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CHINA MEDICAL AND BIO SCIENCE LIMITED

中華藥業生物科學有限公司*

(Incorporated in the Cayman Islands with limited liability)

(the “**Company**”)

(**Stock Code: 8120**)

SUPPLEMENTAL ANNOUNCEMENT ON THE UNAUTHORIZED DISPOSAL OF SHARES AND HIGH CONCENTRATION OF SHAREHOLDING

This announcement is made at the request of The Stock Exchange of Hong Kong Limited (the “**Exchange**”).

Further to the announcement made by the Company on 21 May 2007 concerning some disposal of shares in the Company (the “**Shares**”) held by JBC Bio Technology Company Limited (“**JBC Bio Tech**”) by some third parties without the knowledge or consent of its major shareholder, namely, Ms. Liu Yang (“**Ms. Liu**”), the board (the “**Board**”) of directors (the “**Directors**”) of the Company has now been informed by Ms. Liu that (i) legal actions have already been commenced at the High Court of Hong Kong by JBC Bio Tech against the parties involved to claim, among others, for the proceeds of the unauthorized sale of the Shares; and (ii) reports had been made and further information had been provided to the Hong Kong Police Force for criminal investigation of the matter.

In consequence of this matter, the Board also understands that the returns from the share registrar of the Company showed that as at 23 April 2007, Ms. Liu, through JBC Bio Tech, held 432,000,000 Shares, representing 31.94% of the existing issued share capital of the Company, and this figure is lower than the figure shown in her disclosure of interests form of 480,000,000 Shares, representing 35.49% of the existing issued share capital of the Company. The Board understands from Ms. Liu that she in fact only until very recently has notice of this reduced figure, and is now taking appropriate actions as explained above.

* *for identification purposes only*

At present, the Board continues to hold the view that the nature of this matter is such that it basically only involves JBC Bio Tech and its former consultant. The business of the Company is being carried on as usual. The Board has been assured by Ms. Liu that the Board will continue to be kept informed of the development of the matter for the full and timely compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Exchange (“**GEM Listing Rules**”). The Board therefore will continue to monitor closely the development of the matter and where necessary, further announcements will be made to keep the Exchange, shareholders of the Company and the market participants informed of it as soon as reasonably practicable.

The Company is also given to know that the Securities and Futures Commission (the “**SFC**”) has recently conducted a review of the shareholding distribution of the Company as at 23 April 2007, and its analysis has revealed that (i) the chairperson of the Company, namely Ms. Liu, through JBC Bio Tech, held 432,000,000 Shares, representing approximately 31.94% of the entire issued shares of the Company; (ii) two other shareholders of the Company, namely, Concord Pharmaceutical Technology (Holdings) Limited (“**CPT**”) and UBS AG, held 29.58% and 5.13%, respectively, of the entire issued shares of the Company; and (iii) 17 entities in aggregate held 25.34% of the entire issued shares of the Company. Accordingly, there is an observation that the top 20 shareholders of the Company held 91.99% of the entire issued shares of the Company, leaving 8.01% held by small investors.

The SFC also noted the following price movements relating to the Shares, i.e. (i) a sudden price increase of 349.15% from HK\$0.059 to HK\$0.265 on 27 November 2006; (ii) on 22 January 2007, after the Company announced a placing and top-up share placement of 260,000,000 Shares at HK\$0.148 (representing a discount of 5.13% to HK\$0.156, which is the closing price of the Shares immediately before suspension of trading of the Shares on 16 January 2007), the price of the Shares increased 159.62% from HK\$0.156 to HK\$0.405 on that day; and (iii) after that share placement, the price of the Shares continued to increase and traded at HK\$0.95 on 1 March 2007 and although subsequently there was some decrease, the price remained at relatively high level and as at 23 May 2007, the price closed at HK\$0.49. As at the close of trading on 28 May 2007, the price of the Shares was at HK\$0.53.

The Board wishes to clarify that as the information is provided by the SFC, the Company is not in the position to verify or comment on the accuracy of such information save and except the shareholding interests of JBC Bio Tech and CPT in the Company.

Pursuant to the latest notification received by the Company and the information as stated in the website of the Exchange in respect of disclosure of interests under the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong), and having made all reasonable enquiries with the Directors, to the best knowledge of the Company, the Company confirms that the shareholding structure of the Company is as follows:–

Shareholders	Number of Shares	Approximate %
JBC Bio Tech	432,000,000 (<i>Note 1</i>)	31.94
CPT (<i>Note 2</i>)	400,000,000	29.58
Public Shareholders (<i>Note 3</i>)		
Keywise Capital Management (HK) Limited	76,076,000	5.62
UBS AG	65,724,000	4.86
Other public shareholders	378,600,000	28.00
Sub total	520,400,000	38.48
TOTAL	<u>1,352,400,000</u>	<u>100</u>

Note:

1. Prior to the unauthorized sale of 48,000,000 Shares as mentioned above, JBC Bio Tech held 480,000,000 Shares, representing 35.49% of the total issued share capital of the Company.
2. CPT is a wholly-owned subsidiary of Concord Business Management Limited, the entire issued share capital of which was owned by Mr. Wong Sai Chung, the former Director and chairman of the Board, as at the date of this announcement. Mr. Wong Sai Chung resigned as the Director with effect from 7 April 2005.
3. With a shareholding of less than 10% of the total issued share capital of the Company, such shareholders will qualify as a public shareholder under the GEM Listing Rules.

In view of the high concentration of Shares in the hands of a small number of shareholders of the Company, shareholders and the potential investors of the Company shall be aware that the price of the Shares could fluctuate substantially even with a small number of Shares being traded. Shareholders and potential investors of the Company are reminded to exercise caution when dealing with the Shares.

By Order of the Board
China Medical and Bio Science Limited
Liu Dong Hui
Director

Hong Kong, 29 May 2007

As at the date of this announcement, the Board comprises five executive Directors, namely Ms. Liu Yang (chairperson), Ms. Wong Moon Ha, Dr. Liu Dong Hui, Mr. Wong Sai Wa and Mr. Fang Ming; three non-executive Directors, namely, Mr. Kwan Kai Cheong, Mr. Lai Chik Fan and Dr. Tan Min; and three independent non-executive Directors, namely, Mr. Chan Kin Hang, Dr. Ding Hanpeng and Mr. Garry Alides Willinge.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the 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.

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