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 REPORT
2009

* *For identification purposes only*

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.

The Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors (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 report 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 report misleading; and (3) all opinions expressed in this report 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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PROVISIONAL LIQUIDATORS

Stephen Liu Yiu Keung
David Yen Ching Wai

EXECUTIVE DIRECTORS

Wong Sai Wa
Wong Moon Ha

INDEPENDENT NON-EXECUTIVE DIRECTOR

Chan Kin Hang

COMPANY SECRETARY & FINANCIAL CONTROLLER

Yam Pak Chuen, Patrick

AUDITOR

PKF Hong Kong
Certified Public Accountants

PRINCIPAL BANKER

The Hongkong and Shanghai Banking Corporation Limited

REGISTERED OFFICE

Ugland House
P.O. Box 309
George Town
Grand Cayman
Cayman Islands
British West Indies

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

62/F., One Island East
18 Westlands Road
Island East
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

Bufferfield Fulcrum Group Limited

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
26/F., Tesbury Centre
28 Queens' Road East
Wanchai
Hong Kong

STOCK CODE

8120

WEBSITE

www.irasia.com/listco/hk/chinamedical

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 approximately 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 net loss of approximately HK$14,570,000 for the year ended 31 July 2009 which comprises of realised loss on equity-linked notes and listed shares of approximately HK$14,610,000, dividend and interest income of approximately HK$62,000, interest expense and exchange gain in the sum of approximately HK$42,000 and HK$20,000 respectively. All of the equity-linked notes had been disposed of during the year ended 31 July 2009.

MATERIAL ACQUISITIONS AND DISPOSALS

Except for the impairment provision on receivables due from deconsolidated subsidiaries of the Company set out in note 30 to the financial statement, the Group had no material acquisition and disposal 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 be redeemable 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 (2008: HK$74,161,000).

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 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 ASSETS

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

	2009	2008
	HK$'000	HK$'000
Leasehold land (on net book value)	**8,670**	8,783
Leasehold buildings (on net book value)	**2,564**	4,026

Details of charges on the Group assets are set out in notes 16, 17 and 24 to the financial statements.

CONTINGENT LIABILITIES

Details of the Group's contingent liabilities are disclosed in note 33 to the financial statements.

EMPLOYEE INFORMATION

As at 31 July 2009, the Group had 3 employees in Hong Kong and the People's Republic of China (the "PRC") (2008: approximately 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.

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 of the Company 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 drug 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 Shantou Xinyuan Trading Company Limited, the petitioner 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. Further details can be found in note 2 to the financial statements.

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 report.

PROSPECT

On 28 July 2009, an exclusivity agreement was entered into amongst NEUF Capital Limited (the "Investor"), the Company and the Provisional Liquidators (please also refer to note 35 to the financial statements). The exclusivity agreement forms part of the proposed 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 to the Stock Exchange 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.

EXECUTIVE DIRECTORS

Mr. Wong Sai Wa, aged 66, is one of the founders of the Group. Mr. Wong holds a degree in Mechanical Engineering from the Scientific and Engineering University in the PRC. He also completed the Stanford Executive Program in 1993. Mr. Wong has been a director of Pacific Concord Holding Limited since 1987 and was appointed as a joint managing director in 1999.

Ms. Wong Moon Ha, aged 56, is currently the manager of personnel and administrative department of Tempo Electronic Industrial Co. Ltd. Ms. Wong is the younger sister of Mr. Wong Sai Wa, an executive director of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Chan Kin Hang, aged 39, is a fellow of The Hong Kong Institute of Certified Public Accountants since 2005 and an associate of the Institute of Accountants of the United Kingdom since 1996. He obtained a master degree in Accounting from the Curtin University of Technology, Australia in 1999. Mr. Chan has 18 years working experience. He is currently the proprietor of K. H. Chan & Co., a firm of certified public accountant and the managing director of Honest Joy Accounting Service Co., Ltd.

COMPANY SECRETARY AND FINANCIAL CONTROLLER

Mr. Yam, aged 48, is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Mr. Yam has over 25 years of experience in accounting, auditing, taxation and company secretarial services.

The Company is committed to maintaining good corporate governance and to instituting procedures to ensure integrity, transparency and quality of information disclosed thereby enhancing the value of the Company for its shareholders.

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 Rules Governing the Listing of Securities on the GEM (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);

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).

CODE OF CONDUCT FOR DIRECTORS CARRYING OUT SECURITIES TRANSACTIONS

As at 31 July 2009, the directors of the Company have not yet adopted a code of conduct governing securities transactions for directors. However, the directors of the Company will, as soon as practicable, adopt such code of conduct on terms not less stringent than those in the required standard set out in the GEM Listing Rules 5.48 to 5.67 to be complied by all directors of the Company.

For the year ended 31 July 2009, the Company was not aware of any non-compliance of the revised standard on securities transactions by directors of the Company as set out in the GEM Listing Rules.

BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Company and for overseeing the business of the Group's. The Board has delegated authority and responsibility to the senior management for the day-to-day operations of the Group. Key matters will remain as responsibility of the Board whose approval will be required. In addition, the Board has also delegated responsibilities to various management committees. Details of those committees are set out in this corporate governance report.

The directors of the Company during the year ended 31 July 2009 were:

Executive directors:

Ms. Liu Yang (chairman and chief executive officer, resigned on 5 December 2008)
Mr. Wong Sai Wa
Ms. Wong Moon Ha
Mr. Liu Dong Hui (resigned on 5 December 2008)
Mr. Fang Ming (resigned on 5 December 2008)

Non-executive directors:

Mr. Tan Min (resigned on 6 December 2008)

Independent non-executive directors:

Mr. Garry Alides Willinge (resigned on 24 October 2008)
Mr. Chan Kin Hang
Mr. Chen Zhu Ming (appointed on 20 May 2008 and resigned on 6 December 2008)

Details of the members of the Board are provided under the "Profiles of Directors and Senior Management" on page 8 of this annual report.

THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER

The code provisions A.2.1 requires the position of the chairman and the executive officer be held separately by two individuals to ensure their independence, seperate accountability and responsibilities. The chairman of the Company is responsible for the overall leadership of the Company and for strategies and planning of the Group. The chief executive officer is responsible for the day-to-day management of the Group's business and operations.

For the period from 1 August 2008 to 5 December 2008, Ms Liu Yang was both the chairman and chief executive officer of the Company, responsible for managing the Board and the business of the Group. Following the resignation of Ms. Liu Yang, the Company has not yet appointed anyone to fill the positions vacated by Ms. Liu.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Code Provision A.4.1 requires that non-executive directors be appointed for a specific term, subject to re-election. No non-executive director remained in the Company as at 31 July 2009. According to the articles of association of the Company (the "Articles"), at each annual general meeting, one-third of the directors for the time being (or, if their number is not a multiple of three, the number nearest to but not greater than one-third) shall retire from office by rotation.

INDEPENDENCE

Independent non-executive directors of the Company are required to give an annual confirmation of their independence to the Company pursuant to Rules 5.09 of the GEM Listing Rules. This practice is being observed and the Company considers the independent non-executive director to be independent.

BOARD MEETINGS

According to the Articles, at least one board meeting should be held once a year to conduct the annual general meeting of the Company. No Board meeting was held for the year ended 31 July 2009. The directors of the Company will use their best endeavour to ensure that for all board meetings to be held, board minutes will be kept by the secretary of the Company (the "Secretary'). and be open for inspection by the directors of the Company. Every director of the Company will be entitled to have access to the board papers and related materials and have unrestricted access to the advice and services of the Secretary, and have the liberty to seek external professional advice if so required.

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.

REMUNERATION COMMITTEE

A remuneration committee, with the majority of its members being independent non-executive directors of the Company, is mainly responsible for making recommendations to the Board on the remuneration system of the Company. The remuneration committee has to consult the chairman and/or the chief executive officer of the Company on their proposals relating to the remuneration of other executive directors of the Company. The remuneration committee may seek independent professional advice as it considers necessary in respect of its function.

As the Company does not have established a remuneration committee yet, the directors of the Company will, as soon as practicable, establish a remuneration committee with specific terms of reference which deals clearly with its authorities and duties.

INTERNAL CONTROL

The directors of the Company have overall responsibility for devising the Company's system for internal control and for conducting an annual review of the effectiveness of its operations. This will ensure that the directors of the Company will oversee and monitor the Group's overall financial position so that the interests of the shareholders are well protected and covered. The internal control system covers the financial, operational, compliance and risk management areas of the Group's business. However, the Board has not carried out any evaluation or assessment of the effectiveness of the Group's internal control system. The directors of the Company will, as soon as practicable, perform a comprehensive review on the internal control system pursuant to the GEM Listing Rules.

AUDITOR'S REMUNERATION

During the year ended 31 July 2009, the remuneration in respect of audit and non-audit services provided by the Company's auditor, PKF Hong Kong, Certified Public Accountants, is set out below:

	2009	2008
	HK$'000	HK$'000
Services rendered		
– Audit services	**240**	550
– Non-audit services	**60**	–
	300	550

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The directors of the Company acknowledges their responsibilities in the prepartion of the Company's financial statements for each financial year which give a true and fair view of the state of affairs of the Company and in presenting the quarterly, interim and annual financial statements, and announcements to shareholders, the directors of the Company aim at presenting a balanced, cleared and comprehensive assessment of the Company's performance, its current position and future prospects.

The respective responsibilities of the directors and auditors of the Company in respect of the preparation of the financial statements are set out in the independent auditor's report on pages 24 to 26 of this annual report.

The directors of the Company present their annual report together with the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 July 2009.

APPOINTMENT OF 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 on 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").

PRINCIPAL ACTIVITIES

The principal activity of the Company is principally engaged in bio-livestock feed business, mainly involving the development and distribution of feed supplements and production and operation of end-user safe food based on the use of feed supplements. Details of the principal activities of the subsidiaries of the Company are set out in note 36 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS

The results of the Group for the year ended 31 July 2009 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 27 to 86.

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).

FINANCIAL SUMMARY

A summary of the results, assets and liabilities and minority interests of the Group for five financial years ended 31 July 2009 is set out below:

RESULTS

	2009	2008	Restated 2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**1,965**	5,981	6,289	54,054	121,061
Loss from operating activities	**(49,341)**	(120,296)	(53,503)	(3,035)	(33,953)
Finance costs	**(32,985)**	(11,106)	(3,857)	(4,743)	(10,325)
Gain on deconsolidation of subsidiaries	**9,497**	–	–	–	–
Share of results of an associate	**–**	–	–	–	1,256
Assets impairment	**(24,814)**	(23,576)	(36,497)	–	(25,247)
Loss before tax	**(97,643)**	(154,978)	(93,857)	(7,778)	(68,269)
Tax	**–**	–	(231)	(193)	(665)
Loss for the year	**(97,643)**	(154,978)	(94,088)	(7,971)	(68,934)
Loss attributable to					
Shareholders of the Company	**(97,643)**	(154,978)	(92,396)	(5,774)	(63,560)
Minority interests	**–**	–	(1,692)	(2,197)	(5,374)
	(97,643)	(154,978)	(94,088)	(7,971)	(68,934)

ASSETS, LIABILITIES AND MINORITY INTERESTS

	2009	2008	Restated 2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**13,052**	113,620	103,979	78,698	287,489
TOTAL LIABILITIES	**(173,644)**	(175,647)	(58,038)	(64,451)	(270,695)
MINORITY INTERESTS	**–**	–	–	(1,469)	(3,606)
	(160,592)	(62,027)	(45,941)	12,778	13,188

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group are set out in note 16 to the financial statements.

As at 31 July 2009, the following property was held for sale by the Group:

Address	Usage	Group Interest (%)	Gross Floor Area (Square feet)
Flat D, 12/F, Block 3, Chianti, Discovery Bay City, Lantau Island, New Territories	Residential	100	800

SHARE CAPITAL

Details of the Company's share capital during the year are set out in note 29 to the financial statements.

SHARE OPTIONS SCHEME

Details of the Company's share option schemes are set out in this report from pages 76 to 80 in note 32 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's by law or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

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..

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 32.

DISTRIBUTABLE RESERVES

As at 31 July 2009, the Company did not have distributable reserves.

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for approximately 72% of the total sales for the year within which sales to the largest customer included therein amounted to approximately 31% of total sales. During the year, the Group purchased from only one supplier which also happened to be its largest supplier accounted for 100% of the total purchases for the year.

None of the directors of the Company nor any of their associates or any shareholders (which, to the best knowledge of the directors of the Company, own more than 5% of the Company's issued share capital) had any beneficial interest in any of the Group's five largest customers and/or suppliers.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Ms. Liu Yang (chairman and chief executive officer, resigned on 5 December 2008)
Mr. Wong Sai Wa
Ms. Wong Moon Ha
Mr. Liu Dong Hui (resigned on 5 December 2008)
Mr. Fang Ming (resigned on 5 December 2008)

Non-executive directors:

Mr. Tan Min (resigned on 6 December 2008)

Independent non-executive directors:

Mr. Garry Alides Willinge (resigned on 24 October 2008)
Mr. Chan Kin Hang
Mr. Chen Zhu Ming (appointed and resigned on 20 May 2008 and 6 December 2008 respectively)

In accordance with article 116 of the Articles, one third of the directors for the time being (or, if their number is not a multiple of three, the number nearest to but not greater than one-third) will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Mr. Wong Sai Wa has entered into a service contract with the Company. The service contract provides for an initial term of two years commencing on 10 April 2001 and shall be continuing, until termination by either party in accordance with the provisions of the service contract.

Save as disclosed above, no other service contract has been entered into between the Company and its directors.

All independent non-executive directors are not appointed for specific terms and are subject to retirement by rotation in accordance with the Articles.

CONFIRMATION OF INDEPENDENCE

The Company has received from Mr. Chan Kin Hang, independent non-executive director of the Company, an annual confirmation of independence pursuant to the GEM Listing Rule 5.09 and considers him to be independent.

The Company has not received from Mr. Garry Alides Willinge and Mr. Chen Zhu Ming their annual confirmations of independence pursuant to the GEM Listing Rule 5.09 and the Company is unable to consider them as being independent. Both of Mr. Garry Alides Willinge and Mr. Chen Zhu Ming have already resigned as at the date of this report.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Profiles details of the directors of the Company and the senior management of the Group are set out on page 8 of the annual report.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance to which the Company or its subsidiaries was a party and in which a director of the Company had a material interest subsisted at the end of the year or at any time during the year.

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 executives 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. 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 executives 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 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 price 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
	3,200,000	–	–	–	–	3,200,000			

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:

Long position in ordinary shares of the Company

Substantial Shareholders

Name	Capacity and nature of interest	Shares	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	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)*

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. Details of the convertible bonds and warrants have been set out in note 28 to the financial statements.*

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.

CONNECTED TRANSACTIONS

The Group had no related party transactions, or any constituted connected transactions under the GEM Listing Rules for the year ended 31 July 2009.

CAPITAL COMMITMENT

The Group had no significant capital commitment as at 31 July 2009.

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.

SUSPENSION OF TRADING

At the request of the Company, trading in the shares of the Company on the GEM had been suspended since 28 October 2008, and will remain suspended until further notice.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company, as at the date of this annual report, the Company has maintained a public float as prescribed under the GEM Listing Rules.

SIGNIFICANT POST-BALANCE SHEET EVENTS

Details of the significant events which occurred after the balance sheet date are set out in note 35 to the financial statements.

CORPORATE GOVERNANCE

The Board and management of the Company are committed to maintain high standards of corporate governance. Further details are set out in the Corporate Governance Report on pages 9 to 13 of the annual report.

AUDITORS

A resolution to re-appoint the retiring auditors, Messrs. PKF Hong Kong, Certified Public Accountants, will be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board

Wong Sai Wa
Executive Director

Hong Kong, 8 January 2010

26th Floor, Citicorp Centre,
18 Whitfield Road,
Causeway Bay,
Hong Kong

TO THE SHAREHOLDERS OF
CHINA MEDICAL AND BIO SCIENCE LIMITED (Provisional Liquidators Appointed)
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Medical and Bio Science Limited (Provisional Liquidators Appointed) (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 27 to 86, which comprise the consolidated balance sheet as at 31 July 2009, the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Except for the limitation in the scope of our work as explained below, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

However, because of the matters described in the basis for disclaimer of opinion paragraph, we were not able to obtain appropriate audit evidence to provide a basis for an audit opinion.

LIMITATION OF AUDIT SCOPE

1. The accounting books and records of the Company's 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.

PKF
Certified Public Accountants

Hong Kong

8 January 2010

Consolidated Income Statement

For the year ended 31 July 2009

	Note	2009 HK$'000	2008 HK$'000
Turnover	8	**1,965**	5,981
Cost of sales		**(1,465)**	(3,129)
Gross profit		**500**	2,852
Other revenue	8	**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	9	**(49,341)**	(120,296)
Finance costs	10	**(32,985)**	(11,106)
Gain on deconsolidation of subsidiaries	30	**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	13(a)	**–**	–
Loss for the year	14	**(97,643)**	(154,978)
Loss per share attributable to Shareholders of the Company	15		
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	16	**–**	24,350
Leasehold land	17	**–**	13,184
Intangible assets	18	**–**	–
Goodwill	19	**–**	–
		–	37,534
CURRENT ASSETS			
Inventories	20	**–**	352
Trade receivables	21	**–**	242
Deposits, prepayments and other receivables	22	**162**	12,348
Financial assets at fair value through profit or loss	23	**–**	50,647
Cash and bank balances		**1,656**	12,497
		1,818	76,086
Non-current assets held for sales	24	**11,234**	–
		13,052	76,086
DEDUCT:			
CURRENT LIABILITIES			
Bank and other borrowings	25	**5,018**	37,981
Finance lease obligations	26	**–**	182
Trade payables	27	**1,352**	1,291
Convertible bonds	28	**106,600**	–
Amounts due to deconsolidated subsidiaries	31	**3,972**	–
Other payables and accruals		**46,091**	50,762
Income tax payable		**1,093**	1,101
		164,126	91,317
Liabilities directly associated with non-current assets held for sales	24	**9,518**	–
		173,644	91,317
NET CURRENT LIABILITIES		**(160,592)**	(15,231)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(160,592)**	22,303

As at 31 July 2009

	Note	**2009**	2008
		HK$'000	HK$'000
DEDUCT:			
NON-CURRENT LIABILITIES			
Bank loans	25	**–**	9,258
Finance lease obligations	26	**–**	911
Convertible bonds	28	**–**	74,161
		–	84,330
NET LIABILITIES		**(160,592)**	(62,027)
REPRESENTING:			
CAPITAL AND RESERVES			
Share capital	29(a)	**67,620**	67,620
Reserves		**(228,212)**	(129,647)
CAPITAL DEFICIENCY		**(160,592)**	(62,027)

APPROVED AND AUTHORISED FOR ISSUE BY THE BOARD OF DIRECTORS ON 8 JANUARY 2010

DIRECTOR

DIRECTOR

Consolidated Cash Flow Statement

For the year ended 31 July 2009

	Note	2009 HK$'000	2008 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(97,643)**	(154,978)
Adjustments for:			
Interest expenses and finance lease charges		**26,385**	11,106
Redemption premium of convertible bonds		**6,600**	–
Interest income		**(78)**	(12,677)
Dividend income		**–**	(181)
Depreciation and amortisation of leasehold		**787**	1,981
Net realised and unrealised loss on financial assets at fair value through profit or loss		**14,610**	33,844
Loss on disposal of property, plant and equipment, leasehold land and non-current assets held for sales		**7,349**	3
Provision for bad and doubtful debts		**559**	15,477
Write-down of inventories		**7,954**	952
Provision for litigation claims		**–**	5,064
Gain on deconsolidation of subsidiaries		**(9,497)**	–
Equity settled share-based transaction		**–**	14,364
Impairment on amounts due from deconsolidated subsidiaries		**23,403**	–
Impairment on property, plant and equipment		**1,411**	184
Impairment on goodwill		**–**	23,392
Loss before working capital changes		**(18,160)**	(61,469)
Decrease/(increase) in inventories		**101**	(973)
Increase in trade receivables		**(602)**	(3,143)
Increase in deposits, prepayments and other receivables		**(3,907)**	(19,475)
Increase in trade payables		**69**	10
Increase in other payables and accruals		**4,436**	5,375
Decrease in amounts due to directors		**–**	(1,930)
Cash used in operations		**(18,063)**	(81,605)
Interest received		**78**	12,677
Interest paid		**(190)**	(2,504)
NET CASH USED IN OPERATING ACTIVITIES		**(18,175)**	(71,432)

Consolidated Cash Flow Statement *(continued)*

For the year ended 31 July 2009

	Note	2009 HK$'000	2008 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividend received		–	181
Acquisition of property, plant and equipment		**(20)**	(22,864)
Acquisition of leasehold land		–	(8,941)
Deconsolidation of subsidiaries	30	**(633)**	–
Proceeds from disposal of property, plant and equipment		**5,343**	10,624
Proceeds from disposal/(acquisition) of financial assets at fair value through profit or loss		**36,037**	(67,509)
NET CASH FROM/(USED IN) INVESTING ACTIVITIES		**40,727**	(88,509)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of convertible bonds		–	100,000
New bank loans		–	9,885
Other new loans		–	32,889
Repayment of bank loans		**(139)**	(10,522)
Principal repayment of finance lease obligations		**(42)**	(157)
Repayment of other loans		**(32,889)**	(1,068)
NET CASH (USED IN)/FROM FINANCING ACTIVITIES		**(33,070)**	131,027
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(10,518)**	**(28,914)**
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**(323)**	**615**
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**12,497**	40,796
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**1,656**	12,497
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**1,656**	12,497

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)	(27,201)
– 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.

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").

2. BASIS OF PREPARATION *(continued)*

(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.

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;

2. **BASIS OF PREPARATION** *(continued)*

(b) Proposed restructuring of the Group *(continued)*

(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** *(continued)*

(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 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. Further details are set out in note 30 to the financial statements.

2. BASIS OF PREPARATION *(continued)*

(e) Deconsolidation of subsidiaries *(continued)*

(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. Further details are set out in note 30 to the financial statements.

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.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

(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. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 July 2009. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intra-company transactions and balances within the Group are eliminated on consolidation.

(b) Property, plant and equipment

Property, plant and equipment, other than construction in progress and freehold land, are stated at cost less aggregate depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of that asset.

Other than construction in progress and freehold land, depreciation is calculated to write off the cost of property, plant and equipment over their estimated useful lives on a straight line basis at the following annual rates:

Buildings	Over the term of lease or 5%
Leasehold improvements	5%
Plant and machinery	10%
Furniture, fixtures and office equipment	15-20%
Motor vehicles	20-25 %
Computer equipment	20%

The assets' useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

The gain or loss on disposal of property, plant and equipment, representing the difference between the net sales proceeds and the carrying amounts of the relevant assets, is recognised in the income statement.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Property, plant and equipment *(continued)*

Freehold land is stated at cost less any impairment losses and is not amortised.

Construction in progress is stated at cost less any impairment losses and is not depreciated. Cost comprises direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

(c) Leasehold land

Up-front payments to acquire leasehold land are amortised over the term of the leases on a straight-line basis.

(d) Subsidiaries

A subsidiary is an entity over which the Company has control either directly or indirectly. Control is the power to govern the financial and operating policies of a company so as to obtain benefits from its activities.

Investments in subsidiaries are stated in the Company's balance sheet at cost less any impairment losses. Income from subsidiaries is recognised in the Company's financial statements on the basis of dividends declared by the subsidiaries.

(e) Investments

Investments are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investment or available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

The Group's investments are classified as financial assets at fair value through profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Investments *(continued)*

Financial assets at fair value through profit or loss are financial assets acquired principally for the purpose of selling in the short term. Derivatives are classified as financial assets at fair value through profit or loss unless they are designated as hedges. Financial assets at fair value through profit or loss are carried at fair value. Gains and losses arising from changes in the fair value of financial assets at fair value through profit or loss are included in the income statement in the period in which they arise.

(f) Goodwill

Goodwill represents the excess of the cost of an acquisition over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities at the date of acquisition.

Goodwill is carried at cost less accumulated impairment losses and is subject to annual impairment review or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired.

Any impairment loss for goodwill is recognised directly in the income statement and is not reversed in subsequent periods.

On disposal of a subsidiary, any attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal recognised in the consolidated income statement.

(g) Intangible assets

Intangible assets are stated at cost less aggregate amortisation and impairment losses.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Intangible assets *(continued)*

Amortisation is calculated to write off the costs of intangible assets over their estimated useful lives on a straight line basis at the following annual rates:

Technical know-how	Over the terms of the joint venture or 7 years, whichever is shorter
Production licenses	Over the terms of the joint venture or 5 years, whichever is shorter

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

(i) Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

(j) Revenue recognition

Revenue from the sales of goods is recognised when the significant risks and rewards of ownership of goods have been transferred to the buyer.

Interest income is recognised as it accrues using the effective interest method.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to prepare for their intended use, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use. The capitalisation rate for the year is based on the actual cost of the related borrowings.

All other borrowing costs are charged to the income statement in the period in which they are incurred.

(l) Research and development costs

All research costs are charged to the income statement as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the projects are clearly defined; the expenditure is separately identifiable and can be measured reliably; there is reasonable certainty that the projects are technically feasible; and the products have commercial value. Product development expenditure which does not meet these criteria is expensed when incurred.

(m) Impairment of assets

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(n) Payables

Payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method.

(o) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest method.

(p) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(q) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are capitalised at their fair value at the date of acquisition or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as finance lease obligations. Finance charges, which represent the difference between the total leasing commitments and the recorded value of the produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the periods of the respective leases.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(r) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the market exchange rates ruling at the balance sheet date. Differences on foreign currency translation are dealt with in the income statement.

The consolidated financial statements are prepared by using the net investment method such that the balance sheets of the Company's overseas subsidiaries are translated into Hong Kong dollars at the market exchange rate ruling at the balance sheet date, while their income statements are translated at the average exchange rate for the year. Any exchange differences arising on such translation are dealt with in the exchange fluctuation reserve. Such translation differences are recognised in the consolidated income statement for the year in which the foreign operation is disposed of.

(s) Employee benefits

Salaries, annual bonuses, annual leave entitlements and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group.

Obligations for contributions to retirement plans, including contributions payable under the Hong Kong Mandatory Provident Fund Schemes Ordinance and the People's Republic of China ("PRC") central pension scheme, are recognised as an expense in the income statement as incurred.

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

4. **SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

(s) Employee benefits *(continued)*

The fair value of share options granted to employees measured at the grant date and adjusted for the estimated number of shares that will eventually be vested is recognised as an employee cost on a straight-line basis over the vesting period, with a corresponding increase in a capital reserve.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the income statement for the year of the review, unless the original employee expenses qualify for recognition as an asset, with amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the share option reserve) except where forfeiture is only due to the market price of the Company's shares. The equity amount is recognised in the share option reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits/accumulated losses).

(t) Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable and deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

4. **SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

(t) Income tax *(continued)*

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(u) Related parties

An individual is related to the Group if the individual (i) has, directly or indirectly, control or joint control or significant influence over the Group, or (ii) is a member of the key management personnel of the Group, or (iii) is a close member of the family of the individuals in (i) or (ii).

An entity is related to the Group if the entity (i) has, directly or indirectly, control or joint control or significant influence over the Group, or (ii) is controlled by or under common control with the Group, or (iii) is an associate or a jointly controlled entity of the Group, or (iv) is controlled, jointly-controlled or significantly influenced by an individual related to the Group.

A post-employment benefit plan for the benefit of the employees of the Group or employees of an entity related to the Group is also a related party.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(v) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal management reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format. Inter-segment transfer pricing is based on cost plus an appropriate margin.

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 intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment.

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

Unallocated items mainly comprise financial and corporate assets, borrowings, corporate and financing expenses.

(w) Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the balance sheet, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(x) Cash equivalents

Cash equivalents are short-term, highly liquid investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

5. CRITICAL JUDGMENT AND KEY ESTIMATES

Estimates and judgments used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The key assumptions concerning the future and the accounting estimates that have a significant effect on the carrying value of assets and liabilities in the balance sheet and the profit or loss items are discussed below:

(a) Going concern basis

The consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the Group being able to achieve a successful restructuring and continue its business. Details are explained in note 2(c) to the financial statements.

(b) Income tax

As at 31 July 2009, no deferred tax asset has been recognised in respect of the unutilised tax losses of approximately HK$59,893,000 (2008: HK$77,877,000) and general provision for bad and doubtful debts of approximately HK$38,887,000 (2008: HK$45,402,000) due to the unpredictability of future taxable profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profit or taxable temporary differences will be available in the future. In cases where the actual future profits generated are more than expected, a material recognition of deferred tax assets may arise, which would be recognised in the income statement for the period in which such a recognition takes place.

5. CRITICAL JUDGMENT AND KEY ESTIMATES *(continued)*

(c) Equity settled share-based transactions, convertible bonds and warrants

The binomial option-pricing model was applied to estimate the fair value of share options granted by the Company and the warrants detachable from the convertible bonds issued by the Company respectively. The fair value of the liability component of the Company's convertible bonds is estimated using an equivalent market interest rate for a similar bond without a conversion option.

The binomial option-pricing model requires the input of highly subjective assumptions, including the volatility of share price. The determination of the fair value of the liability component of the convertible bonds requires management's estimation. The changes in input assumptions and management's estimation can materially affect the fair value estimate.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity risk arising from its equity investments in other entities. These risks are limited by the Group's financial management policies and practices described below:

(a) Credit risk

The Group's credit risk is primarily attributable to receivables and deposits. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Regular review and follow up actions are carried out on overdue amounts to minimise the Group's exposure to credit risk. An aging analysis of the debtors is prepared on a regular basis and is closely monitored to minimise any credit risk associated with these debtors. The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the consolidated balance sheet after deducting any impairment allowance. The Group does not provide any guarantee which would expose the Group to credit risk. Further quantitative disclosures in respect of the Group's exposure to credit risk arising from receivables and deposits are set out in notes 21 and 22 to the financial statements.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(b) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and long term.

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in market interest rates. The Group manages interest rate risk, when it is considered significant, by entering into appropriate swap contracts.

The Group's interest rate risk arises primarily from cash at banks, bank and other borrowings, and finance lease obligations.

(i) Interest rate profile

The following table details the interest rate profile of the Group's interest-bearing financial instruments at the balance sheet date:

	2009	2008
	HK$'000	HK$'000
Fixed rate liabilities:		
Other loans	**(682)**	(5,686)
Variable rate assets/(liabilities):		
Cash at banks	**44**	1,076
Bank loans	**(4,336)**	(13,664)
Liabilities directly associated with non-current assets classified as held for sales	**(9,518)**	–
Finance lease obligations	**–**	(1,093)
Other loans	**–**	(27,889)

(ii) Sensitivity analysis

As at 31 July 2009, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's loss for the year and accumulated losses by approximately HK$145,000 (2008: HK$473,000).

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(c) Interest rate risk *(continued)*

(ii) Sensitivity analysis (continued)

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2008.

(d) Currency risk

The Group is exposed to currency risk primarily through bank deposits and other loans that are denominated in the currency other than the functional currency of the group entity to which they relate. The currencies giving rise to this risk are primarily in United States dollar ("USD"). As Hong Kong dollar ("HKD") is pegged to USD, the Group considers the risk of movements in exchange rates between HKD and USD to be insignificant for transactions denominated in USD.

The following table shows the details of the Group's exposure at the balance sheet date to currency risk arising from recognised assets denominated in a currency other than the functional currency of the group entity to which they relate.

	2009	2008
	HK$'000	HK$'000
Cash and cash equivalents	–	33
Other loans	–	(27,889)

(e) Equity price risk

As at 31 July 2009, the Group was not exposed to equity price risk. As at 31 July 2008, the Group's financial assets at fair value through profit or loss of approximately HK$50,647,000 were exposed to market price risk.

(f) Fair value

All significant financial assets and liabilities are carried at amounts not materially different from their fair values as at 31 July 2009 and 2008.

7. 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.

7. SEGMENT INFORMATION *(continued)*

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	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'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	**–**	–	**1,039**	6,847	**1,146**	2,441	**3,457**	–	**–**	–	**5,642**	9,288
Segment results	**(629)**	(1,260)	**(20,552)**	(76,991)	**(1,352)**	(216)	**(17,389)**	(54,506)	**–**	–	**(39,922)**	(132,973)
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											**(97,643)**	(154,978)

7. SEGMENT INFORMATION *(continued)*

Business segments *(continued)*

	Veterinary drugs		Feed supplements		Safe food		Corporate		Eliminations		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
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	**17,203**	18,233	**7,556**	45,194	**6,025**	3,096	**294,166**	380,981	**(311,898)**	(333,884)	**13,052**	113,620
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	**67,591**	67,976	**25,144**	54,962	**4,090**	878	**388,717**	385,715	**(311,898)**	(333,884)	**173,644**	175,647
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

Geographical segments

	Hong Kong		PRC		Singapore		Japan		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
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

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

9. LOSS FROM OPERATING ACTIVITIES

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

	2009 HK$'000	2008 HK$'000
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 in note 11)		
Salaries, wages and other allowances	**5,582**	16,852
Pension scheme contributions	**178**	745
	5,760	17,597

10. FINANCE COSTS

	2009 HK$'000	2008 HK$'000
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
	32,985	11,106

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

	Fees		Salaries, allowances and benefit-in-kinds		Total	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Executive directors						
Ms. Liu Yang (Note (i))	**1,147**	720	**–**	2,904	**1,147**	3,624
Mr. Liu Dong Hui (Note (ii))	**80**	518	**–**	–	**80**	518
Mr. Fang Ming (Note (ii))	**171**	–	**–**	1,101	**171**	1,101
Ms. Wong Moon Ha	**40**	309	**–**	–	**40**	309
Mr. Wong Sai Wa	**300**	360	**–**	1,720	**300**	2,080
	1,738	1,907	**–**	5,725	**1,738**	7,632
Non-executive directors						
Mr. Tan Min (Note (iii))	**–**	60	**–**	–	**–**	60
Mr. Wong See Hong (Note (iv))	**–**	–	**–**	–	**–**	–
	–	60	**–**	–	**–**	60
Independent non-executive directors						
Mr. Garry Alides Willinge (Note (v))	**28**	120	**–**	–	**28**	120
Mr. Chan Kin Hang	**41**	120	**–**	–	**41**	120
Dr. Ding Hanpeng (Note (vi))	**–**	120	**–**	–	**–**	120
Mr. Chen Zhu Ming (Note (vii))	**41**	24	**–**	–	**41**	24
	110	384	**–**	–	**110**	384
	1,848	2,351	**–**	5,725	**1,848**	8,076

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(continued)*

(a) Directors' emoluments *(continued)*

Notes:

(i) Resigned as an executive director on 25 July 2008.

(ii) Resigned as an executive director on 5 December 2008.

(iii) Resigned as a non-executive director on 6 December 2008.

(iv) Appointed and resigned as a non-executive director on 28 February 2008 and 20 June 2008 respectively.

(v) Resigned as an independent non-executive director on 24 October 2008.

(vi) Resigned as an independent non-executive director on 28 February 2008.

(vii) Resigned as an independent non-executive director on 6 December 2008.

Apart from the directors' fees, there were no other emoluments payable to the independent non-executive directors.

No emoluments were paid by the Group to the directors, either as an inducement upon joining or to join the Group, or as compensation for loss of office.

During the year, there were no share options granted to the directors in respect of their services to the Group.

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(continued)*

(b) Five highest paid individuals

The five highest paid individuals during the year included three (2008: three) directors, details of whose remuneration are set out in note 11(a) to the financial statements. Details of the remuneration of the remaining two (2008: two) highest paid non-director employees are as follows:

	2009	2008
	HK$'000	HK$'000
Salaries and allowances	**1,683**	1,465
Pension scheme contributions	**20**	24
	1,703	1,489

Each of the remuneration of the two highest paid non-director employees is below HK$1,000,000.

12. PENSION SCHEME

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all its eligible employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Company's PRC subsidiaries are required to participate in a central pension scheme operated by the local municipal government. The PRC subsidiaries are required to contribute a percentage of its payroll costs to the central pension scheme. The central pension scheme is responsible for the entire pension obligations payable to all retired employees and the Group has no further obligations for the pension payments on post-retirement benefits beyond the annual contributions.

During the year, the Group made pension contributions of approximately HK$178,000 (2008: HK$745,000).

13. TAX

(a) Taxation in the consolidated income statement of preceding year represented deferred tax (Note 13(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 PRC and other jurisdictions has been made as the Group did not have any assessable profits arising in these jurisdictions for both years.

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

13. TAX *(continued)*

(b) *(continued)*

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 30).

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.

14. LOSS FOR THE YEAR

Loss for the year includes a loss of HK$41,257,000 (2008: HK$259,302,000) which has been dealt with in the financial statements of the Company.

15. 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.

16. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and building HK$'000	Leasehold buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Computer equipment HK$'000	Construction in progress HK$'000	Total HK$'000
Cost:									
At 1 August 2007									
– As previously stated	–	22,662	–	7,106	320	1,688	302	12,218	44,296
– Prior year adjustment									
– Transfer to non-current assets held for sales	–	(22,662)	–	(5,559)	(203)	(592)	(155)	(12,218)	(41,389)
– As restated	–	–	–	1,547	117	1,096	147	–	2,907
Exchange adjustment	26	–	46	206	33	195	7	–	513
Additions	3,440	4,098	1,303	9,676	1,520	3,077	298	–	23,412
Disposals	–	–	–	–	(4)	–	–	–	(4)
At 31 July 2008	3,466	4,098	1,349	11,429	1,666	4,368	452	–	26,828
Aggregate depreciation:									
At 1 August 2007									
– As previously reported	–	4,012	–	3,136	146	563	142	–	7,999
– Prior year adjustment									
– Transfer to non-current assets held for sales	–	(4,012)	–	(2,887)	(91)	(502)	(123)	–	(7,615)
– As restated	–	–	–	249	55	61	19	–	384
Exchange adjustment	–	–	4	45	9	19	3	–	80
Charge for the year	33	72	65	714	128	635	73	–	1,720
Disposals	–	–	–	–	(1)	–	–	–	(1)
At 31 July 2008	33	72	69	1,008	191	715	95	–	2,183
Impairment:									
At 1 August 2007									
– As previously reported	–	8,617	–	1,383	–	–	–	–	10,000
– Prior year adjustment	–	3,380	–	1,488	–	–	–	12,218	17,086
	–	11,997	–	2,871	–	–	–	12,218	27,086
– Prior year adjustment									
– Transfer to non-current assets held for sales	–	(11,997)	–	(2,769)	–	–	–	(12,218)	(26,984)
– As restated	–	–	–	102	–	–	–	–	102
Exchange adjustment	–	–	–	8	1	–	–	–	9
Charge for the year	–	–	–	166	12	3	3	–	184
At 31 July 2008	–	–	–	276	13	3	3	–	295
Net book value:									
At 31 July 2008	3,433	4,026	1,280	10,145	1,462	3,650	354	–	24,350

16. PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Freehold land and building HK$'000	Leasehold buildings held under medium term lease in Hong Kong HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Computer equipment HK$'000	Total HK$'000
Cost:								
At 1 August 2008	3,466	4,098	1,349	11,429	1,666	4,368	452	26,828
Exchange adjustment	440	–	38	294	149	55	2	978
Additions	–	–	–	–	20	–	–	20
Disposals	–	–	(995)	(6,699)	(488)	(1,112)	(306)	(9,600)
Deconsolidation of subsidiaries	(3,906)	–	(392)	(5,024)	(1,347)	(3,311)	(148)	(14,128)
Transfer to non-current assets held for sales	–	(4,098)	–	–	–	–	–	(4,098)
At 31 July 2009	–	–	–	–	–	–	–	–
Aggregate depreciation:								
At 1 August 2008	33	72	69	1,008	191	715	95	2,183
Exchange adjustment	4	–	–	18	10	25	1	58
Charge for the year	–	51	153	51	157	211	51	674
Written back on disposals	–	–	(216)	(407)	(268)	(305)	(121)	(1,317)
Deconsolidation of subsidiaries	(37)	–	(6)	(670)	(90)	(646)	(26)	(1,475)
Transfer to non-current assets held for sales	–	(123)	–	–	–	–	–	(123)
At 31 July 2009	–	–	–	–	–	–	–	–
Impairment:								
At 1 August 2008	–	–	–	276	13	3	3	295
Exchange adjustment	–	–	–	(2)	(1)	–	–	(3)
Charge for the year	–	1,411	–	–	–	–	–	1,411
Written back on disposals	–	–	–	(274)	(12)	(3)	(3)	(292)
Transfer to non-current assets held for sales	–	(1,411)	–	–	–	–	–	(1,411)
At 31 July 2009	–	–	–	–	–	–	–	–
Net book value:								
At 31 July 2009	–	–	–	–	–	–	–	–

The leasehold buildings with net book value of HK$2,564,000 together with the leasehold land (Note 17) were reclassified as "non-current assets held for sales" pursuant to the surrender of these assets by the Provisional Liquidators (Note 24).

17. LEASEHOLD LAND

	2009	2008
	HK$'000	HK$'000
Net book value at beginning of the year		
– As previously reported	**13,518**	7,571
– Prior year adjustment	**–**	(3,188)
– As restated	**13,518**	4,383
Exchange difference	**(34)**	455
Additions	**–**	8,941
Amortisation for the year	**(113)**	(261)
Disposals	**(4,701)**	–
Transfer to non-current assets held for sales	**(8,670)**	–
Net book value at end of the year	**–**	13,518
Current portion (included in deposits, prepayments and other receivables (Note 22))	**–**	(334)
Non-current portion	**–**	13,184

The analysis of net book value of leasehold land is as follows:

	2009	2008
	HK$'000	HK$'000
In Hong Kong under medium term lease	**–**	8,783
In the People's Republic of China under medium term lease	**–**	4,735
	–	13,518

Leasehold land of HK$8,670,000 together with the leasehold buildings (Note 16) were reclassified as "non-current assets held for sales" pursuant to the surrender of these assets by the Provisional Liquidators (Note 24).

18. INTANGIBLE ASSETS

	Technical know-how	**Production licenses**	**Total**
	HK$'000	HK$'000	HK$'000
Cost:			
At 1 August 2007	12,796	7,610	20,406
Exchange adjustments	1,345	800	2,145
At 31 July 2008	14,141	8,410	22,551
Aggregate amortisation:			
At 1 August 2007	12,796	3,427	16,223
Exchange adjustments	1,345	87	1,432
At 31 July 2008	14,141	3,514	17,655
Impairment:			
At 1 August 2007			
– As previously reported	–	–	–
– Prior year adjustment	–	4,183	4,183
– As restated	–	4,183	4,183
Exchange adjustments	–	713	713
At 31 July 2008	–	4,896	4,896
Net book value:			
At 31 July 2008	–	–	–
Cost:			
At 1 August 2008	14,141	8,410	22,551
Exchange adjustments	(101)	(60)	(161)
At 31 July 2009	**14,040**	**8,350**	**22,390**
Aggregate amortisation:			
At 1 August 2008	14,141	3,514	17,655
Exchange adjustments	(101)	(25)	(126)
At 31 July 2009	**14,040**	**3,489**	**17,529**
Impairment:			
At 1 August 2008	–	4,896	4,896
Exchange adjustments	–	(35)	(35)
At 31 July 2009	**–**	**4,861**	**4,861**
Net book value:			
At 31 July 2009	**–**	**–**	**–**

19. GOODWILL

	HK$'000
Cost:	
At 1 August 2007, 31 July 2008 and 31 July 2009	**26,701**
Impairment:	
At 1 August 2007	
– As previously reported	–
– Prior year adjustments	3,309
As restated	3,309
Charge for the year	23,392
At 31 July 2008 and 31 July 2009	**26,701**
Net book value:	
At 31 July 2009 and 31 July 2008	**–**

At the balance sheet date, the goodwill is identified to the cash-generating units ("CGU") of veterinary drugs and feed supplements business. The directors are of the opinion that the carrying amount of the goodwill not recoverable. Accordingly, full impairment has been made.

20. INVENTORIES

	2009	2008
	HK$'000	HK$'000
Raw materials	–	1
Finished goods	–	351
	–	352

21. TRADE RECEIVABLES

	2009	2008
	HK$'000	HK$'000
Trade receivables	**28,279**	28,411
Provision for bad and doubtful debts	**(28,279)**	(28,169)
	–	242

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	2008
	HK$'000	HK$'000
Within 3 months	**–**	222
6 to 12 months	**–**	20
	–	242

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

	2009	2008
	HK$'000	HK$'000
At beginning of the year	**28,169**	24,001
Provided for the year	**110**	4,168
At end of the year	**28,279**	28,169

22. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

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

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

	2009 HK$'000	2008 HK$'000
At beginning of the year	**17,233**	5,924
Provided for the year	**449**	11,309
At end of the year	**17,682**	17,233

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2009 HK$'000	2008 HK$'000
Listed shares outside Hong Kong, at fair value	–	8,476
Equity linked notes, at fair value	–	42,171
	–	50,647

24. NON-CURRENT ASSETS HELD FOR SALES/LIABILITIES DIRECTLY ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALES

On 15 January 2009, Bank of China (Hong Kong) Limited (the "BOCHK") issued a demand letter to China Biotechnology Limited ("CBT"), a wholly-owned subsidiary of the Company, demanding the outstanding mortgage loans repayment. On 26 February 2009, the Provisional Liquidators surrendered the vacant possession of the leasehold buildings (Note 16) and leasehold land (Note 17) (collectively the "Mortgaged Properties") to BOCHK. Accordingly, these Mortgaged Properties and the corresponding mortgage loans were classified respectively as non-current assets held for sales and liabilities directly associated with non-current assets held for sales.

The carrying amounts of the Mortgaged Properties and mortgaged loans as at 31 July 2009, which have been presented respectively under current assets and current liabilities in the consolidated balance sheet, are as follows:

	2009	2008
	HK$'000	HK$'000
Non-current assets held for sales		
– Leasehold buildings (Note 16)	**2,564**	–
– Leasehold land (Note 17)	**8,670**	–
	11,234	–
Liabilities directly associated with non-current assets held for sales		
– Bank loans (Note 25)	**9,518**	–

The Mortgage Properties were disposed of after the balance sheet date (Note 35(d)).

25. BANK AND OTHER BORROWINGS

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

25. BANK AND OTHER BORROWINGS *(continued)*

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 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 (Note 24).

26. FINANCE LEASE OBLIGATIONS

	Minimum lease payments		**Present value of minimum lease payments**	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable under finance leases:				
Within one year	–	217	–	182
In the second to fifth years inclusive	–	870	–	727
Over five years	–	220	–	184
	–	1,307	–	1,093
Less: Future finance charges	–	214	–	–
Present value of lease obligations	–	1,093	–	1,093
Less: Amount due for settlement within twelve months (shown under current liabilities)			–	182
Amount due for settlement after twelve months (shown under non-current liabilities)			–	911

27. TRADE PAYABLES

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

	2009 HK$'000	2008 HK$'000
Within 3 months	–	10
6 to 12 months	61	–
Over 1 year	1,291	1,281
	1,352	1,291

28. CONVERTIBLE BONDS

On 2 November 2007, the Company issued zero coupon convertible bonds with a nominal value of HK$100,000,000 (the "Convertible Bonds") and nil-paid warrant (the "Nil-paid warrant") to a substantial shareholder. The Convertible Bonds are convertible at the option of the bondholders into ordinary shares of the Company at a conversion price of HK$0.66 per share (the "Conversion Price"), subject to adjustment, on or before 2 November 2010 (the "Maturity Date").

Unless previously converted, redeemed or cancelled in accordance with the terms of the Convertible Bonds, the Company is required to redeem each Convertible Bond at 106.6% of its principal amount on the Maturity Date.

The Nil-paid warrant, which was granted for no consideration and detachable from the Convertible Bonds, carried the right to subscribe for up to 70,588,235 shares of the Company at exercise price of HK$0.85 per share on or before Maturity Date.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The fair value of the Nil-paid warrant was calculated using the binomial option-pricing model, which is assigned as equity component and is included in shareholders' equity. The residual amount is assigned as the Convertible Bonds' equity component and is included in shareholders' equity.

28. CONVERTIBLE BONDS *(continued)*

The Convertible Bonds and the Nil-paid warrants issued during the year have been split as to the liability and equity components, as follows:

	Liability component of convertible bonds	**Equity component of convertible bonds**	**Equity component of warrants**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 August 2007	–	–	–	–
Nominal value of Convertible Bonds issued during the year	65,559	29,634	4,807	100,000
Finance costs	8,602	–	–	8,602
At 31 July 2008	74,161	29,634	4,807	108,602
Finance costs	32,439	–	–	32,439
At 31 July 2009	**106,600**	**29,634**	**4,807**	**141,041**

As at 31 July 2009, the Company's shares had been suspended for trading more than 90 consecutive trading days. The Convertible Bonds have been reclassified as current liabilities and the 6.6% premium over the principal amount of the Convertible Bonds was accounted for in these financial statements as the holder of the Convertible Bonds has the legal right to redeem the Convertible Bonds in accordance with the terms and conditions of the Convertible Bonds.

None of the Convertible Bonds and the Nil-paid warrants were converted, exercised, redeemed or cancelled during the year ended 31 July 2009.

29. SHARE CAPITAL

(a) Shares

Ordinary shares of HK$0.05 each

	2009		2008	
	Number of shares	**HK$'000**	Number of shares	HK$'000
Authorised:				
At beginning of the year	**3,000,000,000**	**150,000**	1,500,000,000	75,000
Increase	–	–	1,500,000,000	75,000
At end of the year	**3,000,000,000**	**150,000**	3,000,000,000	150,000
Issued and fully paid:				
At beginning of the year and at end of the year	**1,352,400,000**	**67,620**	1,352,400,000	67,620

29. SHARE CAPITAL *(continued)*

(b) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

30. 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:

Net assets and liabilities:	HK$'000
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)
Net liabilities	(7,244)
Release of exchange fluctuation reserve	(2,253)
Gain on deconsolidation of subsidiaries	(9,497)

31. AMOUNTS DUE TO DECONSOLIDATED SUBSIDIARIES

The amounts are interest-free, unsecured and repayable on demand.

32. SHARE OPTION SCHEMES

(a) Share Option Scheme

The Company had adopted a share option scheme (the "Scheme"), the principal terms of which were summarised in the section headed "Statutory and General Information Share Option Schemes" in Appendix 5 to the Company's prospectus dated 28 March 2001. The Scheme became effective on 23 March 2001 and, unless otherwise cancelled or amended, will remain in force for ten years from that date.

By ordinary shareholders' resolutions passed at the extraordinary general meeting held on 12 September 2007, the Company had made amendments on the Scheme. The exact terms of the amendments were detailed in the circular of the Company dated 27 August 2007. Save as set out in such amendment, all other provisions of the Scheme remained unchanged.

The following share options were granted and outstanding under the Scheme during the current and prior years:

Name or category of of participant	At 1.8.2008	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	At 31.7.2009	Date of grant of share options	Exercise period of share options	Exercise price of share options
									HK$
Consultants	43,000,000	–	–	–	–	43,000,000	23.9.2007	23.9.2007 to 22.9.2017	0.43
Consultants	27,040,000	–	–	–	–	27,040,000	14.11.2007	14.11.2007 to 13.11.2017	0.59
	70,040,000	–	–	–	–	70,040,000			

32. SHARE OPTION SCHEMES *(continued)*

(a) Share Option Scheme *(continued)*

Name or category of of participant	At 1.8.2007	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	At 31.7.2008	Date of grant of share options	Exercise period of share options	Exercise price of share options HK$
Consultants	–	43,000,000	–	–	–	43,000,000	23.9.2007	23.9.2007 to 22.9.2017	0.43
Consultants	–	27,040,000	–	–	–	27,040,000	14.11.2007	14.11.2007 to 13.11.2017	0.59
	–	70,040,000	–	–	–	70,040,000			

The subscription price of a share in respect of any particular option granted under the Scheme shall be such price as the board of directors in its absolute discretion shall determine, save that such price will not be less than the highest of (i) the closing price of the Company's shares on the GEM as stated in the Stock Exchange's daily quotation sheet on the date of grant of the options; (ii) the average of the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of the options; and (iii) the nominal value of the share.

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The fair value of the share options granted is measured using the binomial option-pricing model, the assumptions of which are set out below:

Fair value at measurement date	HK$0.16-HK$0.26
Share price	HK$0.39-HK$0.59
Exercise price	HK$0.43 and HK$0.59
Expected volatility	44%-44.18%
Interest rate	3.567%-4.425%
Expected dividends yield	0%

The expected volatility was based on the historical volatility. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

32. SHARE OPTION SCHEMES *(continued)*

(a) Share Option Scheme *(continued)*

The exercise of the above 70,040,000 outstanding share options at the balance sheet date would, under the present capital structure of the Company, would result in the issue of 70,040,000 additional ordinary shares of the Company and additional share capital of HK$3,502,000 and share premium of HK$30,941,600 (before issue expenses).

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

The Group recognised approximately HK$14,364,000 share-based compensation expenses for the year ended 31 July 2008.

(b) Pre-IPO Share Option Scheme

The terms of the Company's Pre-IPO Share Option Scheme (the "Pre-IPO Plan") adopted by the Company on 23 March 2001 are substantially the same as those under the Scheme except that:

(i) the subscription price is HK$0.55 per share; and

(ii) save for the options which have been granted under the Pre-IPO Plan (see below), no further options will be offered or granted under the Pre-IPO Plan as the right to do so was terminated upon the listing of the Company's shares on the GEM on 10 April 2001.

32. SHARE OPTION SCHEMES *(continued)*

(b) Pre-IPO Share Option Scheme *(continued)*

(ii) *(continued)*

The movements in share options under the Pre-IPO Plan during the current and prior years are as follows:

Name or category of of participant	At 1.8.2008	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	At 31.7.2009	(Note 1) Date of grant of share options	Exercise period of share options	(Note 2) Exercise price of share options HK$
Director									
Mr. Wong Sai Wa	3,200,000	–	–	–	–	3,200,000	23.3.2001	10.10.2001 to 22.3.2011	0.55
	3,200,000	–	–	–	–	3,200,000			

Name or category of of participant	At 1.8.2007	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	At 31.7.2008	(Note 1) Date of grant of share options	Exercise period of share options	(Note 2) Exercise price of share options HK$
Directors									
Mr. Wong Sai Wa	3,200,000	–	–	–	–	3,200,000	23.3.2001	10.10.2001 to 22.3.2010	0.55
Mr. Kwan Kai Cheong	3,000,000	–	–	(3,000,000)	–	–	23.3.2001	10.10.2001 to 22.3.2010	0.55
	6,200,000	–	–	(3,000,000)	–	3,200,000			
Other employees	400,000	–	–	(400,000)	–	–	23.3.2001	10.10.2001 to 22.3.2010	0.55
	6,600,000	–	–	(3,400,000)	–	3,200,000			

32. SHARE OPTION SCHEMES *(continued)*

(b) Pre-IPO Share Option Scheme *(continued)*

Notes:

(1) The vesting period of the share options is from the date of grant until the commencement of the exercise period.

(2) 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 at the balance sheet date 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 of HK$160,000 and share premium of HK$1,600,000 (before issue expenses).

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

33. LITIGATION

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.

34. OPERATING LEASE ARRANGEMENTS

As at 31 July 2009, the Group had no outstanding commitments under non-cancellable operating leases for the use of land and buildings which fall due as follows:

	2009	2008
	HK$'000	HK$'000
Within one year	–	1,682
Over one year but within two years	–	636
Over two years but within five years	–	183
	–	2,501

Operating lease rentals represent rental payable by the Group for office premises. Leases are negotiated for an average term of one year with fixed monthly rentals.

35. 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 Shantou Xinyuan Trading Company Limited originally scheduled to be heard on 12 November 2008 was further adjourned to 12 April 2010. Details of the background information in relation to the winding-up petition are set out in note 33 to the financial statements.

35. SIGNIFICANT SUBSEQUENT EVENTS *(continued)*

(b) Proposed restructuring of the Group

Pursuant to the Exclusivity Agreement, the Investor undertook in-principle 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.

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$9,000,000 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 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 BOCHK

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.

36. DETAILS OF SUBSIDIARIES

(a) Particulars of the subsidiaries as at 31 July 2009 are as follows:

Name	Place of incorporation/ establishment and operations	Nominal value of issued ordinary shares/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Directly	Indirectly	
China Biotechnology Limited	Cayman Islands	US$3	100.00	–	Investment holding
Glazier Limited	British Virgin Islands	US$2	–	100.00	Investment holding
Seechain Investments Limited	British Virgin Islands	US$1	–	100.00	Investment holding
Chengdu Concord Yuen Heng Industrial Company Limited #	PRC	US$10,399,000	–	100.00	Manufacture and distribution of veterinary drugs
Chengdu Viking Yuen Heng Pharmaceutical Company Limited *	PRC	RMB18,000,000	–	91.00	Manufacture and distribution of veterinary drugs
四川利亨生物藥業有限公司 *	PRC	RMB3,096,800	–	72.80	Manufacture and distribution of veterinary drugs
JBC Bio Products Company Limited	British Virgin Islands	US$100	70.00	–	Investment holding
JBC Bio Products China Limited	British Virgin Islands	US$100	–	70.00	Investment holding
Zhongshan JBC Bio-Technology Company Limited #	PRC	US$576,566	–	70.00	Development of feed supplements

36. DETAILS OF SUBSIDIARIES *(continued)*

(a) *(continued)*

Name	Place of incorporation/ establishment and operations	Nominal value of issued ordinary shares/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Directly	Indirectly	
Asia Gain Investments Limited	Hong Kong	HK$1	–	100.00	Dormant
Hong Kong Bio Products Manufacturing Limited	Hong Kong	HK$10,000	–	100.00	Dormant
Global Kingdom Development Limited	British Virgin Islands	US$1	100.00	–	Dormant
Asia Force Development Limited	British Virgin Islands	US$1	100.00	–	Dormant
Hong Kong Yang Yang Bio Products Company Limited	Hong Kong	HK$1	–	100.00	Distribution of feed supplements
Guangdong Yang Yang Bio Products Company Limited #	PRC	RMB10,000,000	–	100.00	Distribution of feed supplements
清遠洋洋生物科技畜牧有限公司 #	PRC	RMB5,000,000	–	100.00	Trading and distribution of safe foods
吉林洋洋生物產品有限公司 #	PRC	RMB1,000,000	–	100.00	Distribution of feed supplements
Tony China Limited	Hong Kong	HK$1	–	100.00	Investment holding

36. DETAILS OF SUBSIDIARIES *(continued)*

(a) *(continued)*

Wholly-foreign-owned enterprise

* Sino-foreign joint venture enterprise

(b) As at 31 July 2009, the Group had not yet contributed the outstanding capital of Chengdu Concord Yuen Heng Industrial Co. Ltd. of US$8,839,000. These contributions were due during the year. The Group is in the process of obtaining extension for contributing the outstanding capital.

(c) Winding-up of subsidiary

On 17 November 2009, the PRC Government Authority approved the liquidation of Guangdong Yang Yang Bio Products Company Limited.

37. BALANCE SHEET OF THE COMPANY

	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS		
Interests in subsidiaries	**–**	–
Amounts due from subsidiaries	**–**	4,372
	–	4,372
CURRENT ASSETS		
Deposits, prepayments and other debtors	**–**	264
Cash and cash equivalents	**1,511**	4
	1,511	268
CURRENT LIABILITIES		
Other payables and accruals	**15,193**	10,636
Amount due to a director	**38**	38
Convertible bonds	**106,600**	–
	121,831	10,674
NET CURRENT LIABILITIES	**(120,320)**	(10,406)
TOTAL ASSETS LESS CURRENT LIABILITIES	**(120,320)**	(6,034)
NON-CURRENT LIABILITIES		
Amounts due to subsidiaries	**1,348**	216
Convertible bonds	**–**	74,161
	1,348	74,377
NET LIABILITIES	**(121,668)**	(80,411)
REPRESENTING:–		
CAPITAL AND RESERVES		
Share capital	**67,620**	67,620
Reserves	**(189,288)**	(148,031)
CAPITAL DEFICIENCIES	**(121,668)**	(80,411)