

**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)**

**FIRST QUARTERLY REPORT**

**2008/2009**

*\* 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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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*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.*

## **HIGHLIGHTS**

- Turnover of the Group for the three months ended 31 October 2008 amounted to approximately HK\$1,681,000, representing an increase of approximately 18.5% as compared with that in the preceding year.
- Loss attributable to the shareholders of the Company for the three months ended 31 October 2008 amounted to approximately HK\$36,013,000.
- Loss per share amounted to approximately HK\$2.66 cents for the three months ended 31 October 2008.
- The directors do not recommend the payment of any interim dividend for the three months ended 31 October 2008.

## RESULTS (UNAUDITED)

The board of directors (the “Board”) of China Medical and Bio Science Limited (Provisional Liquidators Appointed) (the “Company”) presents the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three months ended 31 October 2008, together with the comparative unaudited figures for the corresponding period in 2007 as follows:

### UNAUDITED CONSOLIDATED INCOME STATEMENT

		For the three months ended 31 October	
		2008	2007
	Note	HK\$'000	HK\$'000
Turnover	3	1,681	1,419
Cost of sales		(1,059)	(263)
		<hr/>	<hr/>
Gross profit		622	1,156
Other revenue		711	1,726
Selling and distribution costs		(1,118)	(757)
General and administrative expenses		(18,568)	(4,566)
Other operating expenses		–	(401)
Loss on disposal on financial assets at fair value through profit/(loss)		(14,610)	–
		<hr/>	<hr/>
Loss from operating activities		(32,963)	(2,842)
Finance costs		(3,050)	(5)
		<hr/>	<hr/>
Loss before tax		(36,013)	(2,847)
Tax expense	4	–	–
		<hr/>	<hr/>
Loss for the period		<u>(36,013)</u>	<u>(2,847)</u>
Loss per share attributable to shareholders of the Company (in HK cents)	5		
Basic		<u>(2.66)</u>	<u>(0.21)</u>
Diluted		<u>N/A</u>	<u>N/A</u>

*Notes:*

## **1. Corporate information**

The Group is principally engaged in bio-feedstock 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 for trading since 28 October 2008.

## **2. Basis of presentation**

The principal accounting policies adopted in preparing the unaudited consolidated results conform with the Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (collectively referred to as "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants and have been prepared under the historical cost convention.

The accounting policies adopted in preparing the unaudited consolidated financial statements for the three months ended 31 October 2008 are consistent with those followed in the annual report of the Company for the year ended 31 July 2008.

## **3. Turnover**

The Group's turnover represents the net invoiced value of goods sold after allowances for returns and discounts, and net of value-added tax. Turnover represents the aggregate of income from sale of feed supplements and sale of safe food.

## **4. Taxation**

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong for the three months ended 31 October 2008 (2007: Nil).

No provision for income taxes in the People's Republic of China (the "PRC") and other jurisdictions has been made as the Group did not have any assessable profits in these jurisdictions for the three months ended 31 October 2008.

## 5. Loss per share attributable to the Shareholders of the Company

The calculation of basic loss per share attributable to the shareholders of the Company from continuing operations is based on the loss attributable to the shareholders of the Company for the three months ended 31 October 2008 of approximately HK\$36,013,000 (2007: approximately HK\$2,847,000) and the weighted average number of 1,352,400,000 (2007: 1,352,400,000) ordinary shares in issue during the period under the review.

No diluted loss per share are presented for the three months ended 31 October 2008 and 2007 as the share options outstanding during these periods had an anti-dilutive effect on the basic loss per share amounts for these periods.

## 6. Reserves

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Share option reserve <i>HK\$'000</i>	Convertible bond equity reserve <i>HK\$'000</i>	Warrants reserve <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 August 2007									
as previously reported	67,620	101,086	27,104	-	-	-	1,815	(124,663)	72,962
Prior year adjustment	-	-	-	-	-	-	(524)	(26,497)	(27,021)
At 1 August 2007, as restated	67,620	101,086	27,104	-	-	-	1,291	(151,160)	45,941
Exchange differences arising on translation of financial statements of overseas subsidiaries	-	-	-	-	-	-	93	-	93
Loss for the period	-	-	-	-	-	-	-	(2,847)	(2,847)
At 31 October 2007	<u>67,620</u>	<u>101,086</u>	<u>27,104</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,384</u>	<u>(154,007)</u>	<u>43,187</u>
At 1 August 2008	67,620	101,086	27,104	14,364	29,634	4,807	(504)	(306,138)	(62,027)
Exchange differences arising on translation of financial statements of overseas subsidiaries	-	-	-	-	-	-	573	-	573
Loss for the period	-	-	-	-	-	-	-	(36,013)	(36,013)
At 31 October 2008	<u>67,620</u>	<u>101,086</u>	<u>27,104</u>	<u>14,364</u>	<u>29,634</u>	<u>4,807</u>	<u>69</u>	<u>(342,151)</u>	<u>(97,467)</u>

## **DIVIDEND**

The directors of the Company do not recommend the payment of any interim dividend for the three months ended 31 October 2008 (2007: Nil).

## **BUSINESS REVIEW AND OUTLOOK**

### **FINANCIAL AND OPERATION REVIEW**

China Medical and Bio Science Limited (Provisional Liquidators Appointed) (the “Company”) and its subsidiaries (collectively, the “Group”) recorded a turnover of approximately HK\$1,681,000 for the three months ended 31 October 2008, representing an increase of approximately 18.5% as compared to approximately HK\$1,419,000 that was recorded in the preceding year. During the three months ended 31 October 2008, the Group recorded a loss attributable to the Company’s Shareholders of approximately HK\$36,013,000 (2007: approximately HK\$2,847,000). The increased loss attributable to shareholders was due to the impairment loss on the prepayment and the loss arising from investment in financial assets.

### **WINDING-UP PETITION AND 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 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 Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “GEM Listing Rules”).

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

## RESTRUCTURING

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

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 proposed restructuring and after the date of the Exclusivity Agreement.



## **RESTRUCTURING (CONT'D)**

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

## **OUTLOOK**

It is anticipated that the financial position 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 the creditors of the Company and the creditors of its subsidiaries holding guarantees given by the Company will be compromised and discharged by the Schemes as appropriate.

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

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

## **COMPETING INTEREST**

None of the directors 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 or may compete with the business of the Group.

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

As at 31 October 2008, the interests or short positions of the directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Name of the 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. Liu Yang	Through controlled corporation	Ordinary shares	432,000,000 shares	31.94%	(1)
Ms. Wong Moon Ha	Through controlled corporation	Ordinary shares	400,000,000 shares	29.58%	(2)
Mr. Wong Sai Wa	Directly beneficially owned	Share options	3,200,000 share options	0.24%	(3)

### Note:

- (1) *The shares were held by Ms. Liu Yang through JBC Bio Technology Company Limited ("JBC Bio Tech").*
- (2) *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.*
- (3) *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.*

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

Save as disclosed herein, as at 31 October 2008, none of the directors or chief executive of the Company had short positions in the shares or underlying shares of equity derivatives of the Company and no other person was individually and/or collectively entitled to exercise or control the exercise of 5% or more of the voting power at general meeting of the Company and was able, as a practical matter, to direct or influence the management of the Company.

### SHARE OPTION SCHEMES

The Company had adopted the Pre-IPO Plan and a share option scheme (the "Option 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 Option 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 Option 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 Option Scheme remained unchanged.

#### Pre-IPO Plan

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

Name or category of participant	At 1.8.2008	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	At 31.10.2008	(Note a)	(Note b)	
							Date of grant of share options	Exercise period of share options	Exercise price of share options
Directors									
Mr. Wong Sai Wa	3,200,000	-	-	-	-	3,200,000	23.3.2001	10.10.2001 to 22.3.2011	0.55
	<u>3,200,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,200,000</u>			

## SHARE OPTION SCHEMES (CONT'D)

### Pre-IPO Plan (cont'd)

Notes :

- (a) *The vesting period of the share options is from the date of grant until the date of the exercise period commences.*
- (b) *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 October 2008 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). As at 31 October 2008, 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.

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

### Option Scheme

The following share options were outstanding under the Option Scheme during the period under review:

Name or category of participant	At 1.8.2008	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	At 31.10.2008	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
	<u>70,040,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>70,040,000</u>			

## SHARE OPTION SCHEMES (CONT'D)

### Option Scheme (cont'd)

The exercise of the above 70,040,000 outstanding share options of the Option Scheme as at 31 October 2008 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.

## SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES OF THE COMPANY

As at 31 October 2008, 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 the 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:

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

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

*Notes:*

- (1) *The shares were held by Ms. Liu Yang 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. Accordingly, CBM and Ms. Wong Moon Ha are deemed to have an interest in the 400,000,000 shares of the Company held by CPT.*
- (3) *Keywise is an investment fund managed by Keywise Capital Management (HK) Limited. These shares comprise (i) 220,496,000 shares of the Company and (ii) 151,515,151 and 70,588,235 underlying shares which would be issued upon conversion of convertible bonds and exercise of subscription rights attaching to warrants respectively.*

Save as disclosed above, as at 31 October 2008, the directors and/or chief executives of the Company were not aware of any other 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 meeting of any other member of the Group.

### 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 and the Company's quarterly financial results for the three months ended 31 October 2008 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.

## **CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS**

As at 31 October 2008, 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 three months ended 31 October 2008, the Company was not aware of any non-compliance of securities transactions by directors as set out in the GEM Listing Rules.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

During the three months ended 31 October 2008, with the exception of the situations listed below, the Company complied with the principles of good governance (the “Principles”) and code provision (the “Code Provision”). Appendix 15 sets out the “Code on Corporate Governance Practices” (the “Code”) of the GEM Listing Rules.

1. No board of directors meeting was held by the Company. In this regard, the directors of the Company will meet at least four times a year at approximately quarterly intervals (Code Provision A.1.1);
2. Ms. Liu Yang was both the chairman and the chief executive officer of the Company, who is responsible for managing the Board and the business of the Group (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);

## CODE ON CORPORATE GOVERNANCE PRACTICES (CONT'D)

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).

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the three months ended 31 October 2008, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

By Order of the Board  
China Medical and Bio Science Limited  
(Provisional Liquidators Appointed)  
Wong Sai Wa  
*Executive Director*

Hong Kong, 8 January 2010

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