

**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)**

**THIRD QUARTERLY REPORT**

**2010/2011**

*\* For identification purposes only*

## CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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*This report, for which the directors (the “Directors”) of China Medical and Bio Science Limited (Provisional Liquidators Appointed) (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the 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 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 report misleading.*

## HIGHLIGHTS

- Turnover of the Group for the nine months ended 30 April 2011 amounted to approximately HK\$65,266,000 (nine months ended 30 April 2010: approximately HK\$19,475,000) representing an increase of approximately 2.35 times as compared with that in the preceding year.
- Profit attributable to the owners of the Company for the nine months ended 30 April 2011 amounted to approximately HK\$50,628,000 (nine months ended 30 April 2010: approximately HK\$912,000).
- Earnings per share for the nine months ended 30 April 2011 amounted to approximately HK3.74 cents (nine months ended 30 April 2010: approximately HK0.07 cents).
- The directors do not recommend the payment of any interim dividend for the nine months ended 30 April 2011 (nine months ended 30 April 2010: HK\$nil).

## RESULT (UNAUDITED)

The board of directors (the “Board”) of China Medical and Bio Science Limited (Provisional Liquidators Appointed) (the “Company”) presents the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the nine months ended 30 April 2011, together with the comparative unaudited figures for the corresponding period in 2010 as follows:

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	Note	For the three months ended 30 April		For the nine months ended 30 April	
		2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Turnover	3	22,169	12,149	65,266	19,475
Cost of sales		(18,949)	(9,693)	(53,337)	(15,601)
Gross profit		3,220	2,456	11,929	3,874
Other revenue		3	–	27	275
Selling and distribution costs		(941)	(275)	(2,272)	(453)
General and administrative expenses		(1,090)	(394)	(3,616)	(1,552)
Impairment to amount due from deconsolidated subsidiaries		(73,257)	–	(73,257)	–
Restructuring costs		–	(719)	(882)	(3,727)
Finance costs		(97)	(21)	(222)	(757)
Loss on disposal of non-current assets held for sale		–	–	–	(258)
Gain on deconsolidation of subsidiaries		118,607	–	120,994	4,310
Profit before income tax		46,445	1,047	52,701	1,712
Income tax	4	(486)	(511)	(2,137)	(800)
Profit for the period		45,959	536	50,564	912
Other comprehensive income/(loss) for the period, net of tax Exchange differences on translating foreign operations and deconsolidation of subsidiaries		393	(10)	393	(446)
Total comprehensive income for the period		46,352	526	50,957	466
Profit/(loss) for the period attributable to:					
Owners of the Company		45,982	536	50,628	912
Non-controlling interest		(23)	–	(64)	–
		45,959	536	50,564	912
Total comprehensive income/(loss) for the period attributable to:					
Owners of the Company		46,375	526	51,021	466
Non-controlling interest		(23)	–	(64)	–
		46,352	526	50,957	466
Earnings per share attributable to owners of the Company (in HK cents)					
Basic	5	3.40	0.04	3.74	0.07
Diluted	5	N/A	N/A	N/A	N/A

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the nine months ended 30 April 2011

	Attributable to owners of the Company										Non-Controlling interest	Total
	Share Capital	Share premium	Capital reserve	Surplus reserve	Share option reserve	Convertible bond equity reserve	Warrants reserve	Exchange fluctuation reserve	Accumulated losses	Total		
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000		
As at 1 August 2009	67,620	101,086	27,104	-	14,364	29,634	4,807	(1,426)	(403,781)	(160,592)	-	(160,592)
Total comprehensive Income/(loss) for the period	-	-	-	-	-	-	-	(446)	912	466	-	466
As at 30 April 2010 (Unaudited)	<u>67,620</u>	<u>101,086</u>	<u>27,104</u>	<u>-</u>	<u>14,364</u>	<u>29,634</u>	<u>4,807</u>	<u>(1,872)</u>	<u>(402,869)</u>	<u>(160,126)</u>	<u>-</u>	<u>(160,126)</u>
As at 1 August 2010	67,620	101,086	27,104	-	14,364	29,634	4,807	(2,279)	(403,581)	(161,245)	-	(161,245)
Total comprehensive Income/(loss) for the period	-	-	-	-	-	-	-	393	50,628	51,021	(64)	50,957
Transfer of reserves	-	-	-	850	-	-	-	-	(850)	-	-	-
Capital contributed from minority shareholders	-	-	-	-	-	-	-	-	-	-	2,831	2,831
Convertible bond matured	-	-	-	-	-	(29,634)	(4,807)	-	34,441	-	-	-
Share options lapsed/expired	-	-	-	-	(14,364)	-	-	-	14,364	-	-	-
As at 30 April 2011 (Unaudited)	<u>67,620</u>	<u>101,086</u>	<u>27,104</u>	<u>850</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,886)</u>	<u>(304,998)</u>	<u>(110,224)</u>	<u>2,767</u>	<u>(107,457)</u>

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. Corporate information

The Group is principally engaged in feedstock business mainly involving 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 62/F, One Island East, 18 Westlands Road, Island East, Hong Kong.

The Company's shares are listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and have been suspended for trading since 28 October 2008.

### 2. Basis of presentation

#### (a) *Principal Accounting Policies*

The unaudited condensed consolidated results for the nine months ended 30 April 2011 of the Group have been prepared on the historical cost basis and in accordance with accounting principles generally accepted in Hong Kong which include Hong Kong Financial Reporting Standards (the "HKFRSs"), the Hong Kong Accounting Standards (the "HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The accounting policies adopted in the unaudited consolidated results for nine months ended 30 April 2011 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 July 2010.

For the nine months ended 30 April 2011, the Group has adopted the new standards, amendments and interpretation ("New HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning 1 August 2010. The adoption of the New HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

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

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

### 2. Basis of presentation (Cont'd)

#### *(b) Deconsolidation of subsidiaries*

On 21 December 2010, Messrs. Stephen Liu Yiu Keung and David Yen Ching Wai, both of Ernst & Young Transactions Limited, were appointed as the joint and several liquidators to the Company's three indirect wholly-owned subsidiaries, namely Asia Gain Investments Limited, Hong Kong Yang Yang Bio Products Company Limited and Hong Kong Bio Products Manufacturing Limited.

On 9 February 2011, Mr. Andrew Koo Chi Ho of Ernst & Young (China) Advisory Limited and Mr William Tacon of Zolfo Cooper, were appointed as joint liquidators to the Company's indirect wholly-owned subsidiary, namely Glazier Limited ("Glazier"). Glazier was placed into liquidation on 9 February 2011 pursuant to a qualifying resolution passed by the sole member of Glazier, China Biotechnology Limited, a wholly-owned subsidiary of the Company.

As such, the financial results, assets and liabilities and cash flows of the subsidiaries have been deconsolidated from the consolidated financial statements of the Group since the dates the respective liquidators were appointed or qualifying resolution was passed.

### 3. Turnover

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

### 4. Taxation

Income tax expense for the nine months ended 30 April 2011 represents provision for PRC enterprise income tax at 25% on the estimated assessable profit of a subsidiary operating in the PRC.

No provision for Hong Kong profits tax has been made as the Group did not have any estimated assessable profits arising in Hong Kong for the nine months ended 30 April 2011.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

### 5. Earnings per share attributable to the owners of the Company

The calculation of basic earnings per share attributable to owners of the Company for the nine months ended 30 April 2011 is based on the profit attributable to the owners of the Company of approximately HK\$50,628,000 (nine months ended 30 April 2010: profit of approximately HK\$912,000) and the weighted average number of shares in issue during the nine months ended 30 April 2011 of 1,352,400,000 (nine months ended 30 April 2010: 1,352,400,000).

The calculation of basic earnings per share attributable to owners of the Company for the three months ended 30 April 2011 is based on the profit attributable to owners of the Company of approximately HK\$45,982,000 (three months ended 30 April 2010: profit of approximately HK\$536,000) and the weighted average number of shares in issue of 1,352,400,000 during the three months ended 30 April 2011 (three months ended 30 April 2010: 1,352,400,000).

No diluted earnings/(loss) per share is presented for the three and nine months ended 30 April 2010 and 2011 as the conversion of the outstanding convertible bonds, warrants and share options during the periods have an anti-dilutive effect on the basic earnings/(loss) per share.

### 6. Dividend

The directors of the Company do not recommend the payment of any interim dividend for the nine months ended 30 April 2011 (nine months ended 30 April 2010: nil).

### 7. Reclassification of comparatives

Certain comparative figures in the consolidated statement of comprehensive income have been re-classified in order to conform with the current financial period's presentation.



## **BUSINESS REVIEW AND OUTLOOK**

### **WINDING-UP PETITION AND APPOINTMENT OF PROVISIONAL LIQUIDATORS**

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

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

The hearing of the winding up petition of the Company fixed on 11 April 2011 was vacated and adjourned to 22 August 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 quarterly report.

### **RESTRUCTURING**

On 5 December 2008, the Provisional Liquidators appointed Asian Capital (Corporate Finance) Limited as financial adviser to the Company (the “Financial Adviser”). Since then, the Provisional Liquidators and the Financial Adviser had been in discussion and negotiation with various potential investors with a view to 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 “Former Investor”), the Company and the Provisional Liquidators to grant the Former Investor exclusivity for the preparation of a resumption proposal (the “Resumption Proposal”) and negotiation in a good faith

## RESTRUCTURING (CONT'D)

of legally binding agreements for the implementation of the proposed restructuring and the Resumption Proposal. The restructuring proposal so submitted by the Former Investor was accepted by the Provisional Liquidators, and in principle, supported by the major creditors of the Company as it was considered to be in the best interest of the Company and its stakeholders.

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

The 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

## RESTRUCTURING (CONT'D)

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 the 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.

By 27 January 2011, the Company, the Provisional Liquidators and the Former Investor had not been able to enter into a restructuring agreement. The exclusivity period provided in the Exclusively Agreement was also lapsed.

Following the expiry of the Exclusivity Agreement, Thousand Jade International Limited (the "Investor") expressed its interest in taking up the role as an investor and to continue the proposed restructuring by implementing the Resumption Proposal. On 29 April 2011, the Company, the Provisional Liquidators and the Investor entered into a restructuring agreement (as supplemented by a supplemental agreement dated 1 June 2011) (the "Restructuring Agreement"). Pursuant to the Restructuring Agreement, subject to certain conditions, the Investor also agreed to provide up to HK\$30 million as a working capital of the Company.

As the Company had not been able to fulfill all resumption conditions imposed by the Stock Exchange by 30 April 2011, the Company had made an application to the Stock Exchange, which has subsequently granted additional time for the Company to fulfill the resumption conditions to on or before 31 October 2011.

## **FINANCIAL REVIEW**

The Group recorded a turnover of approximately HK\$65,266,000 for the nine months ended 30 April 2011, representing an increase of approximately 2.35 times compared to approximately HK\$19,475,000 recorded in the preceding year. During the same period, the Group recorded a net profit after tax attributable to the Company's owners of approximately HK\$50,628,000 (nine months ended 30 April 2010: profit of approximately HK\$912,000). The increases in the revenue and the net profit attributable to the Company's owners were mainly due to the continuous expansion of the Group's feedstock distribution business, the substantial gain from deconsolidation of subsidiaries, which was partially offset by the impairment to amount due from deconsolidated subsidiaries.

## **MATERIAL ACQUISITIONS AND DISPOSALS**

On 9 February 2011, Mr. Andrew Koo Chi Ho of Ernst & Young (China) Advisory Limited and Mr William Tacon of Zolfo Cooper, were appointed as joint liquidators to the Company's indirect wholly-owned subsidiary, namely Glazier Limited ("Glazier"). Glazier was placed into liquidation on 9 February 2011 pursuant to a qualifying resolution passed by the sole member of Glazier, China Biotechnology Limited, a wholly-owned subsidiary of the Company.

Save as disclosed from the above, the Group had no material acquisition or disposal during the nine months ended 30 April 2011.

## **OPERATION REVIEW**

Since the commencement of business operation of Xiamen Dongyu Trading Co. Limited ("Xiamen Dongyu"), an indirect wholly-owned subsidiary of the Company, and the substantial experience in the feedstock industry and customer contacts possessed by the management of Xiamen Dongyu, the feedstock business of the Group has been expanding rapidly, which resulted in the substantial growth of both the revenue and the net profit of the Group. In addition, Xiamen Dongyu has managed to expand its products offerings from swine feedstock additives to include fish and chicken feedstock products.

## PROSPECTS

The financial position of the Group will be substantially improved upon completion of the proposed restructuring of the Group as contemplated under the Resumption Proposal as all liabilities arising from the creditors of the Company and the creditors of its subsidiaries holding guarantees given by the Company will be compromised and discharged by way of the Schemes as appropriate.

On 16 March 2010, Xiamen Dongyu entered into a joint venture agreement to establish a joint venture company (the “JV”). The incorporation of the JV was completed in August 2010. As announced in the Company’s announcement dated 8 November 2010, on 23 October 2010, the JV entered into a land acquisition agreement to acquire a land parcel at the Yanqian Industrial Zone of Wuping County, Fujian Province, the PRC with a site area of approximately 14,674 square meters to build its own feedstock manufacturing plant. At present, the major construction work of the building to house the manufacturing plant has been completed, and the JV is in the process of installing and final-testing its manufacturing equipments. In April 2011, the JV has also duly obtained the production licence (飼料生產企業合格證) from Fujian Agriculture Department (福建省農業廳). It is expected that the JV will be able to commence its production in due course, after which the Group will be in a better position to capture the growing demand in the feedstock market in the PRC in the future.

The Company is confident that, with the Investor’s strong support in the business and financial aspects, the Group will be able to gain a strong foothold in its business operation and maintain a high rate of expansion towards the resumption of trading in its shares.

## **INDEPENDENT NON-EXECUTIVE DIRECTORS AND 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.

On 28 January 2011, Mr Chan Kin Hang ("Mr. Chan"), the then independent non-executive director of the Company, retired from the office by rotation and did not seek for re-election at the annual general meeting of the Company held on 28 January 2011 due to his time constraint and his intention in focusing on other business engagements. Mr. Chan confirmed he has no disagreement with the Board and there is no matter relating to his retirement that needs to be brought to the attention of the shareholders of the Company.

Following the retirement of Mr. Chan, the Company has no independent non-executive director and audit committee member, which will remain to be below the minimum numbers required under Rules 5.05(1) and 5.28 of the GEM Listing Rules.

Since there are insufficient directors of the Company to be appointed as members of an audit committee, there is no audit committee and the Company's quarterly financial results for the nine months ended 30 April 2011 have not been reviewed by any audit committee. In addition, the quarterly financial results have neither been reviewed by an external auditor. However, the directors of the Company will, as soon as practicable, identify suitable candidates as independent non-executive directors and establish an audit committee pursuant to the GEM Listing Rules.

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

During the nine months ended 30 April 2011, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

## COMPETING INTEREST

None of the directors or the management shareholders (as defined in the GEM Listing Rules) of the Company or their respective associates had any interest in any business, which competes or may compete with the business of the Group.

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

As at 30 April 2011, the interests or short positions of the directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Name of director	Capacity and nature of interest	Share/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)

*Notes:*

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

Save as disclosed herein, as at 30 April 2011, none of the directors or chief executives of the Company has short positions in the shares or underlying shares of equity derivatives of the Company and no other person was individually and/or collectively entitled to exercise or control the exercise of 5% or more of the voting power at general meeting of the Company and was able, as a practical matter, to direct or influence the management of the Company.

## SHARE OPTION SCHEMES

### (a) Share Option Scheme

The Company had adopted the pre-initial public offerings share option scheme (the “Pre-IPO Plan”) and a share option scheme (the “Option Scheme”), the principal terms of which were summarised in the section headed “Statutory and General Information Share Option Schemes” in Appendix 5 to the Company’s prospectus dated 28 March 2001. The Option Scheme became effective on 23 March 2001 and, unless otherwise cancelled or amended, remained in force for ten years from that date.

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

Name of Category of participant	At 1.8.2010	Granted during the period	Exercised during the period	Lapsed during the period	Expired/ Cancelled during the period	At 30.4.2011	Date of grant of share options	Exercise period of share options	Exercise price of share options HK\$
Employees	43,000,000	-	-	(43,000,000)	-	-	23.9.2007	23.9.2007 to 22.9.2017	0.43
Consultants	27,040,000	-	-	(27,040,000)	-	-	14.11.2007	14.11.2007 to 13.11.2017	0.59
	<u>70,040,000</u>	<u>-</u>	<u>-</u>	<u>(70,040,000)</u>	<u>-</u>	<u>-</u>			

The above participants had ceased to be the Eligible Person as defined under the Option Scheme, and as such, there were no share options remain outstanding under the Option Scheme as at the end of the period.



## SHARE OPTION SCHEMES (CONT'D)

### (b) Pre-IPO Plan

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

Name of Category of participant	At 1.8.2010	Granted during the period	Exercised during the period	Lapsed during the period	Expired/ Cancelled during the period	At 30.4.2011	(Note a)	(Note b)	(Note c)
							Date of grant of share options	Exercise period of share options	Exercise price of share options HK\$
Director									
Mr. Wong Sai Wa ("Mr. Wong")	3,200,000	-	-	-	(3,200,000)	-	23.3.2001	10.10.2001 to 22.3.2011	0.55

#### Notes:

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

The 3,200,000 share options granted to Mr. Wong under the Pre-IPO Plan were not exercised within the exercise period from 10 October 2001 to 22 March 2011. Pursuant to the terms of the Pre-IPO Plan, the share options granted to Mr. Wong have expired. During the nine months ended 30 April 2011, none of the directors or employees of the Company had exercised any share options and no allotment or issue of shares was made pursuant to the Pre-IPO Plan.

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

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

As at 30 April 2011, so far as was known to the directors or chief executives of the Company based on the register maintained by the Company pursuant to Part XV of the SFO, the following persons (not being the directors and chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name	Capacity and nature of interest	Shares	Number/amount of shares/equity derivatives held (Long position)	Percentage of the Company's issued share capital	Note
JBC Bio Technology Company Limited ("JBC Bio Tech")	Corporation	Ordinary shares	432,000,000 shares	31.94%	(1)
Ms Liu Yang	Through controlled corporation	Ordinary shares	432,000,000 shares	31.94%	(1)
CPT	Corporation	Ordinary shares	400,000,000 shares	29.58%	(2)
CBM	Through controlled corporation	Ordinary shares	400,000,000 shares	29.58%	(2)
Keywise Capital Management (HK) Limited	Investment Manager	Ordinary shares	220,496,000 shares	16.30%	(3)
Keywise Greater China Opportunities Master Fund ("Keywise")	Investment Manager	Ordinary shares	220,496,000 shares	16.30%	(3)

*Notes:*

- (1) *The shares were held by Ms. Liu Yang (the former director of the Company) through JBC Bio Tech. Prior to the unauthorized sale of 48,000,000 shares as mentioned in the announcement of the Company dated 29 May 2007, JBC Bio Tech held 480,000,000 shares, representing 35.94% of the total issued share capital of the Company.*
- (2) *CPT is a wholly-owned subsidiary of CBM and CBM is wholly owned by Ms. Wong Moon Ha, 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.*

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

- (3) Keywise is an investment fund managed by Keywise Capital Management (HK) Limited. Keywise entered into a bond transfer agreement dated 30 March 2011 to sell Victory Unicorn Limited, an independent third party, all its right, title and interest in the defaulted convertible bonds issued by the Company on 2 November 2007 with the principal amount of HK\$100 million (the "Defaulted CB). Subject to adjudication, the Defaulted CB will be settled under the Schemes.

Save as disclosed above, as at 30 April 2011, the directors and/or chief executives of the Company were not aware of any other person (other than directors and/or chief executives of the Company) who had an interest or short position in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group.

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

As at 30 April 2011, the directors of the Company have not yet adopted a code of conduct regarding directors' securities transactions for directors. However, the directors of the Company will, as soon as practicable, adopt such code of conduct on terms no less stringent than those in the required standard set out in the GEM Listing Rules 5.48 to 5.67 to be complied by all directors of the Company.

Having made specific enquiries to the directors of the Company, the Company was not aware of any noncompliance of securities transactions by directors as set out in the GEM Listing Rules for the nine months ended 30 April 2011.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

During the nine months ended 30 April 2011, with the exception of the situations listed below, the Company complied with the principles of good governance (the "Principles") and code provision (the "Code Provision"). Appendix 15 sets out the "Code on Corporate Governance Practices" (the "Code") of the GEM Listing Rules.

1. Non-executive directors were not appointed for a specific term but were subject to retirement by rotation at the Company's annual general meeting in accordance with the bye-law of the Company. The directors will, as soon as practicable, appoint non-executive directors for a specific term, if appropriate. (Code Provision A.4.1);

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

2. Independent non-executive directors and audit committee member were not appointed. The directors will, as soon as practicable, appoint independent non-executive director(s) and establish an audit committee with specific written reference which deals clearly with its authorities and duties (Code Provision A.3); and
3. 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).

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

## SUSPENSION OF TRADING

Trading in the shares of the Company has been suspended since 9:30 a.m. on 28 October 2008 at the request of the Company and will remain suspended until further notice.

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

Hong Kong, 14 June 2011

*As at the date of this report, the Board of the Company comprises two executive directors, namely Ms. Wong Moon Ha and Mr. Wong Sai Wa.*