CHINA MEDICAL AND BIO SCIENCE LIMITED

(PROVISIONAL LIQUIDATORS APPOINTED)

中華藥業生物科學有限公司*

（已委任臨時清盤人）

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8120

ANNUAL REPORT
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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

This annual 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 GEM (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this annual report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this annual report misleading.

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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

Fork Siu Kee, Thomas

AUDITOR

PKF Hong Kong
Certified Public Accountants

PRINCIPAL BANKER

The Hongkong and Shanghai Banking Corporation Limited

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

Bufferfield Fulcrum Group Limited

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
26/F., Tesbury Centre
28 Queens' Road East
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STOCK CODE

8120

WEBSITE

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FINANCIAL REVIEW

Turnover of China Medical and Bio Science Limited (Provisional Liquidators Appointed) (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 July 2010 increased substantially by approximately 17 times to approximately HK$35,285,000, as compared with the turnover of approximately HK$1,965,000 recorded in the previous year. In addition, the Company turned around from a loss position of approximately HK$97,643,000 recorded in the previous year to a net profit after tax attributable to the Company's shareholders for the year ended 31 July 2010 of approximately HK$200,000. The turnaround was mainly due to the substantial increment in the Group's revenue resulting from the successful expansion of the Group's feedstock distribution business in the People's Republic of China (the "PRC"), the gain from deconsolidation of subsidiaries and the reduction in finance costs and administrative expenses.

For the year ended 31 July 2010, the earnings per share was approximately HK0.01 cents (2009: loss of HK7.22 cents).

WINDING-UP PETITION AND APPOINTMENT OF PROVISIONAL LIQUIDATORS

On 13 May 2008, a winding-up petition was presented and filed in the High Court (the "High Court") of the Hong Kong Special Administrative Region ("Hong Kong") 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 of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "GEM Listing Rules").

By an order of the High Court dated 8 October 2010, the hearing for the petition which was initially fixed on 12 November 2008 was further adjourned to 11 April 2011.

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

THE 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 to submit a viable resumption proposal to the Stock Exchange for restructuring of the Company.

On 28 July 2009, an 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 good faith of legally binding agreements for the implementation of the proposed restructuring and the Resumption Proposal. The restructuring proposal so submitted by the Company was accepted by the Provisional Liquidators, and was supported by the major creditors of the Company.

On 24 September 2009, a subsidiary of the Company and the Investor entered into a working capital facility agreement, pursuant to which the Investor undertook that it would deposit sufficient funds of up to HK$9 million as working capital to meet the trading and operating expenses to maintain a viable, continuing business of the Company during the course of proposed restructuring that are incurred after the date of the Exclusivity Agreement.

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 scheme 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.

On 30 November 2009, the Company submitted the Resumption Proposal to the Stock Exchange (which was subsequently updated and submitted to the Stock Exchange on 19 May 2010). On 26 July 2010, the Company was informed by the Stock Exchange that trading in the shares of the Company will be resumed if the Company fulfills, among other things, the following conditions by 30 April 2011:

(1) completion of the subscription of new shares and convertible bonds by the Investor, placing of new shares to independent third parties, scheme of arrangement, the capital restructuring and reorganisation and other transactions under the Resumption Proposal;

(2) completion of formation of the JV (as defined below) to establish a manufacturing plant and commencement of production. The Company should provide a letter by a corporation licensed by the Securities and Futures Commission of Hong Kong to advise on corporate finance confirming this condition has been fulfilled;

(3) inclusion in the circular to shareholders a statement from directors of the Company confirming working capital sufficiency for 12 months after resumption and a comfort letter from the auditors/ financial adviser on the directors' statement;

(4) inclusion in the circular to shareholders of the Company a profit forecast for each of the two years ending 31 July 2011 together with reports from the auditors and financial adviser under paragraph 29(2) of Appendix 1B of GEM Listing Rules;

(5) inclusion in the circular to shareholders a pro forma balance sheet upon completion of the Resumption Proposal and a comfort letter from the auditors under Rule 7.31 under the GEM Listing Rules;

(6) publication of circular relating to the proposal in prospectus standard; and

(7) withdrawal of the winding-up petition and discharge of the Provisional Liquidators.

The Company, the Provisional Liquidators and the Investor are currently in the course of implementing the transactions contemplated in the Resumption Proposal with a view to fulfill the above conditions set out by the Stock Exchange, including a formal agreement incorporating the key features of the Resumption Proposal.

MATERIAL ACQUISITIONS AND DISPOSALS

Winding-up of subsidiaries

(i) On 17 November 2009, the liquidation of Guangdong Yang Yang Bio Products Company Limited ("Guangdong Yang Yang"), an indirect wholly-owned subsidiary of the Company, was approved by the Bureau of Foreign Trade and Economic Cooperation of Guangzhou Municipality of the PRC. Since then, the Group 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.

(ii) On 27 March 2009, the Company's wholly-owned subsidiary, Yang Yang Bio-Products (S) (PTE.) LTD. ("Singapore Yang Yang") passed a resolution in writing pursuant to an article of association of Singapore Yang Yang that Singapore Yang Yang would be wound up voluntarily and a creditors' meeting would be convened.

The creditors' meeting was convened on 27 April 2009 for the purpose of the presentation of a Statement of Affairs of Singapore Yang Yang, the appointment of liquidator and the establishment of Committee of Inspection. The Liquidator was subsequently appointed on 27 April 2009. The management considered that the Group's control over Singapore Yang Yang has been lost. Accordingly, the results, assets and liabilities of Singapore Yang Yang were not included into the consolidated financial statements of the Group with effect from 27 April 2009.

(iii) On 26 August 2009, a liquidator was appointed to the Company's wholly-owned subsidiary, Japan Yang Yang Bio Products Company Limited ("Japan Yang Yang"). The management considered that control over Japan Yang Yang had already been lost as at 31 July 2009 and the liquidator was appointed shortly after 31 July 2009. Accordingly, Japan Yang Yang was since excluded from the consolidated financial statements of the Group for the year ended 31 July 2009.

Disposal of mortgaged properties

During the year ended 31 July 2010, the Group recorded a loss on disposal of approximately HK$258,000 resulted from the sale of the mortgaged properties previously pledged to secure bank loans and the settlement of the corresponding mortgage loans.

Establishment of a joint venture in the PRC

On 16 March 2010, the Group entered into a joint venture agreement (as supplemented on June 2010, collectively refer to as the "JV Agreement") with three others joint venture partners (the "JV Partners") for the establishment of a joint venture (the "JV"), which will be principally engaged in the development and manufacturing of feedstock products in the PRC. Details of the JV and the JV Agreement were disclosed in the announcement and circular of the Company dated 18 May 2010 and 21 July 2010, respectively. As at the date of this annual report, the Group is in the course of implementing such business plan.

Save as disclosed from the above, the Group had no other material acquisitions or disposals during the year ended 31 July 2010.

SECURITIES INVESTMENT

The Group had no securities investment for the year ended 31 July 2010 (2009: a net loss from securities investment of approximately HK$14,570,000).

FINANCIAL RESOURCES, LIQUIDITY, CAPITAL STRUCTURE AND GEARING RATIO

As at 31 July 2010, the Group had net current liabilities of approximately HK$161,293,000 (2009: HK$160,592,000).

The capital structure of the Group consists of borrowings, cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital and reserves. The Group monitors its short and medium term liquidity requirements and arranges refinancing of the Group's borrowings when appropriate.

As at 31 July 2010, the Group's total bank and other borrowings (including accrued interest) amounted to approximately HK$5,629,000 (2009: HK$14,536,000), of which approximately HK$4,775,000 (2009: HK$4,336,000) was unsecured bank loan; and approximately HK$854,000 (2009: HK$682,000) was unsecured other loans. There was no secured bank loan as at 31 July 2010 (2009: HK$9,518,000, which was classified as "Liabilities directly associated with non-current assets held for sales"). 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 July 2010 (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 in relation to its total capital, as at 31 July 2010 is approximately 1,012% (2009: 915%).

FOREIGN EXCHANGE AND INTEREST RATE EXPOSURE

For the year ended 31 July 2010, the Group had a minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities were principally denominated in the functional currencies used by the Group's entities. The Group currently does not have a foreign currency hedging policy in respect of its foreign currency assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider using hedging instruments in respect of significant foreign currency exposure should the need arise.

When appropriate and at times of interest rate or exchange rate uncertainties or volatility, hedging instruments including swaps and forwards will be used by the Group in the management of exposure affecting interest rates and foreign exchange rate fluctuations.

CHARGES ON GROUP ASSETS

As at 31 July 2010, the Group did not have any charges on its assets (2009: HK$11,234,000):

	2010	2009
	HK$'000	HK$'000
Leasehold land (on net book value)	–	8,670
Leasehold building (on net book value)	–	2,564
	–	11,234

CONTINGENT LIABILITIES

As at 31 July 2010, the Group did not have any material contingent liabilities.

EMPLOYEE INFORMATION

As at 31 July 2010, the Group had approximately 30 employees in Hong Kong and the PRC (2009: 3). Remuneration to employees and directors of the Company 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.

OPERATIONS 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 (“Dongyu”), an indirect wholly owned subsidiary of the Company to carry out the distribution of feedstock business in the PRC. Other revenue amounted to approximately HK$266,000 has been recorded by the Group for the year ended 31 July 2010 with respect to this arrangement.

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

For the year ended 31 July 2010, the Group recorded turnover and other revenue of approximately HK$ 35,563,000, representing an increase of approximately 5.2 times than the amount recorded in the same period in preceding year of approximately HK$5,720,000.

PROSPECTS

As at the date of this annual report, the Group has expanded its products offerings from swine feedstock and feed additives to include fish feedstock products. The board of directors of the Company expects that such extension of product offerings will further enhance the sales of the Group whilst diversifying its source of income. With a view to establishing its own production capacity in the PRC, on 16 March 2010, the Group entered into the JV Agreement to set up the JV, which will be principally engaged in the development and manufacturing of feedstock products. The JV was incorporated in the PRC in August 2010. It is expected that by participating in the manufacturing process, the Group will have more stable, diversified and quality supply of products to meet the market demand and development.

Following the establishment of the research and development team of the JV, the Group intends to expand its product range and develop its own products brand for enhancement of its corporate image, customer loyalty and profitability. Given the favorable PRC government policies to place emphasis on the development of the breeding industry, the Company believes that the formation of the JV will bring about synergies to the Group’s existing customer base and network, and thus further accelerate its business development.

The Group is currently taking steps to expedite the process of construction of its own production plant under the JV Agreement.

It is expected that 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 of arrangement as contemplated in the Resumption Proposal. The Company is confident that, with the Investor's strong support in the business and financial aspects, the business operations of the Group will continue to maintain a high expansion rate to reach a sufficient level to meet the requirements for the resumption of trading in the shares of the Company, and the Group will eventually gain a solid foothold in the feedstock industry in the PRC.

Profiles of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Wong Sai Wa, aged 67, is one of the founders of the Group. Mr. Wong holds a degree in Mechanical Engineering from the Scientific and Engineering University in the PRC. He also completed the Stanford Executive Program in 1993. Mr. Wong has been appointed as a joint managing director since 1999.

Ms. Wong Moon Ha, aged 57, is currently the manager of personnel and administrative department of Tempo Electronic Industrial Co. Ltd. Ms. Wong is the younger sister of Mr.Wong Sai Wa, an executive director of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Chan Kin Hang, aged 40, is a fellow of The Hong Kong Institute of Certified Public Accountants and an associate of the Institute of Accountants of the United Kingdom. He holds a master degree in accounting from the Curtin University of Technology, Australia. Mr. Chan has 19 years working experience. He is currently the proprietor of K. H. Chan & Co., a firm of certified public accountant and the managing director of Honest Joy Accounting Service Co., Ltd.

COMPANY SECRETARY AND FINANCIAL CONTROLLER

Mr. Fork Siu Kee, Thomas aged 45, holds a bachelor's degree with honor in law from University of Wolverhampton, United Kingdom and a master's degree in commercial law from Northumbria University, United Kingdom. He is an associate member of the Hong Kong Institute of Chartered Secretaries, the Institute of Chartered Secretaries and Administrators of United Kingdom, the Institute of Financial Accountants of United Kingdom and the Taxation Institute of Hong Kong. Mr. Fork has 15 years of experience in accounting, auditing, company secretarial and credit control.

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

CODE ON CORPORATE GOVERNANCE PRACTICES

During the year ended 31 July 2010, with the exception of the situations listed below, the Company complied with the principles of good governance and code provision (the "Code Provision"). Appendix 15 of the GEM Listing Rules sets out the "Code on Corporate Governance Practices".

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); and

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).

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the year ended 31 July 2010, the directors of the Company have not yet adopted a code of conduct governing securities transactions for directors. However, the directors of the Company will, as soon as practicable, adopt such code of conduct on terms 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.

During the year ended 31 July 2010, the Company was not aware of any non-compliance of securities transactions by directors as set out in the GEM Listing Rules.

BOARD OF DIRECTORS (THE "BOARD")

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

The directors of the Company during the year ended 31 July 2010 were:

Executive directors:

Mr. Wong Sai Wa
Ms. Wong Moon Ha

Independent non-executive director:

Mr. Chan Kin Hang

Details of the members of the Board are provided under the "Profiles of Directors and Senior management" on page 11 of this annual report.

THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER

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

For the year ended 31 July 2010, the Company has not appointed anyone to fill the vacant position of chairman and chief executive officer.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Code Provision A.4.1 requires that non-executive directors be appointed for a specific term, subject to re-election. No non-executive director remained in the Company as at 31 July 2010. According to the articles of association of the Company (the "Articles"), at each annual general meeting, one-third of the directors for the time being (or, if their number is not a multiple of three, the number nearest to but not greater than one-third) shall retire from office by rotation.

INDEPENDENCE

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

BOARD MEETINGS

According to the Articles, at least one board meeting should be held once a year to conduct the annual general meeting of the Company.

Five board meetings were held during the year ended 31 July 2010. The directors of the Company will use their best endeavour to ensure that for all board meetings to be held, board minutes will be kept by the secretary of the Company (the "Secretary"), and be open for inspection by the directors of the Company. Every director of the Company will be entitled to have access to the board papers and related materials and have unrestricted access to the advice and services of the Secretary, and have the liberty to seek external professional advice if so required.

The attendance of the directors of the Company at the board meetings is as follows:

Name of Directors	**No. of board meetings attended/ No. of board meetings held**
Executive directors:	
Mr. Wong Sai Wa	5/5
Ms. Wong Moon Ha	4/5
Independent non-executive director:	
Mr. Chan Kin Hang	4/5

AUDIT COMMITTEE

The main functions of an audit committee is to recommend to the Board on the appointment, reappointment and removal of the external auditors; to approve the remuneration and terms of engagement of the external auditors as well as any questions of resignation or dismissal of such auditors; to review the quarterly, interim and annual reports and accounts of the Group; and to oversee the Company's financial reporting and internal control procedures.

Since there are insufficient directors of the Company to be appointed members of an audit committee, there is no audit committee meeting and the Company's audited financial results for the year ended 31 July 2010 have not been reviewed by an audit committee. However, the directors of the Company will, as soon as practicable, establish an audit committee pursuant to the GEM Listing Rules.

REMUNERATION COMMITTEE

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

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

INTERNAL CONTROL

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

AUDITOR'S REMUNERATION

During the year ended 31 July 2010, the remuneration in respect of audit services provided by the Company's auditor, PKF Hong Kong, Certified Public Accountants, is set out below:

	2010	2009
	HK$'000	HK$'000
Services rendered		
– Audit services	**335**	240
– Non-audit services	**–**	60
	335	300

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The directors of the Company acknowledge their responsibilities in the preparation of the Company's financial statements for each financial year which give a true and fair view of the state of affairs of the Company and in presenting the quarterly, interim and annual financial statements, and announcements to shareholders, the directors of the Company aim at presenting a balanced, cleared and comprehensive assessment of the Company's performance, its current position and future prospects. The respective responsibilities of the directors and auditors of the Company in respect of the preparation of the financial statements are set out in the independent auditor's report on pages 26 to 28 of this annual report.

The directors of the Company present the annual report together with the audited financial statements of the Company and the Group for the year ended 31 July 2010.

PRINCIPAL ACTIVITIES

The Group is principally engaged in the feedstock distribution business, mainly involving the development and distribution of feedstock products. Details of the principal activities of the subsidiaries are set out in note 34 to the financial statements.

RESULTS

The results of the Group for the year ended 31 July 2010 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 29 to 80.

DIVIDEND

The directors of the Company do not recommend the payment of any dividend in respect of the year ended 31 July 2010 (2009: Nil).

FINANCIAL SUMMARY

A summary of the results, assets and liabilities and non-controlling interests of the Group for the five financial years ended 31 July 2010 is set out below:

RESULTS

	2010	2009	2008	Restated 2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**35,285**	1,965	5,981	6,289	54,054
Loss from operating activities	**(179)**	(49,341)	(120,296)	(53,503)	(3,035)
Finance costs	**(1,347)**	(32,985)	(11,106)	(3,857)	(4,743)
Gain on deconsolidation of subsidiaries	**3,187**	9,497	–	–	–
Assets impairment	**–**	(24,814)	(23,576)	(36,497)	–
Profit/(loss) before tax	**1,661**	(97,643)	(154,978)	(93,857)	(7,778)
Tax	**(1,461)**	–	–	(231)	(193)
Profit/(loss) for the year	**200**	(97,643)	(154,978)	(94,088)	(7,971)
Profit/(loss) attributable to shareholders of the Company	**200**	(97,643)	(154,978)	(92,396)	(5,774)
Non-controlling interests	**–**	–	–	(1,692)	(2,197)
	200	(97,643)	(154,978)	(94,088)	(7,971)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	2010	2009	2008	Restated 2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**11,626**	13,052	113,620	103,979	78,698
Total liabilities	**(172,871)**	(173,644)	(175,647)	(58,038)	(64,451)
Non-controlling interests	**–**	–	–	–	(1,469)
	(161,245)	(160,592)	(62,027)	45,941	12,778

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of the Company's share capital during the year are set out in note 28 to the financial statements.

SHARE OPTION SCHEMES

Details of the Company's share option schemes are set out in note 30 to the financial statements.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF THE COMPANY'S LISTED SECURITIES OR ITS SUBSIDIARIES' SECURITIES

During the year ended 31 July 2010, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities or the securities of the Company's subsidiaries.

MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or in existence during the year ended 31 July 2010.

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 34.

DISTRIBUTABLE RESERVES

As at 31 July 2010, the Company did not have distributable reserves.

MAJOR CUSTOMERS

During the year ended 31 July 2010, sales to the Group's five largest customers accounted for approximately 50% of the total sales of the Group, whilst the largest customer of the Group accounted for approximately 19 % of the total sales of the Group.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors of the Company, own more than 5% of the Company's issued share capital) had any beneficial interest in any of the Group's five largest customers.

MAJOR SUPPLIERS

During the year ended 31 July 2010, purchases from the Group's five largest suppliers accounted for the total purchases of the Group, whilst the largest supplier of the Group accounted for approximately 82% of the total purchases of the Group.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors of the Company, own more than 5% of the Company's issued share capital) had any beneficial interest in any of the Group's five largest suppliers.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive directors:

Mr. Wong Sai Wa
Ms. Wong Moon Ha

Independent non-executive director:

Mr. Chan Kin Hang

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

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

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

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

CONFIRMATION OF INDEPENDENCE

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

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Profiles details of the directors of the Company and the senior management of the Group are set out on page 11 of this annual report.

DIRECTORS' INTERESTS IN CONTRACTS

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

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

As at 31 July 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:

Long positions in ordinary shares and underlying shares of the Company

Name of director	Capacity and nature of interest	Shares/equity derivatives	Number of shares/equity derivatives held	Percentage of the Company's issued share capital	*Note*
Ms. Wong Moon Ha	Through controlled corporation	Ordinary shares	400,000,000 shares	29.58%	*(1)*
Mr. Wong Sai Wa	Directly beneficially owned	Share options	3,200,000 share options	0.24%	*(2)*

Note:

(1) The shares were held by Concord Pharmaceutical Technology (Holdings) Limited ("CPT"), which is a wholly owned subsidiary of Concord Business Management Limited ("CBM"), the entire issued capital of which was owned by Ms. Wong Moon Ha, an executive director of the Company.

(2) The options are exercisable at any time from 10 October 2001 up to and including 22 March 2011 at an exercise price of HK$0.55 per share in accordance with the terms of the pre-initial public offerings share option scheme (the" Pre-IPO Plan") adopted by the Company on 23 March 2001.

Save as disclosed herein, as at 31 July 2010, none of the directors of the Company had short positions in the shares or underlying shares of equity derivatives of the Company and no other person was individually and/or collectively entitled to exercise or control the exercise of 5% or more of the voting power at general meeting of the Company and was able, as a practical matter, to direct or influence the management of the Company.

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

Name or category of participant	As at 1 August 2009	Exercised during the year	Lapsed during the year *(Note a)*	Cancelled during the year	As at 31 July 2010	Date of grant of share option *(Note b)*	Exercise period of share options	Exercise price of share option *(Note c)*
Director								
Mr. Wong Sai Wa	3,200,000	–	–	–	3,200,000	23 March 2001	10 October 2001 to 22 March 2011	HK$0.55

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.*

The exercise of the above 3,200,000 outstanding share options of the Pre-IPO as at 31 July 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 year ended 31 July 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARE OR DEBENTURES

Save as disclosed under the section headed "Directors' and Chief Executives' Interests in Securities of the Company" above, at no time during the year was the Company or any of its holding companies or subsidiaries a party to any arrangements which enabled the Company's directors, their respective spouse or minor children to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

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

As at 31 July 2010, in so far as known to the directors of the Company based on the register maintained by the Company pursuant to Part XV of the SFO, the following persons (not being directors and chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Substantial Shareholders

Name	Capacity and nature of interest	Shares/equity derivatives	Number of shares/equity derivatives held	Percentage of the Company's issued share capital	*Note*
JBC Bio Technology Company Limited ("JBC Bio Tech")	Corporation	Ordinary shares	432,000,000 shares (long)	31.94%	*(1)*
Ms. Liu Yang	Through controlled corporation	Ordinary shares	432,000,000 shares (long)	31.94%	*(1)*
Concord Pharmaceutical Technology (Holdings) Limited ("CPT")	Corporation	Ordinary shares	400,000,000 shares (long)	29.58%	*(2)*
Concord Business Management Limited ("CBM")	Through controlled corporation	Ordinary shares	400,000,000 shares (long)	29.58%	*(2)*
Keywise Capital Management (HK) Limited	Investment manager	Ordinary shares	442,599,386 shares (long)	32.70%	*(3)*
Keywise Greater China Opportunities Master Fund ("Keywise")	Investment manager	Ordinary shares	442,599,386 shares (long)	32.70%	*(3)*

Notes:

(1) *The shares were held by Ms. Liu Yang, the former executive director of the Company, through JBC Bio Tech. Prior to the unauthorised 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 wholly-owned by CBM and is in turn wholly-owned by Ms. Wong Moon Ha, an executive director of the Company. Accordingly, CBM and Ms. Wong Moon Ha are deemed to have an interest in the 400,000,000 shares of the Company held by CPT.*

(3) *Keywise is an investment fund managed by Keywise Capital Management (HK) Limited. These shares comprise (i)220,496,000 shares of the Company and (ii) 151,515,151 and 70,588,235 underlying shares which would be issued upon conversion of convertible bonds and exercise of subscription rights attaching to warrants respectively.*

Save as disclosed above, as at 31 July 2010, the directors of the Company were not aware of any person (other than directors of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

CONNECTED TRANSACTIONS

The Group did not have any related party transactions, connected or continuing connected transactions under the GEM Listing Rules for the year ended 31 July 2010.

CAPITAL COMMITMENT

Save for the capital contribution of RMB11.34 million to the JV pursuant to the JV Agreement, the Group did not have any material capital commitment as at 31 July 2010.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

None of the directors of the Company or their respective associates had any interest in any business, which competes with or may compete with the business of the Group.

SUSPENSION OF TRADING

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

SUFFICIENCY OF PUBLIC FLOAT

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

SIGNIFICANT SUBSEQUENT EVENTS

Details of the significant events which occurred after 31 July 2010 are set out in note 33 to the financial statements.

AUDITORS

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

On behalf of the Board

WONG SAI WA
Executive Director

Hong Kong, 22 October 2010

26/F, Citicorp Centre
18 Whitfield Road
Causeway Bay
Hong Kong

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

We have audited the consolidated financial statements of China Medical and Bio Science Limited (Provisional Liquidators Appointed) and its subsidiaries (collectively, the "Group") as set out on pages 29 to 80, which comprise the consolidated statement of financial position as at 31 July 2010, and the consolidated statement of comprehensive loss, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

LIMITATION OF AUDIT SCOPE

1. The accounting books and records of the Company's former wholly-owned subsidiaries, Guangdong Yang Yang Bio Products Company Limited, Qingyuan Yang Yang Biotechnology Chumu Company Limited and Jilin Yang Yang Bio Products Company Limited (collectively, the "Deconsolidated Subsidiaries"), deconsolidated from the Company's consolidated financial statements during the year have not been made available to us for our audit.

   As a result of the lack of the accounting books and records of the Deconsolidated Subsidiaries for our inspection, we were unable to ascertain whether there is any misstatement in the gain on deconsolidation of subsidiaries of approximately HK$3,187,000 included in the consolidated statement of comprehensive loss. Similarly, we are unable to satisfy ourselves that the disclosures which have incorporated amounts in relation to the Deconsolidated Subsidiaries as included in the consolidated statement of cash flows and notes to the financial statements are fairly stated.

2. Included in the Group's other payables and accruals of HK$44,222,000 were recorded payables of approximately HK$12,000,000 of which no replies to our satisfaction on the direct confirmations from the creditors were received as at the date of this report and there was no sufficient evidence. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves on the completeness of these payables stated in the consolidated statement of financial position as at 31 July 2010.

Any adjustments that might have been found to be necessary in respect of the matters set out in points (1) and (2) above may have a consequential and significant effect on the aforementioned items and the Group's profit for the year ended 31 July 2010 and the related disclosures in the consolidated financial statements.

Since we were unable to obtain sufficient evidence concerning the financial information of all subsidiaries deconsolidated during the year ended 31 July 2009 and concerning the Group's recorded payables of approximately HK$15,572,000 as at 31 July 2009, we were unable to satisfy ourselves that the gain on deconsolidation of subsidiaries of approximately HK$9,497,000 included in the Group's consolidated statement of comprehensive loss for the year ended 31 July 2009 and the aforementioned payables included in the Group's consolidated statement of financial position as at 31 July 2009 were free from material misstatement. Similarly, we were unable to satisfy ourselves that the disclosures relating to the gain on deconsolidation of subsidiaries and the recorded payables are free from material misstatement.

BASIS FOR DISCLAIMER OF OPINION

MATERIAL UNCERTAINTY RELATING TO THE GOING CONCERN BASIS

In forming our opinion, we have considered the adequacy of the disclosure made in note 2 to the consolidated financial statements which explains that on 28 July 2009, an exclusivity agreement was entered into among an investor, the Company and the Provisional Liquidators to grant the investor exclusivity for the preparation of a resumption proposal and negotiation in good faith of legally binding agreements for the implementation of the Company's restructuring proposal and resumption proposal, and the in-principle approval granted by The Stock Exchange of Hong Kong Limited to resume the trading in the shares of the Company on 26 July 2010.

The consolidated financial statements have been prepared on a going concern basis on the assumption that the proposed restructuring will be successfully implemented and that, following the restructuring proposal, the Group will continue to meet in full its financial obligations as they fall due in the foreseeable future. The consolidated financial statements do not include any adjustments that would result from a failure to implement the restructuring proposal. We consider that the disclosures are adequate. However, in view of the extent of the material uncertainty relating to the completion of the implementation of the restructuring proposal, we disclaim our opinion in respect of the material uncertainty relating to the going concern basis.

DISCLAIMER OF OPINION: DISCLAIMER ON VIEW GIVEN BY CONSOLIDATED FINANCIAL STATEMENTS

Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs relating to the going concern basis as described above, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the state of affairs of the Group as at 31 July 2010 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PKF
Certified Public Accountants

Hong Kong, 22 October 2010

Consolidated Statement of Comprehensive Loss

For the year ended 31 July 2010

	Note	2010 HK$'000	2009 HK$'000
Turnover	8	**35,285**	1,965
Cost of sales		**(28,198)**	(1,465)
Gross profit		**7,087**	500
Other revenue	8	**278**	3,755
Selling and distribution costs		**(821)**	(1,491)
General and administrative expenses		**(2,436)**	(27,081)
Restructuring costs		**(4,287)**	(1,901)
Write-down of inventories		**–**	(7,954)
Provision for bad and doubtful debts		**–**	(559)
Loss on disposal of financial assets at fair value through profit or loss		**–**	(14,610)
Loss from operating activities	9	**(179)**	(49,341)
Finance costs	10	**(1,347)**	(32,985)
Gain on deconsolidation of subsidiaries	29	**3,187**	9,497
Impairment on			
– Amounts due from deconsolidated subsidiaries		**–**	(23,403)
– Property, plant and equipment		**–**	(1,411)
Profit/(loss) before tax		**1,661**	(97,643)
Tax	13(a)	**(1,461)**	–
Profit/(loss) for the year	14	**200**	(97,643)
Other comprehensive (loss)/income for the year			
– Release of exchange fluctuation reserve upon deconsolidation of subsidiaries		**(484)**	(2,253)
– Exchange differences arising on translation of financial statements of overseas subsidiaries		**(369)**	1,331
Total comprehensive loss for the year		**(653)**	(98,565)
Earnings/(loss) per share	15		
Basic (HK cents)		**0.01**	(7.22)
Diluted		**N/A**	N/A

Consolidated Statement of Financial Position

As at 31 July 2010

	Note	2010 HK$'000	2009 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**48**	–
Leasehold land	17	**–**	–
Intangible assets	18	**–**	–
Goodwill	19	**–**	–
		48	–
CURRENT ASSETS			
Trade receivables	20	**7,188**	–
Deposits, prepayments and other receivables	21	**172**	162
Cash and bank balances		**4,218**	1,656
		11,578	1,818
Non-current assets held for sales	22	**–**	11,234
		11,578	13,052
DEDUCT:			
CURRENT LIABILITIES			
Bank and other borrowings	23	**5,629**	5,018
Trade payables	24	**1,582**	1,352
Convertible bonds	25	**106,600**	106,600
Amounts due to deconsolidated subsidiaries	26	**2,928**	3,972
Other payables and accruals		**44,222**	46,091
Amount due to the Investor	27	**9,687**	–
Income tax payable		**2,223**	1,093
		172,871	164,126
Liabilities directly associated with non-current assets held for sales	22	**–**	9,518
		172,871	173,644
NET CURRENT LIABILITIES		**(161,293)**	(160,592)
NET LIABILITIES		**(161,245)**	(160,592)

As at 31 July 2010

	Note	2010 HK$'000	2009 HK$'000
REPRESENTING:			
CAPITAL AND RESERVES			
Share capital	28(a)	**67,620**	67,620
Reserves		**(228,865)**	(228,212)
CAPITAL DEFICIENCY		**(161,245)**	(160,592)

APPROVED AND AUTHORISED FOR ISSUE BY THE BOARD OF DIRECTORS ON 22 OCTOBER 2010

Wong Sai Wa
DIRECTOR

Wong Moon Ha
DIRECTOR

Consolidated Statement of Cash Flows

For the year ended 31 July 2010

	Note	**2010**	2009
		HK$'000	HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**1,661**	(97,643)
Adjustments for:			
Interest expenses and finance lease charges		**1,347**	26,385
Redemption premium of convertible bonds		**–**	6,600
Interest income		**(5)**	(78)
Depreciation and amortisation of leasehold		**6**	787
Loss on disposal of financial assets at fair value through profit or loss		**–**	14,610
Loss on disposal of property, plant and equipment, leasehold land and non-current assets held for sales		**258**	7,349
Provision for bad and doubtful debts		**–**	559
Write-down of inventories		**–**	7,954
Gain on deconsolidation of subsidiaries		**(3,187)**	(9,497)
Impairment on amounts due from deconsolidated subsidiaries		**–**	23,403
Impairment on property, plant and equipment		**–**	1,411
Profit/(loss) before working capital changes		**80**	(18,160)
Decrease in inventories		**–**	101
Increase in trade receivables		**(7,133)**	(602)
Increase in deposits, prepayments and other receivables		**(11)**	(3,907)
Increase in trade payables		**198**	69
(Decrease)/increase in other payables and accruals		**(469)**	4,436
Cash used in operations		**(7,335)**	(18,063)
Interest received		**5**	78
Interest paid		**–**	(190)
Tax paid		**(351)**	–
NET CASH USED IN OPERATING ACTIVITIES		**(7,681)**	(18,175)

Consolidated Statement of Cash Flows *(continued)*

For the year ended 31 July 2010

	Note	2010 HK$'000	2009 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		**(54)**	(20)
Deconsolidation of subsidiaries	29	**(64)**	(633)
Proceeds from disposal of non-current assets held for sales and property, plant and equipment		**741**	5,343
Proceeds from disposal of financial assets at fair value through profit or loss		**–**	36,037
NET CASH FROM INVESTING ACTIVITIES		**623**	40,727
CASH FLOWS FROM FINANCING ACTIVITIES			
Advances from the Investor		**9,612**	–
Repayment of bank loans		**–**	(139)
Principal repayment of finance lease obligations		**–**	(42)
Repayment of other loans		**–**	(32,889)
NET CASH FROM/(USED IN) FINANCING ACTIVITIES		**9,612**	(33,070)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**2,554**	(10,518)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**8**	(323)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**1,656**	12,497
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**4,218**	1,656
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**4,218**	1,656

Consolidated Statement of Changes in Equity

For the year ended 31 July 2010

	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Share option reserve HK$'000	Convertible bond equity reserve HK$'000	Warrants reserve HK$'000	Exchange fluctuation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 August 2008	67,620	101,086	27,104	14,364	29,634	4,807	(504)	(306,138)	(62,027)
Total comprehensive loss for the year	–	–	–	–	–	–	(922)	(97,643)	(98,565)
At 31 July 2009 and at 1 August 2009	67,620	101,086	27,104	14,364	29,634	4,807	(1,426)	(403,781)	(160,592)
Total comprehensive loss for the year	–	–	–	–	–	–	(853)	200	(653)
At 31 July 2010	67,620	101,086	27,104	14,364	29,634	4,807	(2,279)	(403,581)	(161,245)

The capital reserve arising from capitalisation of a loan represents the difference between the amount due to a former beneficial shareholder capitalised and the nominal value of shares issued by a subsidiary, China Biotechnology Limited.

1. CORPORATE INFORMATION

China Medical and Bio Science Limited (Provisional Liquidators Appointed) (the "Company") and its subsidiaries (collectively the "Group") are principally engaged in feedstock business, mainly involving in the development and distribution of feedstock 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 at 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) Winding-up petition and appointment of the provisional liquidators

On 13 May 2008, a winding-up petition was presented and filed in the High Court of the Hong Kong Special Administrative Region (the "High Court") by Shantou Xinyuan Trading Company Limited, the petitioner of the Company. On 2 December 2008, an ex-parte application was filed and served onto the Company by Keywise Greater China Opportunities Master Fund, a supporting creditor of the Company, for the appointment of provisional liquidators of the Company. On 3 December 2008, the High Court appointed Messrs. Stephen Liu Yiu Keung and David Yen Ching Wai, both of Ernst & Young Transactions Limited, as the joint and several provisional liquidators (the "Provisional Liquidators") of the Company.

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

By an order of the High Court of Hong Kong dated 8 October 2010, the hearing for the petition which was initially fixed on 12 November 2008 was further adjourned to 11 April 2011.

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

(b) Proposed restructuring of the Group

On 5 December 2008, the Provisional Liquidators appointed Asian Capital (Corporate Finance) Limited as financial adviser to the Company (the "Financial Adviser"). Since then, the Provisional Liquidators and the Financial Adviser have 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 28 July 2009, an 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 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 for the best interest of the Company and its stakeholders.

Pursuant to the Exclusivity Agreement, the Investor undertook that it would deposit sufficient funds up to HK$9 million as working capital to meet the trading and operation expenses required to maintain a viable, continuing business of the Company during the course of the proposed restructuring and after the date of the Exclusivity Agreement.

The Financial Adviser submitted the Resumption Proposal on behalf of the Company to the Stock Exchange on 30 November 2009. An updated Resumption Proposal was further submitted to the Stock Exchange on 19 May 2010.

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;

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

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

(ii) all the creditors of the Company discharging and waiving their claims against the Company by way of schemes of arrangement in Hong Kong and the Cayman Islands (the "Schemes"), as appropriate; and

(iii) resumption of trading in the shares of the Company upon completion of the proposed restructuring subject to the restoration of sufficient public float.

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

On 26 July 2010, the Stock Exchange had granted a conditional approval to the Company to resume the trading in the shares of the Company subject to the Company fulfills the stipulated conditions by 30 April 2011. The Company, Provisional Liquidators and the Investor are now taking appropriate steps to implement the transactions contemplated in the Resumption Proposal and fulfill the conditions set by the Stock Exchange.

(c) Adoption of going concern basis

As at 31 July 2010, the Group had net current liabilities and net liabilities of approximately HK$161,293,000 and HK$161,245,000 respectively. The indebtedness of the Group mainly comprised of bank and other borrowings, convertible bonds and amount due to the Investor, which represented a total of approximately HK$121,916,000, of which bank loans of approximately HK$4,775,000 were overdue as at 31 July 2010. These conditions indicate the existence of a material uncertainty which may 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 continue 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 reclassify the non-current assets as current assets, to adjust the value of the Group's assets to their recoverable amounts and to provide for any further liabilities which might arise.

2. BASIS OF PREPARATION *(continued)*

(d) Compliance with Hong Kong Financial Reporting Standards

These consolidated financial statements have been prepared in accordance with 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. These consolidated financial statements also comply with the applicable disclosures required by the GEM Listing Rules and by the Hong Kong Companies Ordinance.

The preparation of financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

(e) Deconsolidation of subsidiaries

(i) On 17 November 2009, the liquidation of Guangdong Yang Yang Bio Products Company Limited ("Guangdong Yang Yang"), an indirect wholly-owned subsidiary of the Company, was approved by the Bureau of Foreign Trade and Economic Cooperation of Guangzhou Municipality of the People's Republic of China (the "PRC"). Since then, the Group 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.

(ii) On 27 March 2009, the Company's wholly-owned subsidiary, Yang Yang Bio-Products (S)(PTE.) LTD. ("Singapore Yang Yang"), passed a resolution in writing pursuant to an article of association of Singapore Yang Yang that Singapore Yang Yang would be wound up voluntarily and a creditors' meeting would be convened.

The creditors' meeting was convened on 27 April 2009 for the purpose of the presentation of a Statement of Affairs of Singapore Yang Yang, the appointment of liquidator and the establishment of Committee of Inspection. The liquidator was subsequently appointed on 27 April 2009. The management considered that the Group's control over Singapore Yang Yang has been lost. Accordingly, the results, assets and liabilities of Singapore Yang Yang were not included into the consolidated financial statements of the Group with effect from 27 April 2009.

2. BASIS OF PREPARATION *(continued)*

(e) Deconsolidation of subsidiaries *(continued)*

(iii) On 26 August 2009, a liquidator was appointed to the Company's wholly-owned subsidiary, Japan Yang Yang Bio Products Company Limited ("Japan Yang Yang"). The management considered that control over Japan Yang Yang had already been lost as at 31 July 2009 and the liquidator was appointed shortly after 31 July 2009. Accordingly, Japan Yang Yang was since excluded from the consolidated financial statements of the Group for the year ended 31 July 2009.

In the opinion of the management, the consolidated financial statements for the years ended 31 July 2010 and 2009 prepared on the aforementioned basis present more fairly the results and state of affairs of the Group as a whole in light of the aforesaid liquidation against the subsidiaries.

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

(a) Initial application of HKFRSs

In the current year, the Group initially applied the following HKFRSs:-

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 3	Business Combinations
HKFRS 8	Operating Segments
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners
HK(IFRIC)-Int 18	Transfers of Assets from Customers
Amendments to HKAS 32 and HKAS 1	Puttable Financial Instruments and Obligations Arising on Liquidation

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

(a) Initial application of HKFRSs *(continued)*

Amendments to HKAS 27	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
Amendments to HKAS 39	Eligible Hedged Items
Amendments to HKFRS 2	Share-based payment-Vesting Conditions and Cancellations
Amendments to HKFRS 7	Improving Disclosures about Financial Instruments
Amendments to HK-Int 4	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases
HKFRSs	Improvements to HKFRSs (2008)
HKFRSs	Improvements to HKFRSs (2009) – amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16

The initial application of these HKFRSs does not necessitate material changes in the Group's accounting policies or retrospective adjustments of the comparatives presented, except the following:

(i) HKAS 1 (Revised) requires the presentation of a new "statement of comprehensive income" and disclosure of the components of "other comprehensive income", including but not limited to "reclassification adjustments". Comparative information is reclassified to conform to the new presentation.

(ii) HKFRS 8 requires segment disclosure to be based on the way that the Group's management regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's management for the purposes of assessing segment performance and making decisions about operating matters. This contrasts with the presentation of segment information in prior years which was based on a dis-aggregation of the Group's financial statements into segments based on the related products and services. The adoption of HKFRS 8 resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's management, and has resulted in certain segments aggregated and presented as one segment. Corresponding amounts have been provided on a consistent basis with the revised segment information.

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

(b) HKFRSs in issue but not yet effective

The following HKFRSs in issue at 31 July 2010 have not been applied in the preparation of the Group's financial statements for the year then ended since they were not yet effective for annual periods beginning on 1 August 2009:

HKAS 24 (Revised)	Related Party Disclosures[4]
HKFRS 9	Financial Instruments[6]
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments[3]
Amendments to HKAS 32	Classification of Rights Issues[2]
Amendments to HKAS 2	Group Cash-settled Share-based Payment Transactions[1]
Amendments to HK(IFRIC)-Int 14	Prepayments of a Minimum Funding Requirement[5]
Improvements to HKFRSs 2009	Other than amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16[1]
Improvements to HKFRSs 2010[2]	

[1] Effective for financial period commencing on or after 1 January 2010

[2] Effective for financial period commencing on or after 1 February 2010

[3] Effective for financial period commencing on or after 1 July 2010

[4] Effective for financial period commencing on or after 1 July 2010 and 1 January 2011, as appropriate

[5] Effective for financial period commencing on or after 1 January 2011

[6] Effective for financial period commencing on or after 1 January 2013

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 July 2010. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intra-company transactions and balances within the Group are eliminated on consolidation.

(b) Property, plant and equipment

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

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

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

The assets' useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Leasehold land

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

(d) Subsidiaries

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

(e) Goodwill

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

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

Any impairment loss for goodwill is recognised directly in profit or loss and is not reversed in subsequent periods.

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

(f) Intangible assets

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Receivables

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

(h) Revenue recognition

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

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

(i) Borrowing costs

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

All other borrowing costs are charged to profit or loss in the period in which they are incurred.

(j) Impairment of assets

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Payables

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

(l) Interest-bearing loans and borrowings

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

(m) Provisions and contingent liabilities

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

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

(n) Leases

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) Foreign currency translation

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

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the market exchange rates ruling at the end of the reporting period. Differences on foreign currency translation are dealt with in profit or loss.

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

(p) Employee benefits

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(p) Employee benefits *(continued)*

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share option reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the share option reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share option reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits/accumulated losses).

(q) Income tax

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

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

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

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

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

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

(q) Income tax *(continued)*

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

(r) Related parties

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

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

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

(s) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(t) Convertible bonds

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

(u) Cash equivalents

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

5. CRITICAL JUDGMENT AND KEY ESTIMATES

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

(a) Going concern basis

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

(b) Income tax

As at 31 July 2010, no deferred tax asset had been recognised in respect of the unutilised tax losses of approximately HK$44,116,000 (2009: HK$59,893,000) due to the unpredictability of future taxable profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profit or taxable temporary differences will be available in the future. In cases where the actual future profits generated are more than expected, a material recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a recognition takes place.

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

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

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

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

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. These risks are limited by the Group's financial management policies and practices described below:

(a) Credit risk

The Group's credit risk is primarily attributable to its receivables and deposits. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Regular review and follow up actions are carried out on overdue amounts to minimise the Group's exposure to credit risk. An aging analysis of the debtors is prepared on a regular basis and is closely monitored to minimise any credit risk associated with these debtors. The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial assets in the consolidated statement of financial position after deducting any impairment allowance. The Group does not provide any guarantee which would expose the Group to credit risk. Further quantitative disclosures in respect of the Group's exposure to credit risk arising from receivables and deposits are set out in notes 20 and 21 to the financial statements.

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

(b) Liquidity risk

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

The following table details the contractual maturities as at 31 July 2010 of the Group's non-derivative financial liabilities which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	2010			2009		
	Carrying amount HK$'000	**Total contractual undiscounted cash flows HK$'000**	**Due within 1 year or on demand HK$'000**	Carrying amount HK$'000	Total contractual undiscounted cash flows HK$'000	Due within 1 year or on demand HK$'000
Bank and other borrowings	**5,629**	**6,234**	**6,234**	5,018	5,407	5,407
Trade payables	**1,582**	**1,582**	**1,582**	1,352	1,352	1,352
Convertible bonds	**106,600**	**106,600**	**106,600**	106,600	106,600	106,600
Amounts due to deconsolidated subsidiaries	**2,928**	**2,928**	**2,928**	3,972	3,972	3,972
Other payables and accruals	**44,222**	**44,222**	**44,222**	46,091	46,091	46,091
Amount due to the Investor	**9,687**	**9,828**	**9,828**	–	–	–
	170,648	**171,394**	**171,394**	163,033	163,422	163,422

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

(c) Interest rate risk

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

The Group's interest rate risk arises primarily from cash at banks, bank and other borrowings and amount due to the Investor.

(i) Interest rate profile

The following table details the interest rate profile of the Group's interest-bearing financial instruments as at 31 July 2010:

	2010		2009	
	Effective interest rate p.a. %	**HK$'000**	Effective interest rate p.a. %	HK$'000
Fixed rate liabilities:				
Other loans	**24**	**(854)**	24	(682)
Amount due to the Investor	**5**	**(2,813)**	–	–
Variable rate assets/ (liabilities):				
Cash at banks	**0.36**	**1,794**	0.36	44
Bank loans	**8.97**	**(4,775)**	8.97	(4,336)
Liabilities directly associated with non-current assets classified as held for sales	–	–	6	(9,518)

(ii) Sensitivity analysis

As at 31 July 2010, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit for the year and increase/decrease the Group's accumulated losses by approximately HK$66,000 (2009: loss for the year and accumulated losses increase/decrease by HK$145,000).

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

(c) Interest rate risk *(continued)*

(ii) Sensitivity analysis (continued)

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting period. The analysis is performed on the same basis for 2009.

(d) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group considers hedging significant currency risk should the need arise.

The Group has minimal exposure to foreign currency risk as most of its business transactions, and recognised financial assets and liabilities are dominated in the functional currency of the group entities to which they relate.

(e) Fair value

All significant financial assets and liabilities are carried at amounts not materially different from their fair values as at 31 July 2010 and 2009.

7. SEGMENTS AND ENTITY-WIDE INFORMATION

Reportable segments

For management purposes, the Group is organised into two divisions which are the basis on which the Group reports its segment information.

Segment information is presented by the following segments:

– the feedstock products segment comprises the feedstock business; and

– the other segment comprises corporate activities and other non-feedstock businesses.

For the purposes of assessing segment performance and allocating resources between segments, the Group's management monitors the results, assets and liabilities attributable to each reportable segment on the following basis:

(1) Segment assets consist primarily of property, plant and equipment and trade receivables. Segment liabilities comprise operating liabilities and mainly exclude items such as borrowings and income tax payable.

(2) Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets and liabilities are determined before inter-segment transactions and balances and after transactions and balances between group entities within a single segment.

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

(4) Unallocated items comprise non-current assets held for sales, bank and other borrowings, convertibles bonds, amount due to the Investor, income tax payable and liabilities associated with non-current assets held for sales.

7. SEGMENTS AND ENTITY-WIDE INFORMATION *(continued)*

Reportable segments *(continued)*

Segment information about the aforementioned businesses is set out as follows:

	Feedstock products		Other		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:						
Sales to external customers	**35,285**	819	**–**	1,146	**35,285**	1,965
Other revenue	**266**	200	**7**	3,477	**273**	3,677
Total revenue	**35,551**	1,019	**7**	4,623	**35,558**	5,642
Segment results	**4,977**	(14,784)	**2,313**	(23,237)	**7,290**	(38,021)
Interest income					**5**	78
Restructuring costs					**(4,287)**	(1,901)
Finance costs					**(1,347)**	(32,985)
Impairment on						
– Amounts due from deconsolidated subsidiaries					**–**	(23,403)
– Property, plant and equipment					**–**	(1,411)
Profit/(loss) before tax					**1,661**	(97,643)
Tax	**(1,461)**	–	**–**	–	**(1,461)**	–
Profit/(loss) for the year					**200**	(97,643)

7. SEGMENTS AND ENTITY-WIDE INFORMATION *(continued)*

Reportable segments *(continued)*

	Feedstock products		Other		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
ASSETS						
Segment assets	**9,213**	1,777	**5,737**	20,099	**14,950**	21,876
Elimination of inter-segment receivable					**(3,324)**	(20,058)
					11,626	1,818
Unallocated assets						
– Non-current assets held for sales					**–**	11,234
Consolidated total assets					**11,626**	13,052
LIABILITIES						
Segment liabilities	**4,957**	21,438	**47,099**	50,035	**52,056**	71,473
Elimination of inter-segment payable					**(3,324)**	(20,058)
					48,732	51,415
Unallocated liabilities						
– Bank and other borrowings					**5,629**	5,018
– Convertible bonds					**106,600**	106,600
– Amount due to the Investor					**9,687**	–
– Income tax payable					**2,223**	1,093
– Liabilities directly associated with non-current assets held for sales					**–**	9,518
Consolidated total liabilities					**172,871**	173,644
OTHER INFORMATION						
Capital expenditure	**54**	20	**–**	–	**54**	20
Depreciation and amortisation	**6**	500	**–**	287	**6**	787

7. SEGMENTS AND ENTITY–WIDE INFORMATION *(continued)*

Reportable segments *(continued)*

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

Entity-wide information

For the year ended 31 July 2010, revenues from one customer had contributed to more than 10% of the Group's revenue amounting to approximately HK$6,733,000 is from segment of bio-feedstock business.

8. TURNOVER AND OTHER REVENUE

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

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

	2010	2009
	HK$'000	HK$'000
Turnover		
Sale of feedstock products	**35,285**	819
Sale of safe food	**–**	1,146
	35,285	1,965
Other revenue		
Interest income	**5**	78
Forfeiture of non-refundable advances from a potential investor	**–**	3,442
Sundry income	**273**	235
	278	3,755
Total revenue	**35,563**	5,720

9. LOSS FROM OPERATING ACTIVITIES

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

	2010 HK$'000	2009 HK$'000
Amortisation of leasehold land	–	113
Auditors' remuneration	335	300
Depreciation	6	674
Sales proceeds	(10,976)	(5,343)
Less: Net book value	11,234	12,692
Loss on disposal of property, plant and equipment, leasehold land and non-current assets held for sales	258	7,349
Minimum operating lease payments for land and buildings	565	1,600
Staff costs (including directors' emoluments in note 11)		
Salaries, wages and other allowances	1,016	5,582
Pension scheme contributions	35	178
	1,051	5,760

10. FINANCE COSTS

	2010 HK$'000	2009 HK$'000
Interest on convertible bonds	–	25,839
Redemption premium of convertible bonds	–	6,600
Finance lease charges	–	7
Interest on bank loans wholly repayable within five years	1,108	357
Interest on advances from the Investor	75	–
Interest on other loans	164	182
	1,347	32,985

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

	Fees		**Salaries, allowances and benefit-in-kinds**		**Total**	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Executive directors						
Ms. Liu Yang (Note (i))	–	1,147	–	–	–	1,147
Mr. Liu Dong Hui (Note (i))	–	80	–	–	–	80
Mr. Fang Ming (Note (i))	–	171	–	–	–	171
Ms. Wong Moon Ha	–	40	–	–	–	40
Mr. Wong Sai Wa	–	300	–	–	–	300
	–	1,738	–	–	–	1,738
Non-executive director						
Mr. Tan Min (Note (ii))	–	–	–	–	–	–
Independent non-executive directors						
Mr. Garry Alides Willinge (Note (iii))	–	28	–	–	–	28
Mr. Chan Kin Hang	–	41	–	–	–	41
Mr. Chen Zhu Ming (Note (iv))	–	41	–	–	–	41
	–	110	–	–	–	110
	–	1,848	–	–	–	1,848

Notes:

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

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

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

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

For the year ended 31 July 2009, apart from the directors' fees, there were no other emoluments payable to the independent non-executive directors.

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

(a) Directors' emoluments *(continued)*

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

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

(b) Five highest paid individuals

Details of the remuneration of the five (2009: two) highest paid non-director employees, each of whose remuneration is below HK$1,000,000, are as follows:

	2010	2009
	HK$'000	HK$'000
Salaries and allowances	**619**	1,683
Pension scheme contributions	**17**	20
	636	1,703

The five highest paid individuals during the year ended 31 July 2009 included three directors, details of whose remuneration are set out in note 11(a) to the financial statements.

No emoluments were paid by the Group to any of the five highest paid individuals, either as inducement upon joining or to join the Group, or as compensation for loss of office.

12. PENSION SCHEME

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

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

During the year, the Group made pension contributions of approximately HK$35,000 (2009: HK$178,000).

13. TAX

(a) No provision for Hong Kong profits tax has been made as the Group did not have any estimated assessable profits arising in Hong Kong for both years.

The provision for PRC enterprise income tax is calculated at 25% on the estimated assessable profit of a subsidiary operating in the PRC in accordance with the relevant income tax rules and regulations of the PRC for the year. No provision for income taxes in the PRC and other jurisdictions has been made in preceding year as the Group did not have any assessable profits arising in these jurisdictions.

Tax expense for the year can be reconciled as follows:

	2010	2009
	HK$'000	HK$'000
Profit/(loss) before tax	**1,661**	(97,643)
Tax effect at the PRC statutory income tax rate of 25% (2009: Hong Kong profits tax rate of 16.5%)	**415**	(16,111)
Tax effect of non-deductible expenses	**1,918**	16,075
Tax effect of tax exempt revenue	**(865)**	(9)
Tax effect of unrecognised general provision for bad and doubtful debts	**–**	92
Tax effect of unrecognised impairment of assets	**–**	(47)
Others	**(7)**	–
Tax expense	**1,461**	–

(b) The components of unrecognised deductible temporary differences as at 31 July 2010 are as follows:

	2010	2009
	HK$'000	HK$'000
Unutilised tax losses	**44,116**	59,893
Provision for bad and doubtful debts	**–**	38,887
	44,116	98,780

13. TAX *(continued)*

(b) *(continued)*

As at 31 July 2009, the unrecognised unutilised tax losses included in aggregate losses of HK$5,241,000 attributable from Guangdong Yang Yang and its subsidiaries. The unrecognised provision for bad and doubtful debts also included in aggregate provision of HK$4,099,000 attributable from these subsidiaries. These temporary differences were not included in the current year's unrecognised temporary differences as Guangdong Yang Yang and its subsidiaries were deconsolidated during the year (Note 2(e)(i)).

The unutilised tax losses of approximately HK$44,116,000 (2009: HK$59,893,000) accumulated in the PRC subsidiaries would expire in five years from the respective year of loss.

During the year, the provision for bad and doubtful debts of HK$34,788,000 had been written back as the related receivables were considered uncollectible and written off.

Deductible temporary differences have not been recognised in these financial statements owing to the absence of objective evidence in respect of the availability of sufficient taxable profits that are expected to arise to offset against the deductible temporary differences.

14. PROFIT/(LOSS) FOR THE YEAR

Profit/(loss) for the year includes a loss of HK$5,259,000 (2009: HK$41,257,000) which has been dealt with in the financial statements of the Company.

15. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share attributable to shareholders of the Company is based on the profit for the year of approximately HK$200,000 (2009: loss of HK$97,643,000) and the weighted average number of 1,352,400,000 (2009: 1,352,400,000) ordinary shares in issue during the year.

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

16. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and building HK$'000	Leasehold buildings held under medium term lease in Hong Kong HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Computer equipment HK$'000	Total HK$'000
Cost:								
At 1 August 2008	3,466	4,098	1,349	11,429	1,666	4,368	452	26,828
Exchange adjustments	440	–	38	294	149	55	2	978
Additions	–	–	–	–	20	–	–	20
Disposals	–	–	(995)	(6,699)	(488)	(1,112)	(306)	(9,600)
Deconsolidation of subsidiaries	(3,906)	–	(392)	(5,024)	(1,347)	(3,311)	(148)	(14,128)
Transfer to non-current assets held for sales (Note 22)	–	(4,098)	–	–	–	–	–	(4,098)
At 31 July 2009	–	–	–	–	–	–	–	–
Aggregate depreciation:								
At 1 August 2008	33	72	69	1,008	191	715	95	2,183
Exchange adjustments	4	–	–	18	10	25	1	58
Charge for the year	–	51	153	51	157	211	51	674
Written back on disposals	–	–	(216)	(407)	(268)	(305)	(121)	(1,317)
Deconsolidation of subsidiaries	(37)	–	(6)	(670)	(90)	(646)	(26)	(1,475)
Transfer to non-current assets held for sales (Note 22)	–	(123)	–	–	–	–	–	(123)
At 31 July 2009	–	–	–	–	–	–	–	–
Impairment:								
At 1 August 2008	–	–	–	276	13	3	3	295
Exchange adjustments	–	–	–	(2)	(1)	–	–	(3)
Charge for the year	–	1,411	–	–	–	–	–	1,411
Written back on disposals	–	–	–	(274)	(12)	(3)	(3)	(292)
Transfer to non-current assets held for sales (Note 22)	–	(1,411)	–	–	–	–	–	(1,411)
At 31 July 2009	–	–	–	–	–	–	–	–
Net book value:								
At 31 July 2009	–	–	–	–	–	–	–	–

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

	Furniture, fixtures and office equipment HK$'000
Cost:	
At 1 August 2009	–
Additions	54
At 31 July 2010	**54**
Aggregate depreciation:	
At 1 August 2009	–
Charge for the year	6
At 31 July 2010	**6**
Net book value:	
At 31 July 2010	**48**

17. LEASEHOLD LAND

	2010 **HK$'000**	2009 HK$'000
Net book value at beginning of the year	**–**	13,518
Exchange difference	**–**	(34)
Amortisation for the year	**–**	(113)
Disposals	**–**	(4,701)
Transfer to non-current assets held for sales (Note 22)	**–**	(8,670)
Net book value at end of the year	**–**	–

18. INTANGIBLE ASSETS

	Technical know-how HK$'000	Production licenses HK$'000	Total HK$'000
Cost:			
At 1 August 2008	14,141	8,410	22,551
Exchange adjustments	(101)	(60)	(161)
At 31 July 2009	14,040	8,350	22,390
Aggregate amortisation:			
At 1 August 2008	14,141	3,514	17,655
Exchange adjustments	(101)	(25)	(126)
At 31 July 2009	14,040	3,489	17,529
Impairment:			
At 1 August 2008	–	4,896	4,896
Exchange adjustments	–	(35)	(35)
At 31 July 2009	–	4,861	4,861
Net book value:			
At 31 July 2009	–	–	–
Cost:			
At 1 August 2009	14,040	8,350	22,390
Exchange adjustments	150	89	239
Written off	(14,190)	(8,439)	(22,629)
At 31 July 2010	–	–	–
Aggregate amortisation:			
At 1 August 2009	14,040	3,489	17,529
Exchange adjustments	150	37	187
Written off	(14,190)	(3,526)	(17,716)
At 31 July 2010	–	–	–
Impairment:			
At 1 August 2009	–	4,861	4,861
Exchange adjustments	–	52	52
Written off	–	(4,913)	(4,913)
At 31 July 2010	–	–	–
Net book value:			
At 31 July 2010	–	–	–

19. GOODWILL

	HK$'000
Cost:	
At 1 August 2008, 31 July 2009 and 31 July 2010	**26,701**
Impairment:	
At 1 August 2008, 31 July 2009 and 31 July 2010	**26,701**
Net book value:	
At 31 July 2010 and 31 July 2009	**–**

The goodwill is identified to the cash-generating units of veterinary drugs business in the PRC. The directors are of the opinion that the recoverable amount of the goodwill is less than the carrying amount in the consolidated statement of financial position. Accordingly, full impairment has been made.

20. TRADE RECEIVABLES

	2010	2009
	HK$'000	HK$'000
Trade receivables	**7,188**	28,279
Provision for bad and doubtful debts	**–**	(28,279)
	7,188	–

The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period up to 60 days 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 31 July 2010, based on payment due date and net of provision, is as follows:

	2010	2009
	HK$'000	HK$'000
Within 2 months	**7,188**	–

20. TRADE RECEIVABLES *(continued)*

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

	2010	2009
	HK$'000	HK$'000
At beginning of the year	**28,279**	28,169
Provided for the year	**–**	110
Uncollectible amount written off	**(28,279)**	–
At end of the year	**–**	28,279

21. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2010	2009
	HK$'000	HK$'000
Deposits and other receivables	**172**	17,844
Provision for bad and doubtful debts	**–**	(17,682)
	172	162

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

	2010	2009
	HK$'000	HK$'000
At beginning of the year	**17,682**	17,233
Provided for the year	**–**	449
Uncollectible amount written off	**(17,682)**	–
At end of the year	**–**	17,682

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

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

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

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

During the year, the Mortgaged Properties were disposed of at a consideration of approximately HK$10,976,000 and the corresponding mortgage loans were fully settled.

23. BANK AND OTHER BORROWINGS

	2010	2009
	HK$'000	HK$'000
Unsecured bank loans	4,775	4,336
Unsecured other loans	854	682
	5,629	5,018

Notes:

(a) The Group's borrowings are denominated in the functional currency of the group entities to which they relate.

(b) The bank loans carry variable interest rate at 8.97% (2009: 8.97%) per annum and the other loans carry fixed interest rate of 24% (2009: 24%) per annum.

(c) The other loans are due to a family member of a former senior management personnel of the Group.

24. TRADE PAYABLES

An aged analysis of the trade payables as at 31 July 2010, based on payment due date, is as follows:

	2010	2009
	HK$'000	HK$'000
Within 3 months	298	–
6 to 12 months	–	61
Over 1 year	1,284	1,291
	1,582	1,352

25. CONVERTIBLE BONDS

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

25. CONVERTIBLE BONDS *(continued)*

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

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

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

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

	Liability component of convertible bonds HK$'000	Equity component of convertible bonds HK$'000	Equity component of warrants HK$'000	Total HK$'000
At 1 August 2008	74,161	29,634	4,807	108,602
Finance costs	32,439	–	–	32,439
At 31 July 2009 and 31 July 2010	**106,600**	**29,634**	**4,807**	**141,041**

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

None of the Convertible Bonds and the Nil-paid warrants were converted, exercised, redeemed or cancelled during the years ended 31 July 2009 and 2010.

26. AMOUNTS DUE TO DECONSOLIDATED SUBSIDIARIES

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

27. AMOUNT DUE TO THE INVESTOR

The amount is due to the Investor. An amount of approximately HK$6,874,000 is interest-free and unsecured. If the legally binding agreement for the implementation of the Group's restructuring proposal and Resumption Proposal (the "Formal Agreement") proceeds with completion, the amount shall not be transferred or dealt with under any arrangement used to implement the Restructuring Proposal or any restructuring and will remain as a debt owed by the Group to the Investor, and upon the completion of the Formal Agreement, the Group shall apply the same towards the payment of the subscription money payable by the Investor for subscription of the shares of the Group under the Formal Agreement. The remaining amount of approximately HK$2,813,000 carries interest at 5% per annum, is secured by way of first floating charge on all properties and assets of the Company's direct wholly-owned subsidiary, Tony China Limited ("Tony China"), and repayable on the Maturity Date as defined below or within 5 business days after a demand is made by the Investor.

Maturity Date represents the earliest of, (i) the date on which the completion of the Resumption Proposal has failed to take place; (ii) the date on which the Investor notifies the Group that it will not execute the Formal Agreement provided that the Investor shall not give such notification to the Group within 6 months from the date of the Exclusivity Agreement; and (iii) the expiry date of a period of 6 months from the date of granting of the in-principle approval of the Resumption Proposal by the Stock Exchange.

27. AMOUNT DUE TO THE INVESTOR *(continued)*

The properties and assets of Tony China comprise mainly cash at banks and the investment in its wholly-owned subsidiary, Xiamen Dongyu Trading Company Limited ("Dongyu"). Details of the assets of Tony China and Dongyu included in the Group's consolidated statement of financial position as at 31 July 2010 are as follows:

	HK$'000
Property, plant and equipment	48
Trade receivables	7,188
Deposits, prepayments and other receivables	11
Cash and bank balances	1,773
	9,020

28. SHARE CAPITAL

(a) Shares

	2010	2009
	HK$'000	HK$'000
Authorised:		
3,000,000,000 ordinary shares of HK$0.05 each	**150,000**	150,000
Issued and fully paid:		
1,352,400,000 ordinary shares of HK$0.05 each	**67,620**	67,620

(b) Capital management

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

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

29. DECONSOLIDATION OF SUBSIDIARIES

As disclosed in note 2(e)(i) to the financial statements, the management considered that the control over the Excluded Subsidiaries has been lost due to the approval of liquidation of these subsidiaries by the relevant government bureau.

As disclosed in notes 2(e)(ii) and 2(e)(iii) to the financial statements, the management considered that the control over Singapore Yang Yang and Japan Yang Yang has been lost due to the appointment of liquidators of these subsidiaries.

For the purpose of appropriate presentation and in order to allow the public to evaluate the performance of the Group, the aforementioned subsidiaries were excluded from the Group's consolidation with effect from the respective date of the approval of liquidation or appointment of the liquidator.

The details of gain on deconsolidation of subsidiaries are as follows:

	2010	2009
	HK$'000	HK$'000
Net liabilities deconsolidated:		
Property, plant and equipment	**–**	(12,653)
Trade receivable	**–**	(727)
Inventories	**–**	(1,127)
Deposit, prepayments and other receivables	**–**	(2,414)
Cash and bank balances	**(64)**	(633)
Amount due from the Group	**(1,934)**	(3,972)
Other payables and accruals	**4,701**	4,382
Finance lease obligations	**–**	985
Amount due to the Group	**–**	23,403
Net liabilities	**2,703**	7,244
Release of exchange fluctuation reserve	**484**	2,253
Gain on deconsolidation of subsidiaries	**3,187**	9,497

30. SHARE OPTION SCHEMES

(a) Share Option Scheme

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

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

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

For the years ended 31 July 2009 and 2010

				Number of shares to be subscribed for under the share options		
Name or category of of participant	Date of grant	Exercise period of share options	Exercise price	Outstanding at beginning of the year	Exercised/ lapsed/ cancelled during the year	Outstanding at end of the year
			HK$			
Consultants	23.9.2007	23.9.2007 to 22.9.2017	0.43	43,000,000	–	43,000,000
Consultants	14.11.2007	14.11.2007 to 13.11.2017	0.59	27,040,000	–	27,040,000
				70,040,000	–	70,040,000

No option was granted under the Scheme during the years ended 31 July 2009 and 2010.

30. SHARE OPTION SCHEMES *(continued)*

(a) Share Option Scheme *(continued)*

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

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

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

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

The exercise of the above 70,040,000 outstanding share options as at 31 July 2010 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.

30. SHARE OPTION SCHEMES *(continued)*

(b) Pre-IPO Share Option Scheme

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

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

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

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

For the years ended 31 July 2009 and 2010

				Number of shares to be subscribed for under the share options		
Name or category of of participant	Date of grant (Note 1)	Exercise period of share options	Exercise price (Note 2)	Outstanding at beginning of the year	Exercised/ lapsed/ cancelled during the year	Outstanding at end of the year
			HK$			
Director						
Mr. Wong Sai Wa	23.3.2001	10.10.2001 to 22.3.2011	0.55	3,200,000	–	3,200,000

Notes:

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

(2) The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

The exercise of the above 3,200,000 outstanding share options as at 31 July 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 of HK$160,000 and share premium of HK$1,600,000 (before issue expenses). Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

31. LITIGATION

(a) A winding up petition (the "Petition") was served on the Company on 13 May 2008 by 汕頭市欣源貿易有限公司 (Shantou Xinyuan Trading Company Limited) (the "Petitioner'). The Petitioner claimed that the Company was indebted to it in the amount of approximately RMB4,426,000 (the "Alleged Indebtedness") pursuant to an order of the China International Economic and Trade Arbitration Commission (the "Commission") dated 15 February 2008. The Company has made an application to the Second Immediate People's Court of Beijing (the "Beijing Court") to dismiss the order of the Commission on 14 April 2008, which has been accepted by the Beijing Court. As the order which sanctioned the Alleged Indebtedness is subject to further ruling of the Beijing Court, the Company intends to take vigorous action to defend the petition while at the same time continue to pursue the action to dismiss the order of the Commission.

By an order of the High Court of Hong Kong dated 8 October 2010, the hearing for the petition which was initially fixed on 12 November 2008 was further adjourned to 11 April 2011.

(b) On 30 September 2009, the Company and another defendant were purportedly served with a writ of summons (without leave of Court). The plaintiff alleged that various officers and high-ranking employees of the Company had allegedly made certain representations in respect of the Company's financial position and business prospects to him for the purpose of soliciting him to purchase the Company's shares in the market. It was alleged by the plaintiff that he had been induced by such alleged representations to purchase shares in the Company and had suffered serious financial losses due to a plunge in the share price of the Company. The plaintiff claimed against the Company and another defendant for damages for loss and damage suffered by him in the sum of approximately HK$10,335,000 together with interest and costs.

As no leave was granted by the Court to the plaintiff to commence legal proceedings against the Company, the proceedings commenced by the plaintiff against the Company are considered stayed. Based on a legal advice obtained, the Company is of the view that the plaintiff's claim is not a genuine or bona fide claim against the Company and is unmeritorious.

32. CAPITAL COMMITMENTS

On 16 March 2010, the Group entered into the joint venture agreement (as supplemented on 30 June 2010, collectively referred to as the "JV Agreement") with three other joint venture partners (the "JV Partners") for the establishment of a joint venture (the "JV"), which will be principally engaged in the development and manufacturing of feedstock products in the PRC.

Pursuant to the JV Agreement, the registered capital of the JV will amount to RMB18 million (equivalent to approximately HK$20.45 million), and the Group will contribute RMB11.34 million (equivalent to approximately HK$12.88 million) in cash, representing 63% equity interest of the JV. The JV Partners will complete their contribution to the JV's registered capital of RMB 18 million within one year upon the formal establishment of the JV. The JV was incorporated in the PRC in August 2010.

33. SIGNIFICANT SUBSEQUENT EVENTS

The winding-up petition filed by the Petitioner which was originally scheduled to be heard on 12 November 2008 was further adjourned to 11 April 2011. Details of the background information in relation to the winding-up petition are set out in note 31(a) to the financial statements.

34. DETAILS OF SUBSIDIARIES

(a) Particulars of the subsidiaries as at 31 July 2010 are as follows:-

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

34. DETAILS OF SUBSIDIARIES *(continued)*

(a) *(continued)*

Name	Place of incorporation/ establishment and operations	Nominal value of issued ordinary shares/ registered share capital	Percentage of equity attributable to the Company Directly	Indirectly	Principal activities
Zhongshan JBC Bio-Technology Company Limited #	PRC	US$576,566	–	70.00	Dormant
Asia Gain Investment Limited	Hong Kong	HK$1	–	100.00	Dormant
Hong Kong Bio Products Manufacturing Limited	Hong Kong	HK$10,000	–	100.00	Dormant
Global Kingdom Development Limited	British Virgin Islands	US$1	100.00	–	Dormant
Asia Force Development Limited	British Virgin Islands	US$1	100.00	–	Dormant
Hong Kong Yang Yang Bio Products Company Limited	Hong Kong	HK$1	–	100.00	Dormant
Tony China Limited	Hong Kong	HK$1	–	100.00	Investment holding
Xiamen Dongyu Trading Company Limited#	PRC	USD1,000,000	–	100.00	Trading and distribution of animal feed supplements

\# Wholly-foreign-owned enterprise

* Sino-foreign joint venture enterprise

34. DETAILS OF SUBSIDIARIES *(continued)*

(b) As at 31 July 2010, the Group had not yet contributed the outstanding capital of Chengdu Concord Yuen Heng Industrial Co. Ltd. of US$8,839,000. These contributions were due during the year. The Group is considering the options available in respect of the contribution of the outstanding capital.

(c) As at 31 July 2010, the Group had not yet contributed the outstanding capital of Dongyu of US$640,000. These contributions are due for payment before 22 March 2012.

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2010	2009
	HK$'000	HK$'000
NON-CURRENT ASSETS		
Interests in subsidiaries	**10**	–
CURRENT ASSETS		
Deposits, prepayments and other debtors	**17**	–
Cash and cash equivalents	**2,366**	1,511
	2,383	1,511
CURRENT LIABILITIES		
Other payables and accruals	**14,518**	15,193
Amount due to a director	**38**	38
Amount due to the Investor	**6,798**	–
Convertible bonds	**106,600**	106,600
	127,954	121,831
NET CURRENT LIABILITIES	**(125,571)**	(120,320)
TOTAL ASSETS LESS CURRENT LIABILITIES	**(125,561)**	(120,320)
NON-CURRENT LIABILITIES		
Amounts due to subsidiaries	**1,366**	1,348
NET LIABILITIES	**(126,927)**	(121,668)
REPRESENTING:		
CAPITAL AND RESERVES		
Share capital	**67,620**	67,620
Reserves	**(194,547)**	(189,288)
CAPITAL DEFICIENCIES	**(126,927)**	(121,668)