

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

2009/2010

** 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.

CONTENTS

	<i>Page</i>
Corporate Information	2
Management Discussion and Analysis	3
Additional Information Required By the GEM Listing Rules	9
Condensed Consolidated Statement of Comprehensive Income/(Loss)	16
Condensed Consolidated Statement of Financial Position	17
Condensed Consolidated Statement of Changes in Equity	18
Condensed Consolidated Statement of Cash Flows	19
Notes to the Condensed Consolidated Interim Financial Statements	20

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

PRINCIPAL BANKER

The Hongkong and Shanghai
Banking Corporation Limited

REGISTERED OFFICE

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Grand Cayman
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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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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
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Hong Kong

STOCK CODE

8120

WEBSITE

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INTERIM RESULTS (UNAUDITED)

The board of directors (the “Board”) of China Medical and Bio Science Limited (Provisional Liquidators Appointed) (the “Company”) presents the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 31 January 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

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.

The Financial Adviser submitted the Resumption Proposal on behalf of the Company to the Stock Exchange on 30 November 2009.

RESTRUCTURING (CONT'D)

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.

FINANCIAL REVIEW

The Group recorded a turnover of approximately HK\$7,326,000 for the six months ended 31 January 2010, representing an increase of approximately 2.9 times compared to approximately HK\$1,884,000 that was recorded in the same period of the preceding year. During the six months ended 31 January 2010, the Group recorded net profit after tax attributable to the Company's shareholders of approximately HK\$376,000, representing a substantial improvement in financial performance from a loss attributable to the Company's shareholders of approximately HK\$74,965,000 during the same period in the preceding year. The increase in net profit attributable to the Company's shareholders was mainly due to the improvement of its business operations, increase in revenue, the gain from deconsolidation of subsidiaries and substantial reduction in finance costs and administrative expenses.

SECURITIES INVESTMENT

The Group had no securities investment for the six months ended 31 January 2010.
(31 July 2009: Nil)

MATERIAL ACQUISITIONS AND DISPOSALS

Winding-up of subsidiaries

On 17 November 2009, the People's Republic of China (the "PRC") Government Authority approved the liquidation of Guangdong Yang Yang Bio Products Company Limited ("Guangdong Yang Yang"), an indirect wholly-owned subsidiary of the Company. As such, the Company has since lost control on Guangdong Yang Yang and its two subsidiaries, Qingyuan Yang Yang Biotechnology Chumu Company Limited and Jilin Yang Yang Bio Products Company Limited, due to the winding up of Guangdong Yang Yang.

Disposal of mortgaged properties

During the six months ended 31 January 2010, the mortgaged properties previously pledged to secure a bank loan were disposed of and the corresponding mortgage loans were fully settled.

Save for the above, the Group had no material acquisition or disposal during the six months ended 31 January 2010.

FINANCIAL RESOURCES, LIQUIDITY, CAPITAL STRUCTURE AND GEARING RATIO

As at 31 January 2010, the Group had net current liabilities of approximately HK\$160,697,000 (31 July 2009: HK\$160,592,000), which mainly arose from the substantial amount of current liabilities which include convertible bonds of approximately HK\$106,600,000 and other payables and accruals of approximately HK\$43,811,000.

The capital structure of the Group consists of bank and other 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 bank and other borrowings when appropriate.

FINANCIAL RESOURCES, LIQUIDITY, CAPITAL STRUCTURE AND GEARING RATIO (CONT'D)

As at 31 January 2010, the Group's total bank and other borrowings amounted to approximately HK\$5,018,000 (31 July 2009: HK\$14,536,000), of which approximately HK\$4,336,000 (31 July 2009: HK\$4,336,000) was unsecured bank loan; and approximately HK\$682,000 (31 July 2009: HK\$682,000) was unsecured other loans. There was no secured bank loan (31 July 2009: HK\$9,518,000) as at 31 January 2010. The Group's outstanding bank loan bears interest at the prevailing market rate, whilst the unsecured other loan bears a fixed interest rate.

The Group had convertible bonds of approximately HK\$106,600,000 as at 31 January 2010 (31 July 2009: HK\$106,600,000). The Group's gearing ratio, which is calculated on the basis of the Group's total borrowings less cash and cash equivalents to the total assets, as at 31 January 2010 is approximately 13.09 times (31 July 2009: 9.15 times).

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 Hong Kong dollar or Renminbi. 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 2010, the Group did not have any charges on its assets (31 July 2009: HK\$11,234,000).

CONTINGENT LIABILITIES

Details of contingent liabilities are set out in note 14 to the condensed consolidated financial statements.

CAPITAL COMMITMENT

As at 31 January 2010, the Group did not have any significant capital commitment (31 July 2009: nil).

EMPLOYEE INFORMATION

As at 31 January 2010, the Group had approximately 18 employees (31 July 2009: 3) in Hong Kong, and the People's Republic of China (the "PRC"). 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

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

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

For the six months ended 31 January 2010, the Group recorded revenue and other revenue of approximately HK\$7,601,000, representing an increase of approximately 1.6 times than the amount recorded in the same period in preceding year of approximately HK\$2,939,000.

PROSPECTS

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 way of the Scheme as appropriate.

In view of the performance of the operations of the Group and the improvement of its financial position, the directors are of the view that the Resumption Proposal is in the best interest of the Group and its stakeholders.

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 its business operation and maintain a high rate of expansion towards 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 members of an audit committee, there is no audit committee and the Company's interim financial results for the six months ended 31 January 2010 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 2010, 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 2010, the interests or short positions of the directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

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 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.*

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

Save as disclosed herein, as at 31 January 2010, 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 1.8.2009	Granted	Exercised	Lapsed	Cancelled	At 31.1.2010	Date of grant of options	Exercise period of share options	Exercise price of share options
		during the period	during the period	during the period	during the period		options	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 2010 would, under the present capital structure of the Company, 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 1.8.2009	Granted during the period	Exercised during the period	Lapsed during the period <i>(Note a)</i>	Cancelled during the period	At 31.1.2010	Date of grant of share options <i>(Note b)</i>	Exercise period of share options	Exercise price of share options <i>(Note c)</i> HK\$
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:

- 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.
- The vesting period of the share options is from the date of the grant until the date of the exercise period commences.
- 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 2010 would, under the present capital structure of the Company, result in the issue of 3,200,000 additional ordinary shares of the Company and additional share capital amounted to HK\$160,000 and share premium amounted to HK\$1,600,000 (before issue expenses). During the six months ended 31 January 2010, none of the directors or employees of the Company had exercised any share options and no allotment or issue of shares was made pursuant to the Pre-IPO Plan.

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

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

As at 31 January 2010, 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 2010, 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 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.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

As at 31 January 2010, 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 2010, the Company was not aware of any noncompliance 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 2010, with the exception of the situations listed below, the Company complied with the principles of good governance (the “Principles”) and code provision (the “Code Provision”). Appendix 15 sets out the “Code on Corporate Governance Practices” (the “Code”) of the GEM Listing Rules.

1. Non-executive directors were not appointed for a specific term but were subject to retirement by rotation at the Company’s annual general meeting in accordance with the bye-law of the Company (Code Provision A.4.1);
2. No remuneration committee was established to review the directors’ remuneration policy and other remuneration related matters. The directors will, as soon as practicable, establish a remuneration committee with specific written reference which deals clearly with its authorities and duties (Code Provision B.1.1);
3. The directors 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 C2.1); and
4. 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.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME/(LOSS)

For the six months ended 31 January 2010

	<i>Note</i>	For the three months ended 31 January		For the six months ended 31 January	
		2010	2009	2010	2009
		<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Unaudited)
Turnover	4,5	7,326	203	7,326	1,884
Cost of sales		(5,908)	(201)	(5,908)	(1,260)
Gross profit		1,418	2	1,418	624
Other revenue		–	344	275	1,055
Selling and distribution costs		(178)	(370)	(178)	(1,488)
General and administrative expenses		(298)	(9,369)	(1,158)	(27,937)
Restructuring costs		(563)	–	(3,008)	–
Finance costs		(13)	(29,559)	(736)	(32,609)
Loss on disposal on financial assets at fair value through profit or loss		–	–	–	(14,610)
Loss on disposal of non-current assets held for sale		(124)	–	(258)	–
Gain on deconsolidation of subsidiaries	2e	4,310	–	4,310	–
Profit/(loss) before income tax	6	4,552	(38,952)	665	(74,965)
Income tax	7	(289)	–	(289)	–
Profit/(loss) for the period attributable to shareholders of the Company		4,263	(38,952)	376	(74,965)
Other comprehensive (loss)/income for the period, net of tax Exchange differences on translating foreign operations and deconsolidation of subsidiaries		(436)	(8)	(436)	565
Total comprehensive income/(loss) for the period attributable to shareholders of the Company		<u>3,827</u>	<u>(38,960)</u>	<u>(60)</u>	<u>(74,400)</u>
Earnings/(loss) per share attributable to shareholders of the Company (in cents)	8				
Basic		<u>0.32</u>	<u>(2.88)</u>	<u>0.03</u>	<u>(5.54)</u>
Diluted		<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 January 2010

	<i>Note</i>	31 January 2010 <i>HK\$'000</i> (Unaudited)	31 July 2009 <i>HK\$'000</i> (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		45	–
CURRENT ASSETS			
Trade receivables	<i>10</i>	3,480	–
Deposits, prepayments and other receivables		754	162
Cash and bank balances		3,944	1,656
		<u>8,178</u>	<u>1,818</u>
Non-current assets held for sales		–	11,234
		<u>8,178</u>	<u>13,052</u>
CURRENT LIABILITIES			
Bank and other borrowings		5,018	5,018
Trade payables	<i>11</i>	3,037	1,352
Convertible bonds		106,600	106,600
Other payables and accruals		43,811	46,091
Amounts due to deconsolidated subsidiaries	<i>12</i>	1,807	3,972
Amount due to the Investor		7,363	–
Income tax payable		1,239	1,093
		<u>168,875</u>	<u>164,126</u>
Liabilities directly associated with non-current assets held for sales		–	9,518
		<u>168,875</u>	<u>173,644</u>
NET CURRENT LIABILITIES		<u>(160,697)</u>	<u>(160,592)</u>
NET LIABILITIES		<u>(160,652)</u>	<u>(160,592)</u>
CAPITAL AND RESERVES			
Share capital	<i>13</i>	67,620	67,620
Reserves		(228,272)	(228,212)
CAPITAL DEFICIENCY		<u>(160,652)</u>	<u>(160,592)</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 January 2010

	Attributable to shareholders of the Company								
	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>
As at 1 August 2008	67,620	101,086	27,104	14,364	29,634	4,807	(504)	(306,138)	(62,027)
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	565	(74,965)	(74,400)
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>
As at 1 August 2009	67,620	101,086	27,104	14,364	29,634	4,807	(1,426)	(403,781)	(160,592)
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	(436)	376	(60)
As at 31 January 2010 (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>(1,862)</u>	<u>(403,405)</u>	<u>(160,652)</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 January 2010

	For the six months ended	
	31 January	
	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Net cash used in operating activities	(5,824)	(20,397)
Net cash from investing activities	1,349	13,460
Net cash from/(used in) financing activities	6,765	(5,165)
Net increase/(decrease) in cash and cash equivalents	2,290	(12,102)
Effect of foreign exchange rate changes	(2)	565
Cash and cash equivalents at the beginning of the period	1,656	12,497
Cash and cash equivalents at the end of the period	<u>3,944</u>	<u>960</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Group is principally engaged in bio-feedstock business mainly involving the development and distribution of feedstock and related products.

The registered office of the Company is located at Ugland House, P.O. Box 309, George Town, Grand Cayman, Cayman Islands, British West Indies.

The principal place of business of the Company is 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) Hong Kong Financial Reporting Standards

These unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") and the Hong Kong Companies Ordinance.

These unaudited condensed consolidated interim financial statements should be read in conjunction with the annual financial statements of the Group for the year ended 31 July 2009. The accounting policies and method of computation used in the preparation of these unaudited condensed consolidated financial statements are consistent with those followed in the preparation of the annual financial statements of the Group for the year ended 31 July 2009, except as stated in note 3 below.

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”), 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, the 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 of the Company (the “Provisional Liquidators”).

Pursuant to an order of the High Court, the Provisional Liquidators would, inter alia, take into their custody and protect all the assets of the Group and manage the Group until such times as further order is made. The Provisional Liquidators are independent third parties not connected with the Company or any of the directors, chief executive and substantial shareholders of the Company or its subsidiaries or their respective associates as defined in the GEM Listing Rules.

(c) Proposed restructuring of the Group

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.

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 also 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 a 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

As at 31 January 2010, the Group had net current liabilities and net liabilities of approximately HK\$160,697,000 and HK\$160,652,000 respectively. The indebtedness of the Group mainly comprised the short-term bank and other borrowings and convertible bonds, which represented a total of approximately HK\$111,618,000 and of which the bank borrowings of approximately HK\$5,018,000 were overdue as at 31 January 2010. 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 unaudited condensed consolidated interim 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 as current assets.

(e) Deconsolidation of subsidiaries

On 17 November 2009, the People's Republic of China (the "PRC") Government Authority approved the liquidation of Guangdong Yang Yang Bio Products Company Limited ("Guangdong Yang Yang"), an indirect wholly-owned subsidiary of the Company. Since then, the Group has lost control on Guangdong Yang Yang and its two subsidiaries, namely Qingyuan Yang Yang Biotechnology Chumu Company Limited and Jilin Yang Yang Bio Products Company Limited (together with Guangdong Yang Yang, the "Excluded Subsidiaries"). As such, the financial results, assets and liabilities and cash flows of the Excluded Subsidiaries were deconsolidated from the consolidated financial statements of the Group since the date of loss of control of these subsidiaries.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current interim period, the Group has applied, for the first time, new standards, amendment and interpretation (the “New HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial year beginning 1 August 2009. The adoption of the New HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognized.

(a) Presentation of Financial Statements

HKAS 1 (Revised) has introduced a number of terminology changes, including revised titles for condensed consolidated financial statements, and certain changes in presentation disclosure. Comparative figures have been restated or included in order to achieve a consistent presentation.

b) Operating Segments

HKFRS 8 “Operating Segments” requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. Previously, HKAS 14 “Segment Reporting” required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity’s system of internal financial reporting to key management personnel serving as the starting point for the identification of such segments. HKFRS 8 results in a redesignation of the Group’s reportable segments, but has had no impact on the reported results or financial position of the Group. The primary segments reported under HKAS 14 are the same as the segments reported under HKFRS 8. HKFRS 8 has been applied retrospectively.

The segment accounting policies under HKFRS 8 are stated in note 4 to the unaudited condensed consolidated interim financial statements.

The Group has not early applied any of the new standards or interpretations that have been issued but are not yet effective. The Group is in the process of making an assessment of what the impact of these new or revised standards or interpretations is expected to be in the period of their initial application.

4. SEGMENT INFORMATION

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 operating segments.

Segment information is presented by the following operating segments:

- (a) the feed products segment comprises the development and distribution of bio-feedstock and related products; and
- (b) the others segment comprises the sale of non-feedstock products and corporate income.

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

4. SEGMENT INFORMATION (CONT'D)

Operating segments

The segment results for the six months ended 31 January 2010, together with the comparative figures for the corresponding period of the preceding year are as follows:

	Feed Products		Others		Consolidated	
	For the six months ended 31 January		For the six months ended 31 January		For the six months ended 31 January	
	2010	2009	2010	2009	2010	2009
	<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)
Segment revenue:						
Sales to external customers	7,326	738	-	1,146	7,326	1,884
Other revenue	266	559	9	466	275	1,025
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total revenue	<u>7,592</u>	<u>1,297</u>	<u>9</u>	<u>1,612</u>	<u>7,601</u>	<u>2,909</u>
Segment results	<u>5,374</u>	<u>(18,284)</u>	<u>(965)</u>	<u>(24,102)</u>	4,409	(42,386)
Interest income					-	30
Restructuring costs					(3,008)	-
Finance costs					(736)	(32,609)
					<u> </u>	<u> </u>
Profit/(loss) before income tax					665	(74,965)
Income tax	(289)	-	-	-	(289)	-
					<u> </u>	<u> </u>
Profit/(loss) for the period					<u>376</u>	<u>(74,965)</u>

5. TURNOVER

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

6. PROFIT/(LOSS) BEFORE INCOME TAX

The Group's profit/(loss) before income tax is arrived at after charging/(crediting):

	For the six months ended 31 January	
	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Cost of inventories sold	5,908	1,260
Depreciation of fixed assets	1	385
Interest income	<u>–</u>	<u>(30)</u>

7. TAX

Income tax expense for the six months ended 31 January 2010 represents provision for PRC enterprise income tax at 25% on the estimated assessable profit of a subsidiary operating in the PRC.

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 2010.

8. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of basic earnings/(loss) per share attributable to shareholders of the Company for the six months ended 31 January 2010 is based on the profit attributable to the shareholders of the Company of approximately HK\$376,000 (six months ended 31 January 2009: loss of approximately HK\$74,965,000) and the weighted average number of shares in issue during the six months ended 31 January 2010 of 1,352,400,000 (six months ended 31 January 2009: 1,352,400,000).

The calculation of basic earnings/(loss) per share attributable to shareholders of the Company for the three months ended 31 January 2010 is based on the profit attributable to shareholders of the Company of approximately HK\$4,263,000 (three months ended 31 January 2009: loss of approximately HK\$38,952,000) and the weighted average number of shares in issue during the three months ended 31 January 2010 of 1,352,400,000 (three months ended 31 January 2009: 1,352,400,000).

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

9. INTERIM DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 31 January 2010 (six months ended 31 January 2009: Nil).

10. TRADE RECEIVABLES

	31 January 2010 <i>HK\$'000</i> (Unaudited)	31 July 2009 <i>HK\$'000</i> (Audited)
Trade receivables	31,759	28,279
Provision for bad and doubtful debts	(28,279)	(28,279)
	<u>3,480</u>	<u>-</u>

The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period of one to three months for major customers. 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 end of the interim financial reporting period, based on payment due date and net of provision, is as follows:

	31 January 2010 <i>HK\$'000</i> (Unaudited)	31 July 2009 <i>HK\$'000</i> (Audited)
Within 3 months	<u>3,480</u>	<u>-</u>

11. TRADE PAYABLES

An aged analysis of the trade payables as at the end of interim financial reporting period, based on payment due date, is as follows:

	31 January 2010 <i>HK\$'000</i> (Unaudited)	31 July 2009 <i>HK\$'000</i> (Audited)
Within 3 months	1,764	–
6 to 12 months	–	61
Over 1 year	1,273	1,291
	<u>3,037</u>	<u>1,352</u>

12. AMOUNTS DUE TO DECONSOLIDATED SUBSIDIARIES

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

13. SHARE CAPITAL

	Number of shares		Nominal value	
	As at 31 January 2010 '000 (Unaudited)	As at 31 July 2009 '000 (Audited)	As at 31 January 2010 <i>HK\$'000</i> (Unaudited)	As at 31 July 2009 <i>HK\$'000</i> (Audited)
Authorised:				
Ordinary shares of HK\$0.05 each	<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>

14. CONTINGENT LIABILITIES

The Board is not aware of any material contingent liabilities as at 31 January 2010 apart from the full provision for the winding up petition carried forward from the previous year, details of which has been set out as follows:

A winding up petition (the “Petition”) was served on the Company on 13 May 2008 by 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.

15. MATERIAL RELATED PARTY TRANSACTIONS

The Board is not aware of any material related party transactions during the six months ended 31 January 2010.

16. SUBSEQUENT EVENTS

Save as disclosed, the Board is not aware of any significant events taken place subsequent to 31 January 2010.

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

Hong Kong, 12 March 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.