note (ii)</i>)	2,098,490,000	25.58%
L & W Holding Limited	479,430,000	5.84%
Ms. Chow Lai Wah Livia (<i>Note (iii)</i>)	669,700,000	8.16%
Mr. Basilio Dizon (<i>Note (iv)</i>)	669,700,000	8.16%

Notes:

- (i) Mr. Kuan Sio Kai is deemed to be interested in 486,630,000 shares through his controlling interest (100%) in Step Up Co., Ltd.
- (ii) 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 2,098,490,000 shares through its controlling interest (100%) in Winway H.K. Investments Limited.
- (iii) Ms. Chow Lai Wah Livia (“Ms Chow”) is beneficially interested in 162,690,000 shares in the Company. Ms. Chow is a wife of Mr. Basilio Dizon (“Mr Dizon”) and has controlling interests (65%) in L & W Holding Limited (“L & W”). Accordingly, she is deemed to be interested in 507,010,000 shares in the Company under SFO.
- (iv) Mr. Dizon is a husband of Ms. Chow and has controlling interests 35% and 90.77% in L & W and Harvest Smart Overseas Limited (“Harvest Smart”) respectively. Harvest Smart is beneficially interested in 27,580,000 shares in the Company. Accordingly, he is deemed to be interested in 669,700,000 shares in the Company under SFO.

Save as disclosed above, as at the Latest Practicable Date, no other persons (not being Director or chief executive of the Company) had, or was deemed to have, interests or short positions in the shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

4. MARKET STATISTICS

The Shares are listed on the Stock Exchange only. The board lot for trading in the Shares on the Stock Exchange is 20,000 Shares.

Set out below are the market statistics of the Company:

- (a) The highest and lowest closing prices on the Stock Exchange of Shares in each of the twelve months immediately preceding the Latest Practicable Date are set out below:

Month	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
2010		
January	0.074	0.052
February	0.056	0.046
March	0.059	0.049
April	0.080	0.048
May	0.063	0.050
June	0.056	0.050
July	0.049	0.045
August	0.055	0.045
September	0.075	0.049
October	0.075	0.068
November	0.073	0.069
December	0.083	0.051
2011		
January (up to the Latest Practicable Date)	0.058	0.052

- (b) Closing price per Share as at the Latest Practicable Date HK\$0.052

- (c) Market capitalisation (*Note*) HK\$426,571,600

Note: Based on the number of Shares in issue and the closing price per Share as at the Latest Practicable Date.

5. DIRECTORS' INTEREST IN ASSETS AND CONTRACTS OF SIGNIFICANCE

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which have been, since 31 December 2009, being the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by or leased to any member of the group, or were proposed to be acquired or disposed of by or leased to any member of the Group. As at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement subsisting which is significant in relation to the business of the Group taken as a whole.

6. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group and associated companies (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

7. MATERIAL LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any material litigation, claim or arbitration of material importance and no litigation, claim or arbitration of material importance is known to the Directors to be pending or threatened against any member of the Group.

8. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the expert who has given opinion which is contained in this prospectus:

Name	Qualification
ZHONGLEI (HK) CPA Company Limited	Certified Public Accountants

As at the Latest Practicable Date, ZHONGLEI (HK) CPA Company Limited did not have any shareholding, directly or indirectly, in the Company or any of its members or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group. ZHONGLEI (HK) CPA Company Limited did not have any direct or indirect interest in any assets which have, since 31 December 2009, being the date of the latest published audited consolidated accounts of the Company, been acquired or disposed of by, or leased to, or are proposed to be acquired or disposed of by, or leased to, any member of the Group.

ZHONGLEI (HK) CPA Company Limited has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion herein or its report and references to its name, in the form and context in which it respectively appears.

9. INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors nor their respective associates had any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

10. EXPENSES

The expenses in connection with the Placing, including financial and legal advisory fees, underwriting commission, printing and translation expenses, are estimated to be approximately HK\$970,000 and will be payable by the Company.

11. MATERIAL CONTRACTS

Other than the Placing Agreement, details of which are set out in this prospectus, none of the member of the Group has entered into any contract within two years before 24 January 2011, the date of this prospectus, which are not in the ordinary course of business and which are or may be material.

12. BINDING EFFECT


This prospectus and the application form for the Warrants shall have the effect, if any application is made in pursuant hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

13. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

A copy of this prospectus, having attached thereto a copy of the application form for the Warrants and the written consent referred to in the paragraph headed "Qualification and Consent of Expert" in this Appendix, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of Companies Ordinance of Hong Kong.

14. INTELLECTUAL PROPERTY RIGHTS OF THE GROUP

As at the Latest Practicable Date, the Group has applied for registration of the following trademark, patent or any other intellectual property right and the application is still in process:

Trademark/ Patent	Place of registration	Class	Date of application	Applicant	Application No.
	PRC	4, 7, 31	24 September 2007	China Bio Cassava Holdings Limited	6293474 6293473 6293472

As at the Latest Practicable Date, the Group is the beneficial owner of the following registered intellectual property rights:

Trademark/ Patent	Place of registration	Class	Date of registration	Applicant	Application No.
	Hong Kong	4, 7, 31	31 August 2007 30 November 2007	China Bio Cassava Holdings Limited	300944947 301004093

15. MISCELLANEOUS

Save as disclosed herein,

- (a) the expenses in connection with the issue of the Warrants and the application for the listing, including placing commission, documentation fee, registration, printing, translation, legal and accountancy charges, registrars and advertising expenses payable by the Company, are estimated to amount to approximately HK\$970,000.
- (b) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted by any member of the Group to any Directors or proposed Directors, promoters or experts in connection with the issue or sale of any capital by any such member of the Group.
- (c) to the best knowledge, information and belief of the Directors, the Company had no exposure to foreign exchange liabilities.
- (d) the English text of this prospectus prevails over its Chinese translation in case of discrepancy.

16. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours from 10:00 a.m. to 5:00 p.m. (Saturdays, Sundays and public holidays excepted) at the principal place of business of the Company in Hong Kong at 6th Floor, Culturecom Centre, 47 Hung To Road, Kwun Tong, Kowloon, Hong Kong from the date of this prospectus up to and including 18 February 2011:

- (a) the memorandum and articles of association of the Company;
- (b) the annual report of the Company for the two years ended 31 December 2009;
- (c) the report on unaudited pro forma financial information from ZHONGLEI (HK) CPA Company Limited, the text of which is set out in Appendix III of this prospectus;
- (d) the written consent referred to in the paragraph headed “Qualification and consent of expert” in this appendix; and
- (e) a draft of the Instrument of the Warrants.