

CHINA MEDICAL AND BIO SCIENCE LIMITED

(PROVISIONAL LIQUIDATORS APPOINTED)

中華藥業生物科學有限公司*

(已委任臨時清盤人)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8120)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 JULY 2009

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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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This announcement, for which the directors (the “Directors”) of China Medical and Bio Science Limited (Provisional Liquidators Appointed) (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

* For identification purpose only

THE ANNUAL RESULTS FOR THE YEAR ENDED 31 JULY 2009

The board of directors (the “Board”) of China Medical and Bio Science Limited (Provisional Liquidators Appointed) (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 July 2009, together with the comparative figures in 2008 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 July 2009

	Note	2009 HK\$'000	2008 HK\$'000
Turnover	5	1,965	5,981
Cost of sales		(1,465)	(3,129)
Gross profit		500	2,852
Other revenue	5	3,755	15,984
Selling and distribution costs		(1,491)	(1,292)
General and administrative expenses		(28,982)	(87,567)
Write-down of inventories		(7,954)	(952)
Provision for bad and doubtful debts		(559)	(15,477)
Loss on disposal on financial assets at fair value through profit or loss		(14,610)	–
Net unrealised fair value loss on financial assets at fair value through profit or loss		–	(33,844)
Loss from operating activities	6	(49,341)	(120,296)
Finance costs	7	(32,985)	(11,106)
Gain on deconsolidation of subsidiaries	14	9,497	–
Impairment on			
– Amounts due from deconsolidated subsidiaries		(23,403)	–
– Property, plant and equipment		(1,411)	(184)
– Goodwill		–	(23,392)
Loss before tax		(97,643)	(154,978)
Tax	8	–	–
Loss for the year		(97,643)	(154,978)
Loss per share attributable to Shareholders of the Company	9		
Basic		HK\$0.07	HK\$0.11
Diluted		N/A	N/A

CONSOLIDATED BALANCE SHEET

As at 31 July 2009

	Note	2009 HK\$'000	2008 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		–	24,350
Leasehold land		–	13,184
Intangible assets		–	–
Goodwill		–	–
		<hr/>	<hr/>
		–	37,534
CURRENT ASSETS			
Inventories		–	352
Trade receivables	10	–	242
Deposits, prepayments and other receivables	11	162	12,348
Financial assets at fair value through profit or loss		–	50,647
Cash and bank balances		1,656	12,497
		<hr/>	<hr/>
		1,818	76,086
Non-current assets held for sales		11,234	–
		<hr/>	<hr/>
		13,052	76,086
DEDUCT:			
CURRENT LIABILITIES			
Bank and other borrowings	12	5,018	37,981
Finance lease obligations		–	182
Trade payables	13	1,352	1,291
Convertible bonds		106,600	–
Amounts due to deconsolidated subsidiaries		3,972	–
Other payables and accruals		46,091	50,762
Income tax payable		1,093	1,101
		<hr/>	<hr/>
		164,126	91,317
Liabilities directly associated with non-current assets held for sales		9,518	–
		<hr/>	<hr/>
		173,644	91,317
NET CURRENT LIABILITIES			
		<hr/>	<hr/>
		(160,592)	(15,231)
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<hr/>	<hr/>
		(160,592)	22,303
		<hr/>	<hr/>

CONSOLIDATED BALANCE SHEET (CONT'D)*As at 31 July 2009*

	<i>Note</i>	2009 HK\$'000	2008 <i>HK\$'000</i>
DEDUCT:			
NON-CURRENT LIABILITIES			
Bank loans	<i>12</i>	–	9,258
Finance lease obligations		–	911
Convertible bonds		–	74,161
		<u>–</u>	<u>84,330</u>
		<u>–</u>	<u>84,330</u>
NET LIABILITIES		<u>(160,592)</u>	<u>(62,027)</u>
REPRESENTING:			
CAPITAL AND RESERVES			
Share capital		67,620	67,620
Reserves		<u>(228,212)</u>	<u>(129,647)</u>
CAPITAL DEFICIENCY		<u>(160,592)</u>	<u>(62,027)</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 July 2009

	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Share option reserve HK\$'000	Convertible bond equity reserve HK\$'000	Warrants reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 August 2007									
– As previously reported	67,620	101,086	27,104	–	–	–	1,815	(124,663)	72,962
– Prior year adjustment	–	–	–	–	–	–	(524)	(26,497)	(27,021)
– As restated	67,620	101,086	27,104	–	–	–	1,291	(151,160)	45,941
Share-based compensation expenses	–	–	–	14,364	–	–	–	–	14,364
Issue of warrants	–	–	–	–	–	4,807	–	–	4,807
Recognition of equity component of convertible bonds	–	–	–	–	29,634	–	–	–	29,634
Exchange differences arising on translation of financial statements of overseas subsidiaries	–	–	–	–	–	–	(1,795)	–	(1,795)
Loss for the year	–	–	–	–	–	–	–	(154,978)	(154,978)
At 31 July 2008 and at 1 August 2008	67,620	101,086	27,104	14,364	29,634	4,807	(504)	(306,138)	(62,027)
Release of exchange fluctuation reserve upon deconsolidation of subsidiaries	–	–	–	–	–	–	(2,253)	–	(2,253)
Exchange differences arising on translation of financial statements of overseas subsidiaries	–	–	–	–	–	–	1,331	–	1,331
Loss for the year	–	–	–	–	–	–	–	(97,643)	(97,643)
At 31 July 2009	67,620	101,086	27,104	14,364	29,634	4,807	(1,426)	(403,781)	(160,592)

The capital reserve arising from capitalisation of a loan represents the difference between the amount due to a former beneficial shareholder capitalised and the nominal value of shares issued by a subsidiary, China Biotechnology Limited.

NOTES

1. CORPORATE INFORMATION

China Medical and Bio Science Limited (Provisional Liquidators Appointed) (the “Company”) and its subsidiaries (collectively the “Group”) are principally engaged in bio-livestock feed business, mainly involving the development and distribution of feed supplements and the production and operation of end-user safe food based on the use of feed supplements.

The registered office of the Company is located at Ugland House, P.O. Box 309, George Town, Grand Cayman, Cayman Islands, British West Indies.

The principal place of business of the Company is 62/F, One Island East, 18 Westlands Road, Island East, Hong Kong.

The Company’s shares are listed on the Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and have been suspended from trading since 28 October 2008.

2. BASIS OF PREPARATION

(a) Winding-up petition and appointment of the provisional liquidators

On 13 May 2008, a winding-up petition was presented and filed in the High Court of the Hong Kong Special Administrative Region (the “High Court”) by Shantou Xinyuan Trading Company Limited, the petitioner of the Company. On 2 December 2008, an ex-parte application was filed and served onto the Company by Keywise Greater China Opportunities Master Fund, a supporting creditor of the Company, for the appointment of provisional liquidators of the Company. On 3 December 2008, the High Court appointed Messrs. Stephen Liu Yiu Keung and David Yen Ching Wai, both of Ernst & Young Transactions Limited, as the joint and several provisional liquidators (the “Provisional Liquidators”) of the Company.

Pursuant to an order of the High Court, the Provisional Liquidators would, inter alia, take into their custody and protect all the assets of the Group and manage the Group until such times as further order is made. The Provisional Liquidators are independent third parties not connected with the Company or any of the directors, chief executive and substantial shareholders of the Company or its subsidiaries or their respective associates as defined in the Rules Governing the Listing of Securities on the GEM (the “GEM Listing Rules”).

(b) Proposed restructuring of the Group

On 5 December 2008, the Provisional Liquidators appointed Asian Capital (Corporate Finance) Limited as financial adviser to the Company (the “Financial Adviser”). Since then, the Provisional Liquidators and the Financial Adviser had been in discussion and negotiation with various potential investors with a view of restructuring the Company and submitting a viable resumption proposal to the Stock Exchange.

On 1 April 2009, an exclusivity agreement was entered into amongst Good One International Inc. (“Good One”), the Company and the Provisional Liquidators to grant Good One exclusivity for the proposed restructuring of the Group. This exclusivity agreement was subsequently terminated on 28 July 2009.

2. BASIS OF PREPARATION (CONT'D)

(b) Proposed restructuring of the Group (Cont'd)

On 28 July 2009, a new exclusivity agreement (the “Exclusivity Agreement”) was entered into amongst NEUF Capital Limited (the “Investor”), the Company and the Provisional Liquidators to grant the Investor exclusivity for the preparation of a resumption proposal (the “Resumption Proposal”) and negotiation in a good faith of legally binding agreements for the implementation of the proposed restructuring and the Resumption Proposal. The restructuring proposal so submitted by the Investor was also accepted by the Provisional Liquidators, and in principle, supported by the major creditors of the Company as it was considered to be in the best interest of the Company and its stakeholders.

Pursuant to the Exclusivity Agreement, the Investor undertook that it would deposit sufficient funds of up to HK\$9 million as working capital to meet the trading and operation expenses required to maintain a viable, continuing business of the Company during the course of the proposed restructuring and after the date of the Exclusivity Agreement.

The Financial Adviser submitted the Resumption Proposal on behalf of the Company to the Stock Exchange on 30 November 2009.

The proposed restructuring, if successfully implemented, will, amongst other things, result in:

- (i) a restructuring of the share capital of the Company through capital reduction, shares consolidation and the increase in recognised share capital, and the issuance of new shares of the Company;
- (ii) all the creditors of the Company discharging and waiving their claims against the Company by way of schemes of arrangement in Hong Kong and the Cayman Islands (the “Schemes”), as appropriate; and
- (iii) resumption of trading in the shares of the Company upon completion of the proposed restructuring subject to the restoration of sufficient public float.

Having received and considered the operations and affairs of the Group and the magnitude of the claims against the Company, the Company concluded that the proposed restructuring represents the best means available for the Company to be returned to solvency and to continue with the development and enhancement of its business.

(c) Adoption of going concern basis

The Group incurred a loss of approximately HK\$97,643,000 for the year ended 31 July 2009 and as at that date, the Group had net current liabilities and net liabilities of approximately HK\$160,592,000. The indebtedness of the Group mainly comprised short-term bank loans and other borrowings and convertible bonds, amounting to a total of approximately HK\$111,618,000, of which bank loans of approximately HK\$4,336,000 were overdue as at 31 July 2009. These conditions indicated the existence of a material uncertainty which cast significant doubt on the Group’s ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

These consolidated financial statements have been prepared on a going concern basis on the basis that the proposed restructuring of the Company will be successfully completed, and that, following the restructuring, the Group will be able to meet in full its financial obligations as they fall due in the foreseeable future.

Should the Group be unable to achieve a successful restructuring and to continue its business as a going concern, adjustments would have to be made to the financial statements to properly reflect the value of the Group’s assets to their recoverable amounts and to provide for any further liabilities which might arise.

2. BASIS OF PREPARATION (CONT'D)

(d) Compliance with Hong Kong Financial Reporting Standards

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which also includes Hong Kong Accounting Standards (“HKAS”) and Interpretations approved by the HKICPA, and are prepared under the historical cost convention as modified by the revaluation of financial assets at fair value through profit or loss. These consolidated financial statements also comply with the applicable disclosures required by the GEM Listing Rules and by the Hong Kong Companies Ordinance.

The preparation of financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

(e) Deconsolidation of subsidiaries

- (i) On 27 March 2009, the Company’s wholly-owned subsidiary, Yang Yang Bio-Products (S) (PTE.) LTD. (“Singapore Yang Yang”) passed a resolution in writing pursuant to an article of association of Singapore Yang Yang that Singapore Yang Yang would be wound up voluntarily and a creditors’ meeting would be convened.

The creditor’s meeting was convened on 27 April 2009 for the purpose of the presentation of a Statement of Affairs of Singapore Yang Yang, the appointment of liquidator and the establishment of Committee of Inspection. The Liquidator was subsequently appointed on 27 April 2009.

The management considered that the Group’s control over Singapore Yang Yang has been lost. Accordingly, the results, assets and liabilities of Singapore Yang Yang were not included into the consolidated financial statements of the Group with effect from 27 April 2009.

- (ii) On 26 August 2009, a liquidator was appointed to the Company’s wholly-owned subsidiary, Japan Yang Yang Bio Products Company Limited (“Japan Yang Yang”). The management considered that control over Japan Yang Yang had already been lost as at 31 July 2009 and the liquidator was appointed shortly after the balance sheet date. Accordingly, Japan Yang Yang was excluded from the consolidated financial statements of the Group since 31 July 2009.

In the opinion of the management, the consolidated financial statements for the year ended 31 July 2009 prepared on the aforementioned basis present more fairly the results and state of affairs of the Group as a whole in light of the aforesaid liquidation against the said subsidiaries.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(a) Initial application of HKFRSs

In the current year, the Group initially applied the following HKFRSs:

HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 14	HKAS 19-The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
Amendments to HKAS 39 and HKFRS 7	Reclassification of Financial Assets
Amendments to HKAS 39 and HKFRS 7	Reclassification of Financial Assets – Effective Date and Transition
Amendments to HK(IFRIC)-Int 9 and HKAS 39	Embedded Derivatives

The initial application of these HKFRSs does not necessitate material changes in the Group's accounting policies or retrospective adjustments of the comparatives presented, except that reclassification of certain held-for-trading financial assets is now permitted by amendments to HKAS 39 and HKFRS 7.

(b) Hong Kong Financial Reporting Standards in issue but not yet effective

The following HKFRSs in issue as at 31 July 2009 have not been applied in the preparation of the Group's financial statements for the year ended 31 July 2009 since they were not yet effective for the annual period beginning on 1 August 2008:

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 3 (Revised)	Business Combinations
HKFRS 8	Operating Segments
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners
HK(IFRIC)-Int 18	Transfers of Assets from Customers
Amendments to HKAS 32 and HKAS 1	Puttable Financial Instruments and Obligations Arising on Liquidation
Amendments to HKAS 39	Eligible Hedged Items
Amendments to HKFRS 1 and HKAS 27	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
Amendments to HKFRS 2	Share-based Payment – Vesting Conditions and Cancellations
Amendments to HKFRS 7	Improving Disclosures about Financial Instruments
Improvements to HKFRSs	
Improvements to HKFRSs 2009	

The Group is required to initially apply these Hong Kong Financial Reporting Standards in its annual financial statements beginning on 1 August 2009, except that the Group is required to initially apply the amendments made by Improvements to HKFRSs 2009 to HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 18, HKAS 36 and HKAS 39 in its annual financial statements beginning on 1 August 2010.

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

- (a) the veterinary drugs segment comprises the production, sales and distribution of veterinary drugs;
- (b) the feed supplements segment comprises the manufacture and sale of feed supplements;
- (c) the safe food segment comprises the trading of livestock and "Sakura Pork" branded food fed with probiotics-based feed supplements; and
- (d) the corporate segment comprises corporate income and expense items.

Inter-segment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

4. SEGMENT INFORMATION (CONT'D)

Business segments

The following tables present revenue, loss and certain assets, liabilities and expenditure information for the Group's business segments.

	Veterinary drugs		Feed supplements		Safe food		Corporate		Eliminations		Consolidated	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Segment revenue:												
Sales to external customers	-	-	819	3,540	1,146	2,441	-	-	-	-	1,965	5,981
Other revenue	-	-	220	3,307	-	-	3,457	-	-	-	3,677	3,307
Total revenue	<u>-</u>	<u>-</u>	<u>1,039</u>	<u>6,847</u>	<u>1,146</u>	<u>2,441</u>	<u>3,457</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,642</u>	<u>9,288</u>
Segment results	<u>(629)</u>	<u>(1,260)</u>	<u>(20,552)</u>	<u>(76,991)</u>	<u>(1,352)</u>	<u>(216)</u>	<u>(17,389)</u>	<u>(54,506)</u>	<u>-</u>	<u>-</u>	<u>(39,922)</u>	<u>(132,973)</u>
Interest income											78	12,677
Loss from operating activities											(39,844)	(120,296)
Finance costs											(32,985)	(11,106)
Impairment on												
- Amounts due to deconsolidated subsidiaries	-	-	(23,403)	-	-	-	-	-	-	-	(23,403)	-
- Property, plant and equipment	-	(105)	(1,411)	-	-	-	-	(79)	-	-	(1,411)	(184)
- Goodwill	-	-	-	-	-	-	-	(23,392)	-	-	-	(23,392)
Loss before tax											(97,643)	(154,978)
Tax	-	-	-	-	-	-	-	-	-	-	-	-
Loss for the year											<u>(97,643)</u>	<u>(154,978)</u>
Segment assets	17,203	18,233	7,556	45,194	6,025	3,096	294,166	380,981	(311,898)	(333,884)	13,052	113,620
Total assets	<u>17,203</u>	<u>18,233</u>	<u>7,556</u>	<u>45,194</u>	<u>6,025</u>	<u>3,096</u>	<u>294,166</u>	<u>380,981</u>	<u>(311,898)</u>	<u>(333,884)</u>	<u>13,052</u>	<u>113,620</u>
Segment liabilities	67,591	67,976	25,144	54,962	4,090	878	388,717	385,715	(311,898)	(333,884)	173,644	175,647
Total liabilities	<u>67,591</u>	<u>67,976</u>	<u>25,144</u>	<u>54,962</u>	<u>4,090</u>	<u>878</u>	<u>388,717</u>	<u>385,715</u>	<u>(311,898)</u>	<u>(333,884)</u>	<u>173,644</u>	<u>175,647</u>
Other segment information:												
Depreciation and amortisation	206	47	500	1,663	81	2	-	269	-	-	787	1,981
Capital expenditure	-	-	20	13,067	-	368	-	18,918	-	-	20	32,353

4. SEGMENT INFORMATION (CONT'D)

Geographical segments

	Hong Kong		PRC		Singapore		Japan		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from external sales	36	15	1,226	3,001	703	2,452	–	513	1,965	5,981
Segment assets	12,890	53,730	162	41,971	–	8,500	–	9,419	13,052	113,620
Capital expenditure	–	19,817	20	1,827	–	1,243	–	9,466	20	32,353

5. TURNOVER AND OTHER REVENUE

Turnover represents the net invoiced value of goods sold after allowances for returns and discounts, and net of value-added tax.

An analysis of the Group's turnover and other revenue is as follows:

	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sale of feed supplements	819	3,540
Sale of safe food	1,146	2,441
	<u>1,965</u>	<u>5,981</u>
Other revenue		
Interest income	78	12,677
Forfeiture of non-refundable advances from a potential investor	3,442	–
Sundry income	235	3,307
	<u>3,755</u>	<u>15,984</u>
Total revenue	<u>5,720</u>	<u>21,965</u>

6. LOSS FROM OPERATING ACTIVITIES

Loss from operating activities is arrived at after charging/(crediting):

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Amortisation of leasehold land	113	261
Auditors' remuneration	300	550
Depreciation	674	1,720
Sales proceeds	(5,343)	(10,624)
Less: Net book value	12,692	10,627
Loss on disposal of property, plant and equipment, leasehold land and non-current assets held for sales	7,349	3
Minimum operating lease payments for land and buildings	1,600	3,023
Research and development expenditure	–	3,765
Staff costs (including directors' emoluments)		
Salaries, wages and other allowances	5,582	16,852
Pension scheme contributions	178	745
	<u>5,760</u>	<u>17,597</u>

7. FINANCE COSTS

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Interest on convertible bonds	25,838	8,602
Redemption premium of convertible bonds	6,600	–
Finance lease charges	8	29
Interest on bank loans wholly repayable within five years	357	419
Interest on other loans	182	2,056
	<u>32,985</u>	<u>11,106</u>

8. TAX

(a) Taxation in the consolidated income statement of preceding year represented deferred tax (Note 8(b)).

No provision for Hong Kong profits tax has been made as the Group did not have any estimated assessable profits arising in Hong Kong for both years.

No provision for income taxes in the People's Republic of China (the "PRC") and other jurisdictions has been made as the Group did not have any assessable profits arising in these jurisdictions for both years.

8. TAX (CONT'D)

Tax expense for the year can be reconciled as follows:

	2009	2008
	HK\$'000	HK\$'000
Loss before tax	(97,643)	(154,978)
Tax effect at Hong Kong profits tax rate of 16.5% (2008: the PRC statutory income tax rate of 25%)	(16,111)	(38,745)
Tax effect of non-deductible expenses	16,075	28,797
Tax effect of tax exempt revenue	(9)	(263)
Tax effect of unrecognised general provision for bad and doubtful debts	92	3,869
Tax effect of unrecognised impairment of assets	(47)	(7,251)
Tax effect of unrecognised tax losses	–	13,593
Tax expense	–	–

(b) The components of unrecognised deductible temporary differences at the balance sheet dates are as follows:

	2009	2008
	HK\$'000	HK\$'000
Unutilised tax losses	59,893	77,877
Provision for bad and doubtful debts	38,887	45,402
	98,780	123,279

As at 31 July 2008, the unrecognised unutilised tax losses included in aggregate losses of HK\$17,984,000 attributable from Singapore Yang Yang and Japan Yang Yang. The unrecognised provision for bad and doubtful debts also included in aggregate HK\$7,073,000 attributable from these two subsidiaries. These temporary differences were not included in the current year's unrecognised temporary differences as Singapore Yang Yang and Japan Yang Yang were deconsolidated during the year (Note 14).

The unutilised tax losses accumulated in the PRC subsidiaries would expire in five years from the respective year of loss.

Deductible temporary differences have not been recognised in these financial statements owing to the absence of objective evidence in respect of the availability of sufficient taxable profits that are expected to arise to offset against the deductible temporary differences.

9. LOSS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of basic loss per share attributable to shareholders of the Company is based on the loss attributable to the shareholders of the Company from continuing operations for the year of approximately HK\$97,643,000 (2008: HK\$154,978,000) and the weighted average number of 1,352,400,000 (2008: 1,352,400,000) ordinary shares in issue during the year.

No diluted loss per share is presented for the years ended 31 July 2009 and 2008 as the conversion of the outstanding convertible bonds, warrants and share options during the years had an anti-dilutive effect on the basic loss per share.

10. TRADE RECEIVABLES

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Trade receivables	28,279	28,411
Provision for bad and doubtful debts	(28,279)	(28,169)
	<u> </u>	<u> </u>
	–	242
	<u> </u>	<u> </u>

The Group's trading terms with its customers are mainly on credit, except for new customers where payment in advance is normally required. The credit period is generally for a period of three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and the management regularly reviews the overdue balances.

An aged analysis of the trade receivables as at the balance sheet date, based on payment due date and net of provision, is as follows:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Within 3 months	–	222
6 to 12 months	–	20
	<u> </u>	<u> </u>
	–	242
	<u> </u>	<u> </u>

Movements of the provision for bad and doubtful debts during the current and prior years were as follows:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
At beginning of the year	28,169	24,001
Provided for the year	110	4,168
	<u> </u>	<u> </u>
At end of the year	28,279	28,169
	<u> </u>	<u> </u>

11. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Prepayments	–	2,580
Deposits and other receivables	17,844	26,667
Provision for bad and doubtful debts	(17,682)	(17,233)
	<hr/>	<hr/>
	162	12,014
Current portion of leasehold lands	–	334
	<hr/>	<hr/>
	162	12,348
	<hr/> <hr/>	<hr/> <hr/>

Movements of the provision for bad and doubtful debts during the current and prior years were as follows:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
At beginning of the year	17,233	5,924
Provided for the year	449	11,309
	<hr/>	<hr/>
At end of the year	17,682	17,233
	<hr/> <hr/>	<hr/> <hr/>

12. BANK AND OTHER BORROWINGS

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Bank loans		
– Secured	–	9,657
– Unsecured	4,336	4,007
	<u>4,336</u>	<u>13,664</u>
Other loans		
– Secured	–	27,889
– Unsecured	682	5,686
	<u>682</u>	<u>33,575</u>
	<u>5,018</u>	<u>47,239</u>
Bank loans repayable within one year	4,336	4,406
Other loans repayable within one year	682	33,575
	<u>5,018</u>	<u>37,981</u>
Bank loans repayable		
– within the second year	–	408
– within the third to fifth years	–	1,278
– beyond the fifth year	–	7,572
	<u>–</u>	<u>9,258</u>
	<u>5,018</u>	<u>47,239</u>

- (a) The Group's borrowings are denominated in the functional currency of the group entities to which they relate.
- (b) The bank loans carry variable interest rate at 9.43% (2008: 2.3% to 9.43%) per annum and the other loans carry fixed interest rate of 24% (2008: 9.6% to 24%) per annum.
- (c) Other loans of approximately HK\$682,000 (2008: HK\$686,000) are due to a family member of a former senior management personnel of the Group.
- (d) Pursuant to the surrender of the leasehold buildings and leasehold land to the bank, the related bank loans of approximately HK\$9,518,000 were reclassified as "liabilities directly associated with non-current assets held for sales" under current liabilities.

13. TRADE PAYABLES

An aged analysis of the trade payables as at the balance sheet date, based on payment due date, is as follows:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Within 3 months	–	10
6 to 12 months	61	–
Over 1 year	1,291	1,281
	<hr/>	<hr/>
	1,352	1,291
	<hr/> <hr/>	<hr/> <hr/>

14. DECONSOLIDATION OF SUBSIDIARIES

The Group held 100% equity interest in Singapore Yang Yang and Japan Yang Yang, which were incorporated in Singapore and Japan respectively. As disclosed in note 2(e) to the financial statements, the management considered that the control over Singapore Yang Yang and Japan Yang Yang has been lost due to the appointment of liquidators of these subsidiaries.

For the purpose of appropriate presentation and in order to allow the public to evaluate the performance of the Group, Singapore Yang Yang and Japan Yang Yang were excluded from consolidation with effect from 27 April 2009 and 31 July 2009 respectively. The details of gain on deconsolidation of subsidiaries are as follows:

	<i>HK\$'000</i>
Net assets and liabilities:	
Property, plant and equipment	12,653
Cash and bank balances	633
Trade receivables	727
Inventories	1,127
Deposits, prepayments and other receivables	2,414
Amount due from the Group	3,972
Accruals and other payables	(4,382)
Finance lease obligations	(985)
Amount due to the Group	(23,403)
	<hr/>
Net liabilities	(7,244)
Release of exchange fluctuation reserve	(2,253)
	<hr/>
Gain on deconsolidation of subsidiaries	(9,497)
	<hr/> <hr/>

DIVIDEND

The directors of the Company do not recommend the payment of any dividend in respect of the year ended 31 July 2009 (2008: Nil).

QUALIFIED INDEPENDENT AUDITOR'S REPORT

The directors of the Company would like to draw your attention to the fact that the independent auditor's report on the financial statements for the year ended 31 July 2009 has been qualified. An extract of the independent auditor's report that dealt with the qualifications is as follows:

LIMITATION OF AUDIT SCOPE

1. The accounting books and records of China Medical and Bio Science Limited (Provisional Liquidators Appointed)'s (the "Company") wholly-owned subsidiaries, Yang Yang Bio-Products (S) (PTE.) LTD. and Japan Yang Yang Bio Products Company Limited (collectively, the "Deconsolidated Subsidiaries"), deconsolidated from the Company's consolidated financial statements during the year have not been made available to us for our audit.

As a result of the lack of accounting books and records of the Deconsolidated Subsidiaries for our inspection, we were unable to ascertain whether there is any misstatement in the gain on deconsolidation of subsidiaries of HK\$9,497,000 included in the consolidated income statement. Similarly, we are unable to satisfy ourselves that the disclosures which have incorporated amounts in relation to the Deconsolidated Subsidiaries as included in the consolidated cash flow statement and notes to the financial statements are fairly stated.

2. Included in the Group's other payables and accruals of HK\$46,091,000 were recorded payables of HK\$15,572,000 of which no replies to our satisfaction on the direct confirmations from the creditors were received as at the date of this report and there was no sufficient evidence. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves on the completeness of these payables stated in the consolidated balance sheet as at 31 July 2009.

Any adjustments that might have been found to be necessary in respect of the matters set out in points (1) and (2) above may have a consequential and significant effect on the aforementioned items and the Group's loss for the year ended 31 July 2009 and the related disclosures in the consolidated financial statements.

BASIS FOR DISCLAIMER OF OPINION

MATERIAL UNCERTAINTY RELATING TO THE GOING CONCERN BASIS

In forming our opinion, we have considered the adequacy of the disclosure made in note 2 to the consolidated financial statements which explains that on 28 July 2009, an exclusivity agreement was entered into among an investor, the Company and the Provisional Liquidators to grant the investor exclusivity for the preparation of a resumption proposal and negotiation in good faith of legally binding agreements for the implementation of the Company's restructuring proposal and resumption proposal.

The consolidated financial statements have been prepared on a going concern basis on the assumption that the proposed restructuring will be successfully implemented and that, following the restructuring proposal, the Group will continue to meet in full its financial obligations as they fall due in the foreseeable future. The consolidated financial statements do not include any adjustments that would result from a failure to implement the restructuring proposal. We consider that the disclosures are adequate. However, in view of the extent of the material uncertainty relating to the completion of the implementation of the restructuring proposal, we disclaim our opinion in respect of the material uncertainty relating to the going concern basis.

DISCLAIMER OF OPINION: DISCLAIMER ON VIEW GIVEN BY CONSOLIDATED FINANCIAL STATEMENTS

Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs regarding the material uncertainty relating to the going concern basis as described above, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the state of affairs of the Group as at 31 July 2009 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover of China Medical and Bio Science Limited (Provisional Liquidators Appointed) (the “Company”) and its subsidiaries (collectively the “Group”) for the year ended 31 July 2009 was approximately HK\$1,965,000, a drop of HK\$4,016,000 or 67.1% compared with the turnover for the previous year which was approximately HK\$5,981,000. The expected increment in feed business was unable to be realised due to the unsatisfactory results in the formation of the market strategies, technical support and sales system establishment.

Loss attributable to the Company’s shareholders for the year ended 31 July 2009 was approximately HK\$97,643,000, a decrease of approximately HK\$57,335,000 or 37.0% compared to the loss of the previous year which amounted to approximately HK\$154,978,000. The substantial loss attributable to the Company’s shareholders for the years ended 31 July 2008 and 2009 were mainly due to the weak performance in its business which is described in detail in the section headed “Operation Review”, which also covers large amount of impairments of assets and significant loss in equity-linked notes.

For the year ended 31 July 2009, the loss per share was approximately 7 Hong Kong cents (2008: 11 Hong Kong cents).

SECURITIES INVESTMENT

In respect of the performance of the investment, the Group recorded a realised loss of approximately HK\$14,610,000 in the equity-linked notes and listed shares for the year ended 31 July 2009 dividend and interest income of approximately HK\$62,000, interest expense and exchange gain in the sum of HK\$42,000 and HK\$20,000 respectively. All of the equity-linked notes had been disposed during the year ended 31 July 2009.

MATERIAL ACQUISITIONS AND DISPOSALS

Except for the impairment provision on receivables due from deconsolidated subsidiaries set out in the note 14 to the financial statement, the Group had no material acquisition and disposal of during the year ended 31 July 2009.

FINANCIAL RESOURCES, LIQUIDITY, CAPITAL STRUCTURE AND GEARING RATIO

As at 31 July 2009, the Group did not have sufficient liquid funds and had net current liabilities of approximately HK\$160,592,000 as compared to net current liabilities of approximately HK\$15,231,000 in the preceding year. The further deterioration on liquidity is due to the loss in its principal business and in the Company's financial assets. In addition, the convertible bond is considered to have been redeemed immediately which substantially increased the current liabilities of the Group.

The capital structure of the Group consists of borrowings, cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital and reserves. The Group monitors its short and medium term liquidity requirements and arranges refinancing of the Group's borrowings when appropriate.

As at 31 July 2009, the Group's total bank and other borrowings amounted to approximately to HK\$14,536,000 (2008: HK\$47,239,000), of which approximately HK\$9,518,000 (2008: HK\$9,657,000) was secured bank loan (having been classified as Liabilities directly associated with non-current assets held for sales) and approximately HK\$4,336,000 (2008: HK\$4,007,000) was unsecured bank loan. The unsecured other loans amounted to approximately HK\$682,000 (2008: HK\$5,686,000). The secured other loans amounting to HK\$27,889,000 in the previous year had been discharged in full upon the disposal of its relevant financial assets over the year. The Group's outstanding bank and secured other loan bear interest at the prevailing market rate. The other unsecured loan bears a fixed interest rate.

The Group had current convertible bonds of approximately HK\$106,600,000 as at 31 July 2009.

The Group's gearing ratio, which is calculated on the basis of the Group's total borrowing less cash and cash equivalent to the total assets in relation to its total capital, as at 31 July 2009 is approximately 915% (2008: 97%).

FOREIGN EXCHANGE AND INTEREST RATE EXPOSURE

For the year ended 31 July 2009, the Group had a minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities were principally denominated in the functional currencies used by the Group entities or in United States dollars for Hong Kong dollar functional currency Group entities. The Group currently does not have a foreign currency hedging policy in respect of its foreign currency assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider using hedging instruments in respect of significant foreign currency exposure should the need arise.

When appropriate and at times of interest rate or exchange rate uncertainties or volatility, hedging instruments including swaps and forwards will be used by the Group in the management of exposure affecting interest rates and foreign exchange rate fluctuations.

CHARGES ON GROUP ASSET

As at 31 July 2009, the following assets were pledged to secure borrowings made by the Group:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Leasehold land (on net book value)	8,670	8,783
Leasehold building (on net book value)	<u>2,564</u>	<u>4,026</u>

EMPLOYEE INFORMATION

As at 31 July 2009, the Group had approximately 3 employees in Hong Kong and the People's Republic of China (the "PRC") (2008: 70 in Hong Kong, the PRC, Japan and Singapore). The total remuneration to employees, including director's emoluments amounted to approximately HK\$5,760,000 for the year ended 31 July 2009 (2008: HK\$17,597,000). Remuneration to employees and directors are based on performance, qualification, experience and the prevailing industry practice. Other benefits to its employee in Hong Kong include share option scheme, contributions to statutory mandatory provident fund scheme and medical coverage and the employees in the PRC will be included in the statutory central pension schemes and additional requirement in the PRC.

CONTINGENT LIABILITIES

A winding up petition (the "Petition") was served on the Company on 13 May 2008 by 汕頭市欣源貿易有限公司 (Shantou Xinyuan Trading Company Limited) (the "Petitioner"). The Petitioner claimed that the Company was indebted to it in the amount of approximately RMB4,426,000 (the "Alleged Indebtedness") pursuant to an order of the China International Economic and Trade Arbitration Commission (the "Commission") dated 15 February 2008. The Company has made an application to the Second Immediate People's Court of Beijing (the "Beijing Court") to dismiss the order of the Commission on 14 April 2008, which has been accepted by the Beijing Court. As the order which sanctioned the Alleged Indebtedness is subject to further ruling of the Beijing Court, the Company intends to take vigorous action to defend the petition while at the same time continue to pursue the action to dismiss the order of the Commission.

The hearing for the petition was further adjourned to 12 April 2010. The Provisional Liquidators are obtaining legal opinion on the merits and validity of the Petitioner's claim.

OPERATION REVIEW

Feed supplements business

For the year ended 31 July 2009, the Group's feed supplements business recorded a revenue of approximately HK\$1 million (2008: HK\$6.8 million). The subsidiaries in Singapore and Japan were voluntarily wound up during the year.

Safe food business

For the year ended 31 July 2009, the revenue of the Group's safe food business amounted to approximately HK\$1.1 million (2008: HK\$2.4 million).

Veterinary drugs

The Group's veterinary drugs operation had ceased in the preceding year because of the disposal of assets in the corresponding operations in Sichuan. The segmental loss in respect of the operation for that year was attributed to the impairment on the prepayments and advances.

APPOINTMENT OF PROVISIONAL LIQUIDATORS AND SUSPENSION OF TRADING

On 13 May 2008, a winding-up petition was presented and filed in the High Court of the Hong Kong Special Administrative Region (the "High Court") by the Petitioner. On 3 December 2008, the High Court appointed Messrs. Stephen Liu Yiu Keung and David Yen Ching Wai, both of Ernst & Young Transactions Limited, as the joint and several provisional liquidators (the "Provisional Liquidators") of the Company.

Trading in the shares of the Company on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") has been suspended since 28 October 2008 and remained suspended as at the date of this announcement.

PROSPECT

On 28 July 2009, an exclusivity agreement was entered into amongst NEUF Capital Limited (the “Investor”), the Company and the Provisional Liquidators. The exclusivity agreement forms part of the restructuring exercise. It is anticipated that the financial condition of the Group will be substantially improved upon completion of the proposed restructuring of the Group as contemplated under the resumption proposal as all liabilities arising from creditors of the Company and the creditors of its subsidiaries holding guarantees given by the Company will be compromised and discharged by schemes of arrangement in Hong Kong and the Cayman Islands, as appropriate.

The Investor is currently reviewing the Group’s existing bio-livestock feed business, mainly involving the development and distribution of feed supplements and the production and operation of end-user safe food based on the use of the feed supplements and the resumption proposal was submitted on 30 November 2009.

The Company is confident that, with the Investor’s strong support in the business and financial aspects, the Group will be able to gain a strong foothold in the bio-livestock feed business and achieve a substantial level of operations within a reasonable period of time after the resumption of trading in its shares.

SIGNIFICANT SUBSEQUENT EVENTS

Details of significant events which took place subsequent to 31 July 2009 are set out as follows:

(a) Winding-up petition

The winding-up petition filed by the Petitioner originally scheduled to be heard on 12 November 2008 was further adjourned to 12 April 2010.

(b) Proposed restructuring of the Group

Pursuant to the restructuring proposal, the Investor undertook it would to provide the funds to the Company in the form of equity to assist with the proposed restructuring. The Investor has paid a non-refundable deposit of HK\$3 million and a fee contribution of HK\$2 million in cleared funds after the signing of the Exclusivity Agreement to the Provisional Liquidators to cover part of the costs of the Provisional Liquidators and their professional parties for the proposed restructuring. The Investor will pay further restructuring expenses by installments to the Provisional Liquidators and their professional parties to implement the restructuring agreements within an agreed period of time.

SIGNIFICANT SUBSEQUENT EVENTS (CONT'D)

(b) Proposed restructuring of the Group (Cont'd)

On 9 September 2009, the High Court's sanction was obtained by the Provisional Liquidators to execute the working capital facility agreement and the debenture between Tony China Limited ("Tony China"), a wholly owned subsidiary of the Company, and the Investor (collectively referred as the "Agreements"). The Agreements were entered into on 21 September 2009. According to the Agreements, the Investor undertook to provide sufficient funds up to HK\$9 million as working capital facility (the "Working Capital Facility") for Tony China to settle the trading and operation expenses as required to maintain a viable, continuing business of the Company during the course of proposed restructuring. The Working Capital Facility is secured by a debenture with a floating charge over the assets of Tony China in favour of the Investor. Subsequently, Xiamen Dongyu Trading Company Limited, a wholly-owned subsidiary of the Tony China, was incorporated on 26 October 2009 as a wholly foreign-owned enterprise in the PRC.

The financial adviser of the Company submitted the resumption proposal on behalf of the Company to the Stock Exchange on 30 November 2009.

(c) Winding-up of subsidiary

On 17 November 2009, the PRC Government Authority approved the liquidation of Guangdong Yang Yang Bio Products Company Limited, an indirect wholly owned subsidiary of the Company.

(d) Surrender of Mortgaged Properties to Bank of China (Hong Kong) Limited

One of the mortgaged properties had been disposed of at a consideration of HK\$7,400,000 and the disposal was completed on 17 August 2009. The disposal of the remaining mortgaged properties was subsequently completed on 30 October 2009. As such, all the corresponding mortgage loans were fully settled.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES OF THE COMPANY

As at 31 July 2009, the interests or short positions of the directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the Rules Governing the Listing of Securities on the GEM (the “GEM Listing Rules”), to be notified to the Company and the Stock Exchange, were as follows:

Long positions in ordinary shares and underlying shares of the Company

Name of director	Capacity and nature of interest	Shares/equity derivatives	Number of shares/equity derivatives held	Percentage of the Company's issued share capital	Note
Ms. Wong Moon Ha	Through controlled corporation	Ordinary shares	400,000,000 shares	29.58%	(1)
Mr. Wong Sai Wa	Directly beneficially owned	Share options	3,200,000 share options	0.24%	(2)

Note:

- (1) The shares were held by Concord Pharmaceutical Technology (Holdings) Limited (“CPT”), which is a wholly-owned subsidiary of Concord Business Management Limited (“CBM”), the entire issued capital of which was owned by Ms. Wong Moon Ha. According to the disclosure of interest forms dated 6 September 2007, Mr. Wong Sai Chung surrendered his rights to 400,000,000 shares of the Company to Ms. Wong Moon Ha on even date. Mr. Wong Sai Chung is the brother of Mr. Wong Sai Wa and Ms. Wong Moon Ha, both are the executive directors of the Company.*
- (2) The options are exercisable at any time from 10 October 2001 up to and including 22 March 2011 at an exercise price of HK\$0.55 per share in accordance with the terms of the pre-initial public offerings share option scheme (the “Pre-IPO Plan”) adopted by the Company on 23 March 2001.*

Save as disclosed herein, as at 31 July 2009, none of the directors or chief executive of the Company had short positions in the shares or underlying shares of equity derivatives of the Company and no other person was individually and/or collectively entitled to exercise or control the exercise of 5% or more of the voting power at general meeting of the Company and was able, as a practical matter, to direct or influence the management of the Company.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES OF THE COMPANY (CONT'D)

The following share options were outstanding under the Pre-IPO Plan during the year under review:

Name or category of participant	At 1.8.2008	Granted during the year	Exercised during the year	Lapsed during the year (Note a)	Cancelled during the year	At 31.7.2009	Date of grant of share options (Note b)	Exercise period of share options	Exercise period of share options (Note c) HK\$
Directors									
Mr. Wong Sai Wa	3,200,000	–	–	–	–	3,200,000	23.2.2001	10.10.2001 to 22.3.2011	0.55
	<u>3,200,000</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>3,200,000</u>			

Note:

- (a) If the grantee is an employee of the Group, the share options shall lapse automatically upon the termination of his/her employment with the Group. The employee share options may be exercised up to the last actual working day of any employee of the Group.
- (b) The vesting period of the share options is from the date of the grant until the date the exercise period commences.
- (c) The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

The exercise of the above 3,200,000 outstanding share options of the Pre-IPO Plan as at 31 July 2009 would, under the present capital structure of the Company, result in the issue of 3,200,000 additional ordinary shares of the Company and additional share capital amounted to HK\$160,000 and share premium amounted to HK\$1,600,000 (before issue expenses). During the year ended 31 July 2009, none of the directors or employees of the Company had exercised any share options and no allotment or issue of shares were made pursuant to the Pre-IPO Plan.

DIRECTORS' RIGHTS TO ACQUIRE SHARE OR DEBENTURES

Save as disclosed under the section headed "Directors' and Chief Executives' Interests in Securities of the Company" above, at no time during the year was the Company or any of its holding companies or subsidiaries a party to any arrangements which enabled the Company's directors, their respective spouse or minor children to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND OTHER PERSON'S INTERESTS AND SHORT POSITIONS IN SHARES OF THE COMPANY

As at 31 July 2009, so far as was known to the directors or chief executives of the Company based on the register maintained by the Company pursuant to Part XV of the SFO, the following persons (not being directors and chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Substantial Shareholders

Name	Capacity and nature of interest	Shares	Number/amount of shares/equity derivatives held (Long position)	Percentage of the Company's issued share capital	Note
JBC Bio Technology Company Limited ("JBC Bio Tech')	Corporation	Ordinary shares	432,000,000 shares	31.94%	(1)
Ms. Liu Yang	Through controlled corporation	Ordinary shares	432,000,000 shares	31.94%	(1)
CPT	Corporation	Ordinary shares	400,000,000 shares	29.58%	(2)
CBM	Through controlled corporation	Ordinary shares	400,000,000 shares	29.58%	(2)
Keywise Capital Management (HK) Limited	Investment Manager	Ordinary shares	442,599,386 shares	32.70%	(3)
Keywise Greater China Opportunities Master Fund ("Keywise")	Investment Manager	Ordinary shares	442,599,386 shares	32.70%	(3)

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND OTHER PERSON'S INTERESTS AND SHORT POSITIONS IN SHARES OF THE COMPANY (CONT'D)

Notes:

- (1) The shares were held by Ms. Liu Yang, the former executive director of the Company, through JBC Bio Tech. Prior to the unauthorized sale of 48,000,000 shares as mentioned in the announcement of the Company dated 29 May 2007, JBC Bio Tech held 480,000,000 shares, representing 35.94% of the total issued share capital of the Company.*
- (2) CPT is a wholly-owned subsidiary of CBM and CBM is wholly owned by Ms. Wong Moon Ha, an executive director of the Company. Accordingly, CBM and Ms. Wong Moon Ha are deemed to have an interest in the 400,000,000 shares of the Company held by CPT.*
- (3) Keywise is an investment fund managed by Keywise Capital Management (HK) Limited. These shares comprise (i) 220,496,000 shares of the Company and (ii) 151,515,151 and 70,588,235 underlying shares which would be issued upon conversion of convertible bonds and exercise of subscription rights attaching to warrants respectively.*

Save as disclosed above, as at 31 July 2009, the directors and/or chief executives of the Company were not aware of any person (other than directors and/or chief executives of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was 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 other member of the Group.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the year ended 31 July 2009, for the exception of the situations listed below, the Company complied with the principles of good governance (the "Principles") and code provision (the "Code Provision"). Appendix 15 sets out the "Code on Corporate Governance Practices" (the "Code") of the GEM Listing Rules.

1. No board of directors meeting was held by the Company. In this regard, the directors of the Company will meet at least four times a year at approximately quarterly intervals (Code Provision A.1.1);
2. Ms. Liu Yang was both the chairman and the chief executive officer of the Company, who is responsible for managing the Board and the business of the Company and its subsidiaries (the "Group"), for the period from 1 August 2008 to 5 December 2008 (Code Provision A.2.1);
3. Non-executive directors of the Company were not appointed for a specific term but were subject to retirement by rotation at the Company's annual general meeting in accordance with the bye-law of the Company (Code Provision A.4.1);

CODE ON CORPORATE GOVERNANCE PRACTICES (CONT'D)

4. No remuneration committee was established to review directors' remuneration policy and other remuneration related matters. The directors of the Company will, as soon as practicable, establish a remuneration committee with specific written reference which deals clearly with its authorities and duties (Code Provision B.1.1);
5. The Company had not complied with the financial reporting and disclosure requirements set out in the GEM Listing Rules by publishing annual, interim and quarterly reports on a regular basis. The directors of the Company will use their best endeavour to present a balanced, cleared and assessable assessment of the Company's performance, position and prospects to shareholders of the Company by publishing annual, interim and quarterly reports in accordance with the financial reporting and disclosure requirements set out in the GEM Listing Rules (Code Provision C.1.3);
6. The directors of the Company did not review the effectiveness of the system of internal control of the Group. In this regard, the directors of the Company will at least annually conduct a review of the effectiveness of the system of internal control of the Group (Code Provision C.2.1); and
7. The directors of the Company did not maintain an on-going dialogue with shareholders of the Company. In this regard, the directors of the Company will at least annually conduct a general meeting to communicate with shareholders of the Company and encourage their participation (Principle E.1).

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

None of the directors, the substantial shareholders or the management shareholders (as defined in the GEM Listing Rules) of the Company or their respective associates had any interest in any business, which competes with or may compete with the business of the Group.

PURCHASE, REDEMPTION OR SALE OF THE COMPANY'S LISTED SECURITIES OR ITS SUBSIDIARIES' SECURITIES

During the year ended 31 July 2009, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities or the securities of the Company's subsidiaries.

AUDIT COMMITTEE

The main functions of an audit committee is to recommend to the Board on the appointment, reappointment and removal of the external auditors; to approve the remuneration and terms of engagement of the external auditors as well as any questions of resignation or dismissal of such auditors; to review the quarterly, interim and annual reports and accounts of the Group; and to oversee the Company's financial reporting and internal control procedures.

Since there are insufficient directors of the Company to be appointed members of an audit committee, there is no audit committee meeting and the Company's audited financial results for the year ended 31 July 2009 have not been reviewed by an audit committee. However, the directors of the Company will, as soon as practicable, establish an audit committee pursuant to the GEM Listing Rules.

For and on behalf of
China Medical and Bio Science Limited
(Provisional Liquidators Appointed)
Wong Sai Wa
Executive Director

Hong Kong, 8 January 2010

As at the date of this announcement, the Board comprises two executive directors, namely Ms. Wong Moon Ha and Mr. Wong Sai Wa; and one independent non-executive director, namely Mr. Chan Kin Hang.

This announcement will appear on the GEM website (www.hkgem.com) for at least seven days after the date of publication and on the website of the Company at www.irasia.com/listco/hk/chinamedical.