

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)

INTERIM 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.

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.

CONTENTS

	<i>Page(s)</i>
Corporate Information	2
Management Discussion and Analysis	3-8
Additional Information Required By the GEM Listing Rules	8-15
Unaudited Consolidated Income Statement	16
Unaudited Consolidated Balance Sheet	17-18
Unaudited Consolidated Cash Flow Statement	19
Unaudited Consolidated Statement of Changes in Equity	20
Notes to the Consolidated Interim Financial Statements	21-32

CORPORATE INFORMATION

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

AUDITORS

PKF
Certified Public Accountants

PRINCIPAL BANKERS

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](http://www.irasia.com/listco/hk/chinamedical)

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM RESULTS (UNAUDITED)

The board of directors (the “Board”) of China Medical and Bio Science Limited (Provisional Liquidators Appointed) (the “Company”) presents the unaudited consolidated interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 31 January 2009.

FINANCIAL REVIEW

The Group recorded a turnover of approximately HK\$1,884,000 for the six months ended 31 January 2009, representing a decrease of approximately 76% compared to approximately HK\$7,934,000 that was recorded in the same period of the preceding year. During the six months ended 31 January 2009, the Group recorded a loss attributable to the Company’s shareholders of approximately HK\$74,965,000, representing an increase of approximately HK\$53,575,000 or over 250% as compared to the loss of the same period of previous year. The increase in the loss attributable to the Company’s shareholders was mainly due to the substantial scaling down of the Group’s business and significant loss on the financial assets.

OPERATION REVIEW

Feed supplements business

For the six months ended 31 January 2009, the Group’s feed supplements business recorded revenue of approximately HK\$1.3 million and the management is currently reviewing the Group’s business and examining avenues for further development.

Safe food business

For the six months ended 31 January 2009, the revenue of the Group safe food business amounted to approximately HK\$1.6 million. The business is currently under management’s review for further development.

Veterinary drug

The Group’s veterinary drug operation was basically ceased in the preceding year because of the disposal of assets in the corresponding operations in Sichuan. The segmental loss in respect of such operation for the preceding year was attributed to the impairment on the prepayments and advances.

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 interim report.

RESTRUCTURING

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.

RESTRUCTURING (CONT'D)

On 28 July 2009, a new exclusivity agreement (the “Exclusivity Agreement”) was entered into amongst NEUF Capital Limited (the “Investor”), the Company and the Provisional Liquidators to grant the Investor exclusivity for the preparation of a resumption proposal (the “Resumption Proposal”) and negotiation in a good faith of legally binding agreements for the implementation of the proposed restructuring and the Resumption Proposal. The restructuring proposal so submitted by the Investor was accepted by the Provisional Liquidators, and in principal, 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 to maintain a viable, continuing business of the Company during the course of 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 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 “Scheme”), 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.

SECURITIES INVESTMENT

In respect of the performance of the investment, the Group recorded a net loss of approximately HK\$14,570,000 for the six months ended 31 January 2009. The components in the consolidated income statement for the year were 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 HK\$42,000 and HK\$20,000 respectively. All of the equity-linked notes had been disposed during the six months ended 31 January 2009.

MATERIAL ACQUISITIONS AND DISPOSALS

The Group had no material acquisition or disposal of Group's companies during the six months ended 31 January 2009.

FINANCIAL RESOURCES, LIQUIDITY, CAPITAL STRUCTURE AND GEARING RATIO

As at 31 January 2009, the Group did not have sufficient liquid funds and had net current liabilities of approximately HK\$55,810,000 as compared to net current liabilities of approximately HK\$15,231,000 as at 31 July 2008. The adverse alteration on liquidity is due to an increase in irrecoverable amount on trade receivables and prepayments and deposits paid on the research and development projects.

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 January 2009, the Group's total bank and other borrowings amounted to approximately HK\$14,185,000 (31 July 2008: HK\$ 47,239,000).

The Group had non-current convertible bonds of approximately HK\$106,600,000 as at 31 January 2009 (31 July 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 January 2009 could not be determined as the Group was in net cash position (31 July 2008: 97%).

FOREIGN EXCHANGE AND INTEREST RATE EXPOSURE

The Group has 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 January 2009, the following assets were pledged to secure borrowings granted to the Group:

	31 January 2009	31 July 2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Leasehold land (on net book value)	8,670	8,783
Leasehold building (on net book value)	2,564	4,026

CONTINGENT LIABILITIES

As at 31 January 2009, the Group did not have any significant contingent liabilities (31 July 2008: nil).

EMPLOYEE INFORMATION

As at 31 January 2009, the Group had approximately 12 employees (31 July 2008: 70) in Hong Kong, the People's Republic of China (the "PRC"), Japan and Singapore. 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.

PROSPECTS

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 Scheme 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 feed supplements, and the resumption proposal for the resumption of trading of the Company's shares 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.

ADDITIONAL INFORMATION REQUIRED BY THE GEM LISTING RULES

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 as members of an audit committee, there is no audit committee and the Company's interim financial results for the six months ended 31 January 2009 have not been reviewed by any audit committee. In addition, the interim financial results have neither been reviewed by an external auditor. However, the directors of the Company will, as soon as practicable, establish an audit committee pursuant to the GEM Listing Rules.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the six months ended 31 January 2009, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

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

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)

Notes:

- (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 Wai 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.*

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

Save as disclosed herein, as at 31 January 2009, none of the directors or chief executives of the Company has 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

(a) Share Option Scheme

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.

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	Exercised	Lapsed	Cancelled	At 31.01.2009	Date of grant of options	Exercise period of options	Exercise price of share options
		during the period	during the period	during the period	during the period		share options	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)

The exercise of the above 70,040,000 outstanding share options of the Option Scheme as at 31 January 2009 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.

(b) 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	Exercised	Lapsed	Cancelled	At 31.01.2009	Date of grant of share options	Exercise period of share options	Exercise price of share options
		during the period	during the period	during the period	during the period		(Note a)	(Note b)	(Note c)
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>			

Notes:

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

SHARE OPTION SCHEMES (CONT'D)

The exercise of the above 3,200,000 outstanding share options of the Pre-IPO as at 31 January 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 six months ended 31 January 2009, none of the directors or employees of the Company had exercised any share options and no allotment or issue of shares was made pursuant to the Pre-IPO Plan.

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

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

As at 31 January 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 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
Ms. Liu Yang	Through controlled corporation	Ordinary shares	432,000,000 shares	31.94%	(1)
JBC Bio Technology Company Limited ("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 (the former 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. 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 January 2009, 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 meetings of any other member of the Group.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

As at 31 January 2009, the directors of the Company have not yet adopted a code of conduct governing regarding directors' securities transactions for directors. However, the directors of the Company will, as soon as practicable, adopt such code of conduct on terms no 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 six months ended 31 January 2009, 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 six months ended 31 January 2009, 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, 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);

CODE ON CORPORATE GOVERNANCE PRACTICES (CONT'D)

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).

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 interim report, the Company has maintained a public float as prescribed under the GEM Listing Rules.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 January 2009

	Note	For the three months ended 31 January		For the six months ended 31 January	
		2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
Turnover	5	203	6,515	1,884	7,934
Cost of sales		(201)	(1,072)	(1,260)	(1,335)
Gross profit		2	5,443	624	6,599
Other revenue	5	344	(293)	1,055	1,433
Selling and distribution costs		(370)	(4,456)	(1,488)	(5,213)
General and administrative expenses		(9,369)	(8,358)	(27,937)	(12,924)
Other operating expenses		-	(6,997)	-	(7,398)
Loss on disposal on financial assets at fair value through profit/(loss)		-	-	(14,610)	-
Loss from operating activities	6	(9,393)	(14,661)	(42,356)	(17,503)
Finance costs		(29,559)	(3,882)	(32,609)	(3,887)
Loss before tax		(38,952)	(18,543)	(74,965)	(21,390)
Tax	7	-	-	-	-
Loss for the period		<u>(38,952)</u>	<u>(18,543)</u>	<u>(74,965)</u>	<u>(21,390)</u>
Loss per share attributable to shareholders of the Company (in HK cents)	8				
Basic		<u>(2.88)</u>	<u>(1.37)</u>	<u>(5.54)</u>	<u>(1.58)</u>
Diluted		<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

As at 31 January 2009

	<i>Note</i>	31 January 2009 <i>HK\$'000</i> (Unaudited)	31 July 2008 <i>HK\$'000</i> (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		18,693	24,350
Leasehold land		8,104	13,184
Intangible assets		–	–
Goodwill		–	–
		26,797	37,534
CURRENT ASSETS			
Inventories		1,423	352
Trade receivables	10	747	242
Deposits, prepayments and other receivables		2,850	12,348
Financial assets at fair value through profit or loss		–	50,647
Cash, bank balances and time deposits		960	12,497
		5,980	76,086
DEDUCT:			
CURRENT LIABILITIES			
Bank and other borrowings		14,185	37,981
Finance lease obligations		171	182
Trade payables	11	1,264	1,291
Other payables and accruals		45,069	50,762
Income tax payable	7	1,101	1,101
		61,790	91,317
NET CURRENT LIABILITIES		(55,810)	(15,231)
TOTAL ASSETS LESS CURRENT LIABILITIES		(29,013)	22,303

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET (CONT'D)

As at 31 January 2009

	<i>Note</i>	31 January 2009 <i>HK\$'000</i> (Unaudited)	31 July 2008 <i>HK\$'000</i> (Audited)
DEDUCT:			
NON-CURRENT LIABILITIES			
Bank loans		–	9,258
Finance lease obligations		814	911
Convertible bonds		<u>106,600</u>	<u>74,161</u>
		<u>107,414</u>	<u>84,330</u>
NET LIABILITIES		<u><u>(136,427)</u></u>	<u><u>(62,027)</u></u>
REPRESENTING:			
CAPITAL AND RESERVES			
Share capital	<i>12</i>	67,620	67,620
Reserves		<u>(204,047)</u>	<u>(129,647)</u>
CAPITAL DEFICIENCY		<u><u>(136,427)</u></u>	<u><u>(62,027)</u></u>

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 January 2009

	For the six months ended	
	31 January	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Net cash outflow from operating activities	(20,397)	(21,340)
Net cash outflow from investing activities	13,460	(93,468)
Net cash inflow from financing activities	<u>(5,165)</u>	<u>96,229</u>
Net decrease in cash and cash equivalents	(12,102)	(18,579)
Effect of foreign exchange rate changes	565	143
Cash and cash equivalents at the beginning of the period	<u>12,497</u>	<u>40,796</u>
Cash and cash equivalents at the end of the period	<u><u>960</u></u>	<u><u>22,360</u></u>

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 January 2009

	Attributable to shareholders of the Company								
	Share capital	Share premium	Capital reserve	Share option reserve	Convertible bond equity reserve	Warrants reserve	Exchange fluctuation reserve	Accumulated losses	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As 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)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 1 August 2007, as restated	67,620	101,086	27,104	-	-	-	1,291	(151,160)	45,941
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	-	-	-	-	-	-	(1,174)	-	(1,174)
Loss for the period	-	-	-	-	-	-	-	(21,390)	(21,390)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
As at 31 January 2008 (unaudited)	<u>67,620</u>	<u>101,086</u>	<u>27,104</u>	<u>-</u>	<u>29,634</u>	<u>4,807</u>	<u>117</u>	<u>(172,550)</u>	<u>57,818</u>
As at 1 August 2008 (Audited)	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	-	-	-	-	-	-	565	-	565
Loss for the period	-	-	-	-	-	-	-	(74,965)	(74,965)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
As at 31 January 2009 (Unaudited)	<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>61</u>	<u>(381,103)</u>	<u>(136,427)</u>

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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 PREPARATION

(a) Compliance with Hong Kong Financial Reporting Standards

These unaudited 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 unaudited consolidated financial statements also comply with the applicable disclosures required by the Rules Governing the Listing of Securities on the GEM (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.

2. BASIS OF PREPARATION (CONT'D)

(b) 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 GEM Listing Rules.

(c) Proposed restructuring of the Group

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

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

2. BASIS OF PREPARATION (CONT'D)

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

On 28 July 2009, a new exclusivity agreement (the “Exclusivity Agreement”) was entered into amongst NEUF Capital Limited (the “Investor”), the Company and the Provisional Liquidators to grant the Investor exclusivity for the preparation of a resumption proposal (the “Resumption Proposal”) and negotiation in a good faith of legally binding agreements for the implementation of the proposed restructuring and the Resumption Proposal. The restructuring proposal so submitted by the Investor was accepted by the Provisional Liquidators, and in principle, supported by the major creditors of the Company as it was considered to be 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 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 share capital, and the issuance of new shares of the Company;
- (ii) all the creditors of the Company discharging and waiving their claims against the Company by way of schemes of arrangement in Hong Kong and the Cayman Islands (the “Schemes”), as appropriate; and
- (iii) resumption of trading in the shares of the Company upon completion of the proposed restructuring subject to the restoration of sufficient public float.

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

2. BASIS OF PREPARATION (CONT'D)

(d) Adoption of going concern basis

The Group incurred a loss attributable to equity holders of the Company of approximately HK\$74,965,000 for the six months ended 31 January 2009 and as at that date, the Group had net current liabilities and net liabilities of approximately HK\$55,810,000 and HK\$136,427,000 respectively. The indebtedness of the Group mainly comprised short-term bank loans and other borrowings and convertible bonds, amounting to a total of approximately HK\$120,785,000, of which the bank loans of approximately HK\$14,185,000 were overdue as at 31 January 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, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively.

3. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in preparing the unaudited consolidated financial statements for the six months ended 31 January 2009 are consistent with those followed in the annual report of the Company for the year ended 31 July 2008.

4. SEGMENT INFORMATION

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

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

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

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

4. SEGMENT INFORMATION (CONT'D)

Business segments

The segment results for the six months ended 31 January 2009, together with the comparative figures for the corresponding period of the preceding year are as follows:

	Veterinary drugs		Feed supplements		Safe food		Corporate		Eliminations		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Segment revenue:												
Sales to external customers	-	-	738	7,994	1,146	-	-	-	-	-	1,884	7,934
Other revenue	-	-	589	-	415	-	51	1,162	-	-	1,055	1,162
Total revenue	-	-	1,327	7,994	1,561	-	51	1,162	-	-	2,939	9,096
Segment results	-	(1,260)	(18,284)	(1,484)	(1,072)	-	(23,030)	(15,030)	-	-	(42,386)	(17,774)
Interest income											30	271
Loss from operating activities											(42,356)	(17,503)
Finance costs											(32,609)	(3,887)

4. SEGMENT INFORMATION (CONT'D)

	Veterinary drugs		Feed supplement		Safety 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
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Loss before tax											(74,965)	(21,390)
Tax	-	-	-	-	-	-	-	-	-	-	-	-
Loss after tax											(74,965)	(21,390)
Attributable:												
Equity Holders of the Company											(74,965)	(21,390)
Minority interest											-	-
											<u>(74,965)</u>	<u>(21,390)</u>

5. TURNOVER AND OTHER REVENUE

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

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

	For the six months ended 31 January	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Sale of feed supplements	738	7,934
Sale of safe food	1,146	–
	<u>1,884</u>	<u>7,934</u>
Other revenue		
Interest income	30	271
Sundry income	1,025	1,162
	<u>1,055</u>	<u>1,433</u>

6. LOSS FROM OPERATING ACTIVITIES

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

	For the six months ended 31 January	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Cost of inventories sold	1,260	1,335
Depreciation of fixed assets	385	980
Amortisation of intangible assets	–	570
	<u>1,645</u>	<u>2,885</u>

7. TAX

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 the six months ended 31 January 2009.

No provision for income taxes in the People's Republic of China (the "PRC") and other jurisdictions has been made as the Group did not have any assessable profits arising in these jurisdictions for the six months ended 31 January 2009.

8. LOSS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of basic loss per share attributable to shareholders of the Company for the six months ended 31 January 2009 is based on the loss attributable to the shareholders of the Company of approximately HK\$74,965,000 (six months ended 31 January 2008: approximately HK\$21,390,000) and the weighted average number of 1,352,400,000 for the six months ended 31 January 2009 (six months ended 31 January 2008: 1,352,400,000) ordinary shares in issue during the period.

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

For the six months ended 31 January 2009, there were no dilutive potential shares.

9. INTERIM DIVIDEND

The Directors do not recommend the payment of any interim dividend for the six months ended 31 January 2009 (2008: Nil).

10. TRADE RECEIVABLES

	31 January 2009 <i>HK\$'000</i> (Unaudited)	31 July 2008 HK\$'000 (Audited)
Trade receivables	29,293	28,411
Provision for bad and doubtful debts	(28,546)	(28,169)
	<u>747</u>	<u>242</u>

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

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

	31 January 2009 <i>HK\$'000</i> (Unaudited)	31 July 2008 HK\$'000 (Audited)
Within 3 months	525	222
6 to 12 months	222	20
	<u>747</u>	<u>242</u>

11. TRADE PAYABLES

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

	31 January 2009 <i>HK\$'000</i> (Unaudited)	31 July 2008 <i>HK\$'000</i> (Audited)
Within 3 months	–	10
6 to 12 months	–	–
Over 1 year	1,264	1,281
	<hr/>	<hr/>
	1,264	1,291
	<hr/> <hr/>	<hr/> <hr/>

12. SHARE CAPITAL

	Number of shares		Nominal value	
	As at	As at	As at	As at
31 January	31 July	31 January	31 July	
2009	2008	2009	2008	
		<i>HK\$'000</i>	<i>HK\$'000</i>	
(Unaudited)	(Audited)	(Unaudited)	(Audited)	
Authorised:				
Ordinary shares of HK\$0.05 each as at 31 July 2008	<u>3,000,000</u>	<u>3,000,000</u>	<u>150,000</u>	<u>150,000</u>
Issued and fully paid:				
Ordinary shares of HK\$0.05 each	<u>1,352,400</u>	<u>1,352,400</u>	<u>67,620</u>	<u>67,620</u>

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.