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 2010

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

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

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board 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 GEM (the "GEM Listing Rules") 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 the information contained in this announcement 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 announcement misleading.

* *For identification purpose only*

THE ANNUAL RESULTS FOR THE YEAR ENDED 31 JULY 2010

The board of directors (the "Board") of the Company announces the consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 July 2010, together with the comparative figures in 2009 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

For the year ended 31 July 2010

	Note	**2010**	2009
		HK$'000	HK$'000
Turnover	*5*	**35,285**	1,965
Cost of sales		**(28,198)**	(1,465)
Gross profit		**7,087**	500
Other revenue	*5*	**278**	3,755
Selling and distribution costs		**(821)**	(1,491)
General and administrative expenses		**(2,436)**	(27,081)
Restructuring costs		**(4,287)**	(1,901)
Write-down of inventories		–	(7,954)
Provision for bad and doubtful debts		–	(559)
Loss on disposal of financial assets at fair value through profit or loss		–	(14,610)
Loss from operating activities	*6*	**(179)**	(49,341)
Finance costs	*7*	**(1,347)**	(32,985)
Gain on deconsolidation of subsidiaries	*16*	**3,187**	9,497
Impairment on			
– Amounts due from deconsolidated subsidiaries		–	(23,403)
– Property, plant and equipment		–	(1,411)
Profit/(loss) before tax		**1,661**	(97,643)
Tax	*8(a)*	**(1,461)**	–
Profit/(loss) for the year	*9*	**200**	(97,643)
Other comprehensive (loss)/income for the year			
– Release of exchange fluctuation reserve upon deconsolidation of subsidiaries		**(484)**	(2,253)
– Exchange differences arising on translation of financial statements of overseas subsidiaries		**(369)**	1,331
Total comprehensive loss for the year		**(653)**	(98,565)
Earnings/(loss) per share	*10*		
Basic (HK cents)		**0.01**	(7.22)
Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 July 2010

	Note	**2010**	2009
		HK$'000	HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**48**	–
Leasehold land		**–**	–
Intangible assets		**–**	–
Goodwill		**–**	–
		48	–
CURRENT ASSETS			
Trade receivables	*11*	**7,188**	–
Deposits, prepayments and other receivables	*12*	**172**	162
Cash and bank balances		**4,218**	1,656
		11,578	1,818
Non-current assets held for sales		**–**	11,234
		11,578	13,052
DEDUCT:			
CURRENT LIABILITIES			
Bank and other borrowings	*13*	**5,629**	5,018
Trade payables	*14*	**1,582**	1,352
Convertible bonds		**106,600**	106,600
Amounts due to deconsolidated subsidiaries		**2,928**	3,972
Other payables and accruals		**44,222**	46,091
Amount due to the Investor	*15*	**9,687**	–
Income tax payable		**2,223**	1,093
		172,871	164,126
Liabilities directly associated with non-current assets held for sales		**–**	9,518
		172,871	173,644
NET CURRENT LIABILITIES		**(161,293)**	(160,592)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT'D)

As at 31 July 2010

	Note	2010 HK$'000	2009 HK$'000
NET LIABILITIES		**(161,245)**	(160,592)
REPRESENTING:			
CAPITAL AND RESERVES			
Share capital		**67,620**	67,620
Reserves		**(228,865)**	(228,212)
CAPITAL DEFICIENCY		**(161,245)**	(160,592)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 July 2010

	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Share option reserve HK$'000	Convertible bond reserve HK$'000	Warrants reserve HK$'000	Exchange fluctuation reserve HK$'000	Accumulated profits/ (losses) HK$'000	Total HK$'000
At 1 August 2008	67,620	101,086	27,104	14,364	29,634	4,807	(504)	(306,138)	(62,027)
Total comprehensive loss for the year	–	–	–	–	–	–	(922)	(97,643)	(98,565)
At 31 July 2009 and at 1 August 2009	67,620	101,086	27,104	14,364	29,634	4,807	(1,426)	(403,781)	(160,592)
Total comprehensive profit/(loss) for the year	–	–	–	–	–	–	(853)	200	(653)
At 31 July 2010	**67,620**	**101,086**	**27,104**	**14,364**	**29,634**	**4,807**	**(2,279)**	**(403,581)**	**(161,245)**

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 feedstock business, mainly involving in the development and distribution of feedstock products.

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 at 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 for 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").

By an order of the High Court of Hong Kong dated 8 October 2010, the hearing for the petition which was initially fixed on 12 November 2008 was further adjourned to 11 April 2011.

(b) Proposed restructuring of the Group

On 5 December 2008, the Provisional Liquidators have appointed Asian Capital (Corporate Finance) Limited as financial adviser to the Company (the "Financial Adviser"). Since then, the Provisional Liquidators and the Financial Adviser have 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 28 July 2009, an 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 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 for the best interest of the Company and its stakeholders.

2. BASIS OF PREPARATION (CONT'D)

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

Pursuant to the Exclusivity Agreement, the Investor undertook that it would deposit sufficient funds 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. An updated Resumption Proposal was further submitted to the Stock Exchange on 19 May 2010.

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 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.

On 26 July 2010, the Stock Exchange had granted a conditional approval to the Company to resume the trading in the shares of the Company subject to the Company fulfills the stipulated conditions by 30 April 2011. The Company, Provisional Liquidators and the Investor are now taking appropriate steps to implement the transactions contemplated in the Resumption Proposal and fulfill the conditions set by the Stock Exchange.

(c) Adoption of going concern basis

As at 31 July 2010, the Group had net current liabilities and net liabilities of approximately HK$161,293,000 and HK$161,245,000 respectively. The indebtedness of the Group mainly comprised of bank and other borrowings, convertible bonds and amount due to the Investor, which represented a total of approximately HK$121,916,000, of which bank loans of approximately HK$4,775,000 were overdue as at 31 July 2010. These conditions indicate the existence of a material uncertainty which may 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 continue 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 reclassify the non-current assets as current assets, to adjust 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 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. 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 17 November 2009, the liquidation of Guangdong Yang Yang Bio Products Company Limited ("Guangdong Yang Yang"), an indirect wholly-owned subsidiary of the Company, was approved by the Bureau of Foreign Trade and Economic Cooperation of Guangzhou Municipality of the People's Republic of China (the "PRC"). Since then, the Group lost control on Guangdong Yang Yang and its two subsidiaries, namely Qingyuan Yang Yang Biotechnology Chumu Company Limited and Jilin Yang Yang Bio Products Company Limited (together with Guangdong Yang Yang, the "Excluded Subsidiaries"). As such, the financial results, assets and liabilities and cash flows of the Excluded Subsidiaries were deconsolidated from the consolidated financial statements of the Group since the date of loss of control of these subsidiaries.

(ii) 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 creditors' 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.

(iii) 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 31 July 2009. Accordingly, Japan Yang Yang was since excluded from the consolidated financial statements of the Group for the year ended 31 July 2009.

In the opinion of the management, the consolidated financial statements for the years ended 31 July 2010 and 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 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:

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 3	Business Combinations
HKFRS 8	Operating Segments
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 27	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
Amendments to HKAS 39	Eligible Hedged Items
Amendments to HKFRS 2	Share-based payment-Vesting Conditions and Cancellations
Amendments to HKFRS 7	Improving Disclosures about Financial Instruments
Amendments to HK-Int 4	Leases-Determination of the Length of Lease Term in respect of Hong Kong Land Leases
HKFRSs	Improvements to HKFRSs (2008)
HKFRSs	Improvements to HKFRSs (2009) – amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16

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 the following:

(i) HKAS 1 (Revised) requires the presentation of a new "statement of comprehensive income" and disclosure of the components of "other comprehensive income", including but not limited to "reclassification adjustments". Comparative information is reclassified to conform to the new presentation.

(ii) HKFRS 8 requires segment disclosure to be based on the way that the Group's management regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's management for the purposes of assessing segment performance and making decisions about operating matters. This contrasts with the presentation of segment information in prior years which was based on a dis-aggregation of the Group's financial statements into segments based on the related products and services. The adoption of HKFRS 8 resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's management, and has resulted in certain segments aggregated and presented as one segment. Corresponding amounts have been provided on a consistent basis with the revised segment information.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONT'D)

(b) HKFRSs in issue but not yet effective

The following HKFRSs in issue at 31 July 2010 have not been applied in the preparation of the Group's financial statements for the year then ended since they were not yet effective for annual periods beginning on 1 August 2009:

HKAS 24 (Revised)	Related Party Disclosures[4]
HKFRS 9	Financial Instruments[6]
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments[3]
Amendments to HKAS 32	Classification of Rights Issues[2]
Amendments to HKAS 2	Group Cash-settled Share-based Payment Transactions[1]
Amendments to HK(IFRIC)-Int 14	Prepayments of a Minimum Funding Requirement[5]
Improvements to HKFRSs 2009	Other than amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16[1]
Improvements to HKFRSs 2010[2]	

[1] Effective for financial period commencing on or after 1 January 2010
[2] Effective for financial period commencing on or after 1 February 2010
[3] Effective for financial period commencing on or after 1 July 2010
[4] Effective for financial period commencing on or after 1 July 2010 and 1 January 2011, as appropriate
[5] Effective for financial period commencing on or after 1 January 2011
[6] Effective for financial period commencing on or after 1 January 2013

4. SEGMENTS AND ENTITY-WIDE INFORMATION

Reportable segments

For management purposes, the Group is organised into two divisions which are the basis on which the Group reports its segment information.

Segment information is presented by the following segments:

– the feedstock products segment comprises the feedstock business; and

– the other segment comprises corporate activities and other non-feedstock businesses.

For the purposes of assessing segment performance and allocating resources between segments, the Group's management monitors the results, assets and liabilities attributable to each reportable segment on the following basis:

(1) Segment assets consist primarily of property, plant and equipment and trade receivables. Segment liabilities comprise operating liabilities and mainly exclude items such as borrowings and income tax payable.

(2) Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets and liabilities are determined before inter-segment transactions and balances and after transactions and balances between group entities within a single segment.

(3) Segment capital expenditure is the total cost incurred during the year to acquire segment assets (both tangible and intangible) that are expected to be used for more than one year.

(4) Unallocated items comprise non-current assets held for sales, bank and other borrowings, convertibles bonds, amount due to the Investor, income tax payable and liabilities associated with non-current assets held for sales.

4. SEGMENTS AND ENTITY-WIDE INFORMATION (CONT'D)

Reportable segments (Cont'd)

Segment information about the aforementioned businesses is set out as follows:

	Feedstock products		Other		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:						
Sales to external customers	**35,285**	819	**–**	1,146	**35,285**	1,965
Other revenue	**266**	200	**7**	3,477	**273**	3,677
Total revenue	**35,551**	1,019	**7**	4,623	**35,558**	5,642
Segment results	**4,977**	(14,784)	**2,313**	(23,237)	**7,290**	(38,021)
Interest income					**5**	78
Restructuring costs					**(4,287)**	(1,901)
Finance costs					**(1,347)**	(32,985)
Impairment on						
– Amounts due from deconsolidated subsidiaries					**–**	(23,403)
– Property, plant and equipment					**–**	(1,411)
Profit/(loss) before tax					**1,661**	(97,643)
Tax	**(1,461)**	–	**–**	–	**(1,461)**	–
Profit/(loss) for the year					**200**	(97,643)
ASSETS						
Segment assets	**9,213**	1,777	**5,737**	20,099	**14,950**	21,876
Elimination of inter-segment receivable					**(3,324)**	(20,058)
					11,626	1,818
Unallocated assets						
– Non-current assets held for sales					**–**	11,234
Consolidated total assets					**11,626**	13,052
LIABILITIES						
Segment liabilities	**4,957**	21,438	**47,099**	50,035	**52,056**	71,473
Elimination of inter-segment payable					**(3,324)**	(20,058)
					48,732	51,415

4. SEGMENTS AND ENTITY-WIDE INFORMATION (CONT'D)

Reportable segments (Cont'd)

Segment information about the aforementioned businesses is set out as follows: (Cont'd)

	Feedstock products		Other		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Unallocated liabilities						
– Bank and other borrowings					**5,629**	5,018
– Convertible bonds					**106,600**	106,600
– Amount due to the Investor					**9,687**	–
– Income tax payable					**2,223**	1,093
– Liabilities directly associated with non-current assets held for sales					**–**	9,518
Consolidated total liabilities					**172,871**	173,644
OTHER INFORMATION						
Capital expenditure	**54**	20	**–**	–	**54**	20
Depreciation and amortisation	**6**	500	**–**	287	**6**	787

Since the Group's revenue from external customers and non-current assets are derived from and located in the PRC, no geographical segment information is presented.

Entity-wide information

For the year ended 31 July 2010, revenues from one customer had contributed to more than 10% of the Group's revenue amounting to approximately HK$6,733,000 is from segment of bio-feedstock business.

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:

	2010	2009
	HK$'000	HK$'000
Turnover		
Sale of feedstock products	**35,285**	819
Sale of safe food	**–**	1,146
	35,285	1,965
Other revenue		
Interest income	**5**	78
Forfeiture of non-refundable advances from a potential investor	**–**	3,442
Sundry income	**273**	235
	278	3,755
Total revenue	**35,563**	5,720

6. LOSS FROM OPERATING ACTIVITIES

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

	2010	2009
	HK$'000	HK$'000
Amortisation of leasehold land	**–**	113
Auditors' remuneration	**335**	300
Depreciation	**6**	674
Sales proceeds	**(10,976)**	(5,343)
Less: Net book value	**11,234**	12,692
Loss on disposal of property, plant and equipment, leasehold land and non-current assets held for sales	**258**	7,349
Minimum operating lease payments for land and buildings	**565**	1,600
Staff costs		
Salaries, wages and other allowances	**1,016**	5,582
Pension scheme contributions	**35**	178
	1,051	5,760

7. FINANCE COSTS

	2010	2009
	HK$'000	HK$'000
Interest on convertible bonds	**–**	25,839
Redemption premium of convertible bonds	**–**	6,600
Finance lease charges	**–**	7
Interest on bank loans wholly repayable within five years	**1,108**	357
Interest on advances from the Investor	**75**	–
Interest on other loans	**164**	182
	1,347	32,985

8. TAX

(a) 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.

The provision for PRC enterprise income tax is calculated at 25% on the estimated assessable profit of a subsidiary operating in the PRC in accordance with the relevant income tax rules and regulations of the PRC for the year. No provision for income taxes in the PRC and other jurisdictions has been made in preceding year as the Group did not have any assessable profits arising in these jurisdictions.

Tax expense for the year can be reconciled as follows:

	2010	2009
	HK$'000	HK$'000
Profit/(loss) before tax	**1,661**	(97,643)
Tax effect at the PRC statutory income tax rate of 25% (2009: Hong Kong profits tax rate of 16.5%)	**415**	(16,111)
Tax effect of non-deductible expenses	**1,918**	16,075
Tax effect of tax exempt revenue	**(865)**	(9)
Tax effect of unrecognised general provision for bad and doubtful debts	**–**	92
Tax effect of unrecognised impairment of assets	**–**	(47)
Others	**(7)**	–
Tax expense	**1,461**	–

8. TAX (CONT'D)

(b) The components of unrecognised deductible temporary differences as at 31 July 2010 are as follows:

	2010	2009
	HK$'000	HK$'000
Unutilised tax losses	**44,116**	59,893
Provision for bad and doubtful debts	**–**	38,887
	44,116	98,780

As at 31 July 2009, the unrecognised unutilised tax losses included in aggregate losses of HK$5,241,000 attributable from Guangdong Yang Yang and its subsidiaries. The unrecognised provision for bad and doubtful debts also included in aggregate provision of HK$4,099,000 attributable from these subsidiaries. These temporary differences were not included in the current year's unrecognised temporary differences as Guangdong Yang Yang and its subsidiaries were deconsolidated during the year (Note 2(e)(i)).

The unutilised tax losses of approximately HK$44,116,000 (2009: HK$59,893,000) accumulated in the PRC subsidiaries would expire in five years from the respective year of loss.

During the year, the provision for bad and doubtful debts of HK$34,788,000 had been written back as the related receivables were considered uncollectible and written off.

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. PROFIT/(LOSS) FOR THE YEAR

Profit/(loss) for the year includes a loss of HK$5,259,000 (2009: HK$41,257,000) which has been dealt with in the financial statements of the Company.

10. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share attributable to shareholders of the Company is based on the profit for the year of approximately HK$200,000 (2009: loss of HK$97,643,000) and the weighted average number of 1,352,400,000 (2009: 1,352,400,000) ordinary shares in issue during the year.

No diluted earnings/(loss) per share is presented for the years ended 31 July 2010 and 2009 as the conversion of the outstanding convertible bonds, warrants and share options during the years had an anti-dilutive effect on the basic earnings/(loss) per share.

11. TRADE RECEIVABLES

	2010	2009
	HK$'000	*HK$'000*
Trade receivables	**7,188**	28,279
Provision for bad and doubtful debts	**–**	(28,279)
	7,188	–

The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period up to 60 days 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 31 July 2010, based on payment due date and net of provision, is as follows:

	2010	2009
	HK$'000	*HK$'000*
Within 2 months	**7,188**	–

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

	2010	2009
	HK$'000	*HK$'000*
At beginning of the year	**28,279**	28,169
Provided for the year	**–**	110
Uncollectible amount written off	**(28,279)**	–
At end of the year	**–**	28,279

12. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2010	2009
	HK$'000	*HK$'000*
Deposits and other receivables	**172**	17,844
Provision for bad and doubtful debts	**–**	(17,682)
	172	162

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

	2010	2009
	HK$'000	*HK$'000*
At beginning of the year	**17,682**	17,233
Provided for the year	**–**	449
Uncollectible amount written off	**(17,682)**	–
At end of the year	**–**	17,682

13. BANK AND OTHER BORROWINGS

	2010	2009
	HK$'000	*HK$'000*
Unsecured bank loans	**4,775**	4,336
Unsecured other loans	**854**	682
	5,629	5,018

Notes:

(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 8.97% (2009: 8.97%) per annum and the other loans carry fixed interest rate of 24% (2009: 24%) per annum.

(c) The other loans are due to a family member of a former senior management personnel of the Group.

14. TRADE PAYABLES

An aged analysis of the trade payables as at 31 July 2010, based on payment due date, is as follows:

	2010	2009
	HK$'000	*HK$'000*
Within 3 months	**298**	–
6 to 12 months	**–**	61
Over 1 year	**1,284**	1,291
	1,582	1,352

15. AMOUNT DUE TO THE INVESTOR

The amount is due to the Investor. An amount of approximately HK$6,874,000 is interest-free and unsecured. If the legally binding agreement for the implementation of the Group's restructuring proposal and Resumption Proposal (the "Formal Agreement") proceeds with completion, the amount shall not be transferred or dealt with under any arrangement used to implement the Restructuring Proposal or any restructuring and will remain as a debt owed by the Group to the Investor, and upon the completion of the Formal Agreement, the Group shall apply the same towards the payment of the subscription money payable by the Investor for subscription of the shares of the Group under the Formal Agreement. The remaining amount of approximately HK$2,813,000 carries interest at 5% per annum, is secured by way of first floating charge on all properties and assets of the Company's direct wholly-owned subsidiary, Tony China Limited ("Tony China"), and repayable on the Maturity Date as defined below or within 5 business days after a demand is made by the Investor.

Maturity Date represents the earliest of, (i) the date on which the completion of the Resumption Proposal has failed to take place; (ii) the date on which the Investor notifies the Group that it will not execute the Formal Agreement provided that the Investor shall not give such notification to the Group within 6 months from the date of the Exclusivity Agreement; and (iii) the expiry date of a period of 6 months from the date of granting of the in principle approval of the Resumption Proposal by the Stock Exchange.

The properties and assets of Tony China comprise mainly cash at banks and the investment in its wholly-owned subsidiary, Xiamen Dongyu Trading Company Limited ("Dongyu"). Details of the assets of Tony China and Dongyu included in the Group's consolidated statement of financial position as at 31 July 2010 are as follows:

	HK$'000
Property, plant and equipment	48
Trade receivables	7,188
Deposits, prepayments and other receivables	11
Cash and bank balances	1,773
	9,020

16. DECONSOLIDATION OF SUBSIDIARIES

As disclosed in note 2(e)(i) to this announcement, the management considered that the control over the Excluded Subsidiaries has been lost due to the approval of liquidation of these subsidiaries by the relevant government bureau.

As disclosed in notes 2(e)(ii) and 2(e)(iii) to this announcement, 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, the aforementioned subsidiaries were excluded from the Group's consolidation with effect from the respective date of the approval of liquidation or appointment of the liquidator.

The details of gain on deconsolidation of subsidiaries are as follows:

	2010	2009
	HK$'000	*HK$'000*
Net liabilities deconsolidated:		
Property, plant and equipment	**–**	(12,653)
Trade receivable	**–**	(727)
Inventories	**–**	(1,127)
Deposit, prepayments and other receivables	**–**	(2,414)
Cash and bank balances	**(64)**	(633)
Amount due from the Group	**(1,934)**	(3,972)
Other payables and accruals	**4,701**	4,382
Finance lease obligations	**–**	985
Amount due to the Group	**–**	23,403
Net liabilities	**2,703**	7,244
Release of exchange fluctuation reserve	**484**	2,253
Gain on deconsolidation of subsidiaries	**3,187**	9,497

DIVIDEND

The directors of the Company do not recommend the payment of any dividend in respect of the year ended 31 July 2010 (2009: 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 2010 will be 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 the Company's former wholly-owned subsidiaries, Guangdong Yang Yang Bio Products Company Limited, Qingyuan Yang Yang Biotechnology Chumu Company Limited and Jilin 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 the 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 approximately HK$3,187,000 included in the consolidated statement of comprehensive loss. 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 statement of cash flows and notes to the financial statements are fairly stated.

2. Included in the Group's other payables and accruals of HK$44,222,000 were recorded payables of approximately HK$12,000,000 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 statement of financial position as at 31 July 2010.

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 profit for the year ended 31 July 2010 and the related disclosures in the consolidated financial statements.

Since we were unable to obtain sufficient evidence concerning the financial information of all subsidiaries deconsolidated during the year ended 31 July 2009 and concerning the Group's recorded payables of approximately HK$15,572,000 as at 31 July 2009, we were unable to satisfy ourselves that the gain on deconsolidation of subsidiaries of approximately HK$9,497,000 included in the Group's consolidated statement of comprehensive loss for the year ended 31 July 2009 and the aforementioned payables included in the Group's consolidated statement of financial position as at 31 July 2009 were free from material misstatements. Similarly, we were unable to satisfy ourselves that the disclosures relating to the gain on deconsolidation of subsidiaries and the recorded payables are free from material misstatement.

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, and the in principle approval granted by The Stock Exchange of Hong Kong Limited to resume the trading in the shares of the Company on 26 July 2010.

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 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 2010 and of the Group's profit 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

The Group's turnover for the year ended 31 July 2010 increased substantially by approximately 17 times to approximately HK$35,285,000, as compared with the turnover of approximately HK$1,965,000 recorded in the previous year. In addition, the Company turned around from a loss position of approximately HK$97,643,000 recorded in the previous year to a net profit after tax attributable to the Company's shareholders for the year ended 31 July 2010 of approximately HK$200,000, which was mainly due to the substantial increment in the Group's revenue resulting from the successful expansion of the Group's feedstock distribution business in the PRC, the gain from deconsolidation of subsidiaries and the reduction in finance costs and administrative expenses.

For the year ended 31 July 2010, the earnings per share was approximately HK0.01 cents (2009: loss of HK7.22 cents).

WINDING-UP PETITION AND APPOINTMENT OF PROVISIONAL LIQUIDATORS

On 13 May 2008, a winding-up petition was presented and filed in the High Court (the "High Court") of the Hong Kong Special Administrative Region (the "Hong Kong") 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 the Provisional Liquidators.

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 GEM Listing Rules.

By an order of the High Court dated 8 October 2010, the hearing for the petition which was initially fixed on 12 November 2008 was further adjourned to 11 April 2011.

Trading in the shares of the Company on the GEM has been suspended since 28 October 2008 and remained suspended as at the date of this announcement.

THE RESTRUCTURING

On 5 December 2008, the Provisional Liquidators appointed Asian Capital (Corporate Finance) Limited as the 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 to submit a viable resumption proposal to The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for restructuring of the Company.

On 28 July 2009, an 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 good faith of legally binding agreements for the implementation of the proposed restructuring and the Resumption Proposal. The restructuring proposal so submitted by the Company was accepted by the Provisional Liquidators, and was supported by the major creditors of the Company.

On 24 September 2009, a subsidiary of the Company and the Investor entered into a working capital facility agreement, pursuant to which the Investor undertook that it would deposit sufficient funds of up to HK$9 million as working capital to meet the trading and operating expenses to maintain a viable, continuing business of the Company during the course of proposed restructuring that are incurred after the date of the Exclusivity Agreement.

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 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 scheme 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.

On 30 November 2009, the Company submitted the Resumption Proposal to the Stock Exchange (which was subsequently updated and submitted to the Stock Exchange on 19 May 2010). On 26 July 2010, the Company was informed by the Stock Exchange that trading in the shares of the Company will be resumed if the Company fulfills, among other things, the following conditions by 30 April 2011:

(1) completion of the subscription of new shares and convertible bonds by the Investors, placing of new shares to independent third parties, scheme of arrangement, the capital restructuring and reorganization and other transactions under the Resumption Proposal;

(2) completion of formation of the JV (as defined below) to establish a manufacturing plant and commencement of production. The Company should provide a letter by a corporation licensed by the Securities and Futures Commission of Hong Kong to advise on corporate finance confirming this condition has been fulfilled;

(3) inclusion in the circular to shareholders a statement from directors of the Company confirming working capital sufficiency for 12 months after resumption and a comfort letter from the auditors/ financial adviser on the directors' statement.;

(4) inclusion in the circular to shareholders of the Company a profit forecast for each of the two years ending 31 July 2011 together with reports from the auditors and financial adviser under paragraph 29(2) of Appendix 1B of GEM Listing Rules;

(5) inclusion in the circular to shareholders a pro forma balance sheet upon completion of the Resumption Proposal and a comfort letter from the auditors under Rule 7.31 under the GEM Listing Rules;

(6) publication of circular relating to the proposal in prospectus standard; and

(7) withdrawal of the winding-up petition and discharge of the Provisional Liquidators.

The Company, the Provisional Liquidators and the Investor are currently in the course of implementing the transactions contemplated in the Resumption Proposal with a view to fulfill the above conditions set out by the Stock Exchange, including a formal agreement incorporating the key features of the Resumption Proposal.

MATERIAL ACQUISITIONS AND DISPOSALS

Winding-up of subsidiaries

(i) On 17 November 2009, the liquidation of Guangdong Yang Yang Bio Products Company Limited ("Guangdong Yang Yang"), an indirect wholly-owned subsidiary of the Company, was approved by the Bureau of Foreign Trade and Economic Cooperation of Guangzhou Municipality of the PRC. Since then, the Group lost control on Guangdong Yang Yang and its two subsidiaries, namely Qingyuan Yang Yang Biotechnology Chumu Company Limited and Jilin Yang Yang Bio Products Company Limited (together with Guangdong Yang Yang, the "Excluded Subsidiaries"). As such, the financial results, assets and liabilities and cash flows of the Excluded Subsidiaries were deconsolidated from the consolidated financial statements of the Group since the date of loss of control of these subsidiaries.

(ii) 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 creditors' 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.

(iii) 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 31 July 2009. Accordingly, Japan Yang Yang was since excluded from the consolidated financial statements of the Group for the year ended 31 July 2009.

Disposal of mortgaged properties

During the year ended 31 July 2010, the Group recorded a loss on disposal of approximately HK$258,000 resulted from the sale of the mortgaged properties previously pledged to secure bank loans and the settlement of the corresponding mortgage loans.

Establishment of a joint venture in the PRC

On 16 March 2010, the Group entered into a joint venture agreement (as supplemented on June 2010, collectively refer to as the "JV Agreement") with three other joint venture partners (the "JV Partners") for the establishment of a joint venture (the "JV"), which will be principally engaged in the development and manufacturing of feedstock products in the PRC. Details of the JV and the JV Agreement were disclosed in the announcement and circular of the Company dated 18 May 2010 and 21 July 2010, respectively. As at the date of this announcement, the Group is in the course of implementing such business plan.

Save as disclosed from the above, the Group had no other material acquisitions or disposals during the year ended 31 July 2010.

SECURITIES INVESTMENT

The Group had no securities investment for the year ended 31 July 2010 (2009: a net loss from securities investment of approximately HK$ 14,570,000).

FINANCIAL RESOURCES, LIQUIDITY, CAPITAL STRUCTURE AND GEARING RATIO

As at 31 July 2010, the Group had net current liabilities of approximately HK$161,293,000 (2009: HK$160,592,000).

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 2010, the Group's total bank and other borrowings (including accrued interest) amounted to approximately HK$5,629,000 (2009: HK$14,536,000), of which approximately HK$4,775,000 (2009: HK$4,336,000) was unsecured bank loan; and approximately HK$854,000 (2009: HK$682,000) was unsecured other loans. There was no secured bank loan as at 31 July 2010 (2009: HK$9,518,000, which was classified as "Liabilities directly associated with non-current assets held for sales"). The Group's outstanding bank loan bears interest at the prevailing market rate, whilst the unsecured other loan bears a fixed interest rate.

The Group had convertible bonds of approximately HK$106,600,000 as at 31 July 2010 (2009: HK$106,600,000).

The Group's gearing ratio, which is calculated on the basis of the Group's total borrowings less cash and cash equivalents to the total assets in relation to its total capital, as at 31 July 2010 is approximately 1,012% (2009: 915%).

FOREIGN EXCHANGE AND INTEREST RATE EXPOSURE

For the year ended 31 July 2010, 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's 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 ASSETS

As at 31 July 2010, the Group did not have any charges on its assets (2009: HK$11,234,000):

	2010	2009
	HK$'000	*HK$'000*
Leasehold land (on net book value)	–	8,670
Leasehold building (on net book value)	–	2,564
	–	11,234

CONTINGENT LIABILITIES

As at 31 July 2010, the Group did not have any material contingent liabilities.

EMPLOYEE INFORMATION

As at 31 July 2010, the Group had approximately 30 employees in Hong Kong and the PRC (2009: 3). Remuneration to employees and directors of the Company 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.

OPERATIONS REVIEW

In September 2009, the Group entered into a service agreement with a service agent to carry out the feedstock distribution business for and on behalf of the Group in the PRC. The service agreement was subsequently terminated after the incorporation of Xiamen Dongyu Trading Company Limited ("Dongyu"), an indirect wholly owned subsidiary of the Company to carry out the distribution of feedstock business in the PRC. Other revenue amounted to approximately HK$266,000 has been recorded by the Group for the year ended 31 July 2010 with respect to this arrangement.

Leveraging on the substantial experience in the feedstock industry and the extensive customer contacts possessed by the management of Dongyu, the feedstock distribution business of the Group has been expanding rapidly since the commencement of business operation of Dongyu, which resulted in the substantial growth of both the revenue and the net profit of the Group. In addition, Dongyu has managed to secure some long term contracts with its customers and entered into strategic cooperation agreements with its major suppliers in November 2009 to ensure stable and quality supply of feedstock products.

For the year ended 31 July 2010, the Group recorded turnover and other revenue of approximately HK$35,563,000, representing an increase of approximately 5.2 times than the amount recorded in the same period in preceding year of approximately HK$5,720,000.

PROSPECTS

As at the date of this announcement, the Group has expanded its products offerings from swine feedstock and feed additives to include fish feedstock products. The board of directors ("Board") of the Company expects that such extension of product offerings will further enhance the sales of the Group whilst diversifying its source of income.

With a view to establishing its own production capacity in the PRC, on 16 March 2010, the Group entered into the JV Agreement to set up the JV, which will be principally engaged in the development and manufacturing of feedstock products. The JV was incorporated in the PRC in August 2010. It is expected that by participating in the manufacturing process, the Group will have more stable, diversified and quality supply of products to meet the market demand and development.

Following the establishment of the research and development team of the JV, the Group intends to expand its product range and develop its own products brand for enhancement of its corporate image, customer loyalty and profitability. Given the favorable PRC government policies to place emphasis on the development of the breeding industry, the Company believes that the formation of the JV will bring about synergies to the Group's existing customer base and network, and thus further accelerate its business development.

The Group is currently taking steps to expedite the process of construction of its own production plant under the JV Agreement.

It is expected that as all liabilities arising from the creditors of the Company and the creditors of its subsidiaries holding guarantees given by the Company will be compromised and discharged by way of the scheme of arrangement as contemplated in the Resumption Proposal. The Company is confident that, with the Investor's strong support in the business and financial aspects, the business operations of the Group will continue to maintain a high expansion rate to reach a sufficient level to meet the requirements for the resumption of trading in the shares of the Company, and the Group will eventually gain a solid foothold in the feedstock industry in the PRC.

SIGNIFICANT SUBSEQUENT EVENTS

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.

By an order of the High Court dated 8 October 2010, the hearing for the petition which was initially fixed on 12 November 2008 was further adjourned to 11 April 2011.

CAPITAL COMMITMENTS

Pursuant to the JV Agreement, the registered capital of the JV will amount to RMB18 million (equivalent to HK$20.45 million), and the Group will contribute RMB11.34 million (equivalent to approximately HK$12.88 million) in cash, representing 63% equity interest of the JV. The JV Partners will complete their contribution to the JV's registered capital of RMB18 million within one year upon the formal establishment of the JV.

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

As at 31 July 2010, 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 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, an executive director 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 2010, none of the directors 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.

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

Name or category of participant	**As at 1 August 2009**	**Exercised during the year**	**Lapsed during the year** *(Note a)*	**Cancelled during the year**	**As at 31 July 2010**	**Date of grant of share option** *(Note b)*	**Exercise period of share options**	**Exercise price of share option** *(Note c)*
Directors								
Mr. Wong Sai Wa	3,200,000	–	–	–	3,200,000	23 March 2001	10 October 2001 to 22 March 2011	HK$0.55

Notes:

(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 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 of 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 as at 31 July 2010 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 12 months ended 31 July 2010, none of the directors or employees of the Company had exercised any share options and no allotment or issue of shares was made pursuant to the Pre-IPO Plan.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

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 2010, in so far as 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 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*
JBC Bio Technology Company Limited ("JBC Bio Tech")	Corporation	Ordinary shares	432,000,000 shares(long)	31.94%	*(1)*
Ms. Liu Yang	Through controlled corporation	Ordinary shares	432,000,000 shares(long)	31.94%	*(1)*
Concord Pharmaceutical Technology (Holdings) Limited ("CPT")	Corporation	Ordinary shares	400,000,000 shares(long)	29.58%	*(2)*
Concord Business Management Limited ("CBM")	Through controlled corporation	Ordinary shares	400,000,000 shares(long)	29.58%	*(2)*
Keywise Capital Management (HK) Limited	Investment manager	Ordinary shares	442,599,386 shares(long)	32.70%	*(3)*
Keywise Greater China Opportunities Master Fund ("Keywise")	Investment manager	Ordinary shares	442,599,386 shares(long)	32.70%	*(3)*

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 wholly-owned by CBM, and CBM is in turned 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 2010, the directors of the Company were not aware of any person (other than directors 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 2010, with 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 of the GEM Listing Rules sets out the “Code on Corporate Governance Practices”.

1. Non-executive directors 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); and

2. No remuneration committee was established to review the directors’ remuneration policy and other remuneration related matters. The directors 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).

DIRECTORS’ INTERESTS IN A COMPETING BUSINESS

None of the directors 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 2010, 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.

MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or in existence during the year ended 31 July 2010.

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 2010 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.

SUSPENSION OF TRADING

Trading in the shares of the Company has been suspended since 9:30 a.m. on 28 October 2008 at the request of the Company and will remain suspended until further notice.

For and on behalf of
CHINA MEDICAL AND BIO SCIENCE LIMITED
(Provisional Liquidators Appointed)
Wong Sai Wa
Executive Director

Hong Kong, 22 October 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.