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
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.

The Hong Kong Exchanges and Clearing Limited and The Stock Exchange take no responsibility for the contents of this annual report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this annual report.

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 (retired on 28 January 2011)

COMPANY SECRETARY & FINANCIAL CONTROLLER

Lo Wing Hung

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
Wanchai
Hong Kong

STOCK CODE

8120

WEBSITE

www.irasia.com/listco/hk/chinamedical

FINANCIAL REVIEW

The 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 2011 has increased substantially by approximately 1.45 times to approximately HK$86,304,000, as compared with the recorded turnover of approximately HK$35,285,000 in the previous year. In addition, the Company's net profit after tax attributable to the equity shareholders of the Company for the year ended 31 July 2011 is approximately HK$36,339,000, representing an increase of approximately 181 times from its previous year's figure of approximately HK$200,000 as a result of the continuous expansion of the Group's feedstock business in the People's Republic of China ("PRC"), the gain from deconsolidation of subsidiaries and reduction in finance costs and restructuring cost.

For the year ended 31 July 2011, the earnings per share was approximately HK2.69 cents (2010: approximately HK0.01 cent).

WINDING-UP PETITION AND APPOINTMENT OF PROVISIONAL LIQUIDATORS

On 13 May 2008, a winding-up petition (the "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 during the material time, 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 18 August 2011, the hearing for the Petition which was originally fixed on 12 November 2008 was further adjourned to 9 January 2012.

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 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 good faith 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 to deposit sufficient funds of up to HK$9 million as working capital to meet the trading and operating expenses that are incurred after the date of the Exclusivity Agreement to maintain a viable, continuing business of the Company during the course of proposed restructuring.

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 joint venture 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.

By 27 January 2011, the Company, the Provisional Liquidators and the Former Investor were unable to enter into a restructuring agreement. The exclusivity period provided in the Exclusivity 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 supplemental agreements dated 1 June 2011 and 29 August 2011) (collectively, the "Formal Restructuring Agreement"). Pursuant to the Formal Restructuring Agreement, subject to certain conditions, the Investor also agreed to provide loan of 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 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.

Please refer to the circular of the Company dated 2 September 2011 for further details.

MATERIAL ACQUISITIONS AND DISPOSALS

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. The Directors considered that the Group's control over these subsidiaries has been lost since the date the respective liquidators were appointed.

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"). Since then, the Directors considered the Group has lost control over Glazier and its subsidiaries, namely Seechain Investments Limited, Chengdu Concord Yuen Heng Industrial Company Limited, Chengdu Viking Yuen Heng Pharmaceutical Company Limited and Sichuan Liheng Bio-pharmaceutical Company Limited.

Save as disclosed from the above, the Group had no material acquisition or disposal during the year ended 31 July 2011.

SECURITIES INVESTMENT

The Group had no securities investment during the year ended 31 July 2011 (2010: none).

FINANCIAL RESOURCES, LIQUIDITY, CAPITAL STRUCTURE AND GEARING RATIO

As at 31 July 2011, the Group had net current liabilities and net liabilities of approximately HK$129,748,000 and HK$115,695,000 respectively (2010: approximately HK$161,293,000 and HK$161,245,000 respectively).

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

As at 31 July 2011, the Group had no bank and other borrowings (2010: approximately HK$5,629,000, of which, approximately HK$4,775,000 was unsecured bank loan and approximately HK$854,000 was unsecured other loans).

As at 31 July 2011, the Group had convertible bonds of approximately HK$106,600,000 (2010: approximately HK$106,600,000).

As at 31 July 2011, the Group had amounts due to the Former Investor and the Investor of approximately HK$16,538,000 and HK$8,399,000 respectively (2010: approximately HK$9,687,000 and HK$Nil respectively).

As at 31 July 2011, 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, was approximately 304% (2010: approximately 1,012%).

FOREIGN EXCHANGE AND INTEREST RATE EXPOSURE

For the year ended 31 July 2011, 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.

EMPLOYEE INFORMATION

As at 31 July 2011, the Group had approximately 59 employees in Hong Kong and the PRC (2010: 30). Remuneration to employees and Directors are based on performance, qualification, experience and the prevailing industry practice. Other benefits to its employees in Hong Kong include share option scheme, contributions to statutory mandatory provident fund scheme and medical coverage and the employees in the PRC are included in the statutory central pension schemes and additional requirements in the PRC.

OPERATIONS REVIEW

The Group recommenced its feedstock business in November 2009 through its indirect wholly-owned subsidiary, Xiamen Dongyu Trading Company Limited ("Dongyu") by the distribution of swine feedstock products. Since then, swine compound feedstock has been the major feedstock product provided by the Group. The Group has also distributed other types of feedstock products such as swine additive premix, fish compound feedstock and chicken compound feedstock, which account for relatively small portion of products provided by the Group.

On 16 March 2010, Dongyu entered into a joint venture agreement with 3 other JV Partners to establish a joint venture company (the "JV"). The establishment 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 acquired a land parcel at the Yanqian Industrial Zone of Wuping County, Fujian Province, PRC for building its own feedstock manufacturing plant.

In April 2011, the major construction work of the building together with the installation and testing of the manufacturing plant and equipment was completed and the JV has duly obtained the production licence from Fujian Agriculture Department. The JV has commenced production since June 2011.

At present, the JV mainly produces swine compound feedstock under its own brands, namely, "Dong Lin" and "Hong Hai". It is expected that with the JV's manufacturing capacity, the Group will be in a better position to capture the growing demand for feedstock products in the PRC.

MAJOR CUSTOMERS

At present, the customers of the Group are mainly farms or farmers located at the areas around Longyan and Xiamen of the Fujian Province in the PRC. As at 31 July 2011, the Group has developed and maintained business relationship with around 70 swine farms/farmers.

During the year ended 31 July 2011, sales to the Group's five largest customers accounted for approximately 28% of the total sales of the Group, whilst the largest customer of the Group accounted for approximately 10% of the total sales of the Group.

None of the Directors or any of their associates or any shareholders (which, to the best knowledge of the Directors, 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 2011, purchases from the Group's five largest suppliers accounted for approximately 93% of the total purchases of the Group, whilst the largest supplier of the Group accounted for approximately 37% of the total purchases of the Group.

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

PROSPECTS

As the JV is located at Wuping County, Longyan, Fujian Province, the juncture of the borders of Fujian, Jiangxi and Guangdong Provinces, taking advantage of the geographic location, the Group intends to become one of the leading feedstock products providers in this area over time, which is able to give confidence to the breeders in using its feedstock products.

In order to achieve the business objectives, the Group will continue its strategy to emphasise the provision of after-sale services to its customers by further expanding the Group's sales team and enhancing the scope of its after-sale services. The Group has started and will continue to launch marketing activities and events such as distributing products brochure to farms/farmers, setting up the advertising walls and swine weight demonstration, etc. in local market towns to introduce and promote its own brand products. In addition, the Group intends to set up direct sale stations in areas that are in proximity to farms in order to offer more direct, prompt and comprehensive sale services to its customers.

The management of the Group ceased sourcing from the external suppliers from September 2011 and has deployed all the Group's resources in marketing its own feedstock products and build its own brand names, so that the Group will benefit from better margin and enhance the Group's financial position.

To further achieve economies of scale, the Group intends to invest in building its second production line in the beginning of 2012. Moreover, the Group also intends to gradually expand its production line to include chicken compound feedstock products.

The management of the Group will keep seeking and appraising opportunities arising from the feedstock industry. After the resumption of trading in the shares of the Company, the Group may consider extending its business operations to feedstock related industries such as feedstock raw materials trading, the breeding and farming industry, meat processing industry, etc., which can economically benefit the Group and the Company's shareholders in the long run.

EXECUTIVE DIRECTORS

Mr. Wong Sai Wa, aged 68, is one of the founders of the Group. Mr. Wong holds a degree in Mechanical Engineering from the Scientific and Engineering University in 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 58, 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.

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Chan Kin Hang, aged 41, 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. On 28 January 2011, Mr. Chan Kin Hang 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.

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

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 2011, with the exception of the matters listed below, the Company complied with the principles of good governance (the "Principles") and code provision (the "Code Provision") as set out in the "Code on Corporate Governance Practices" contained in Appendix 15 of the GEM Listing Rules.

1. Non-executive Directors were not appointed for a specific term but were subject to retirement by rotation at the Company's annual general meeting in accordance with the bye-law of the Company (Code Provision A.4.1); 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 2011, the Directors have not yet adopted a code of conduct governing securities transactions for directors. However, the Directors 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.

During the year ended 31 July 2011, 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 during the year ended 31 July 2011 were:

Executive Directors:

Mr. Wong Sai Wa
Ms. Wong Moon Ha

Independent non-executive Director:

Mr. Chan Kin Hang (Retired on 28 January 2011)

Details of the members of the Board are provided under the "Profiles of Directors and Senior Management" on page 10 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 2011, 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 2011. 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 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.

5 board meetings were held during the year ended 31 July 2011. The Directors 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. Every Director 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 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	5/5
Independent non-executive director:	
Mr. Chan Kin Hang (retired on 28 January 2011)	2/5

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 number of Directors to be appointed members of an audit committee, there has been no audit committee meeting and the Company's audited financial results for the year ended 31 July 2011 have not been reviewed by an audit committee. However, the Directors 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, 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. 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 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 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 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, 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 2011, the remuneration in respect of audit services provided by the Company's auditor, PKF Hong Kong, Certified Public Accountants, is set out below:

	2011	2010
	HK$'000	HK$'000
Services rendered		
– Audit services	**350**	335

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors 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 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 24 to 25 of this annual report.

The Directors present the annual report together with the audited financial statements of the Group for the year ended 31 July 2011.

PRINCIPAL ACTIVITIES

The Group is principally engaged in the feedstock business, mainly involving the manufacturing, development and distribution of feedstock products.

RESULTS

The results of the Group for the year ended 31 July 2011 and the state of affairs of the Group as at that date are set out in the financial statements on pages 26 to 80.

DIVIDEND

The Directors do not recommend the payment of any dividend in respect of the year ended 31 July 2011 (2010: Nil).

FINANCIAL SUMMARY

A summary of the results, assets, liabilities and non-controlling interests of the Group for the five financial years ended 31 July 2011 is set out below:

RESULTS

	2011 HK$'000	2010 HK$'000	2009 HK$'000	2008 HK$'000	Restated 2007 HK$'000
Turnover	**86,304**	35,285	1,965	5,981	6,289
Profit/(loss) from operating activities	**3,064**	(179)	(49,341)	(120,296)	(53,503)
Finance costs	**(341)**	(1,347)	(32,985)	(11,106)	(3,857)
Gain on deconsolidation of subsidiaries	**36,191**	3,187	9,497	–	–
Assets impairment	**–**	–	(24,814)	(23,576)	(36,497)
Profit/(loss) before tax	**38,914**	1,661	(97,643)	(154,978)	(93,857)
Tax	**(2,557)**	(1,461)	–	–	(231)
Profit/(loss) for the year	**36,357**	200	(97,643)	(154,978)	(94,088)
Profit/(loss) attributable to					
Equity shareholders of the Company	**36,339**	200	(97,643)	(154,978)	(92,396)
Non-controlling interests	**18**	–	–	–	(1,692)
	36,357	200	(97,643)	(154,978)	(94,088)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	2011 HK$'000	2010 HK$'000	2009 HK$'000	2008 HK$'000	Restated 2007 HK$'000
Total assets	**39,735**	11,626	13,052	113,620	103,979
Total liabilities	**(155,430)**	(172,871)	(173,644)	(175,647)	(58,038)
Non-controlling interests	**(5,878)**	–	–	–	–
	(121,573)	(161,245)	(160,592)	(62,027)	45,941

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 29 to the financial statements.

SHARE OPTION SCHEMES

Details of the Company's share option schemes are set out in note 31 to the financial statements.

PRE-EMPTIVE RIGHTS

There is no provision 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 2011, 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 2011.

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 31.

DISTRIBUTABLE RESERVES

As at 31 July 2011, the Company did not have distributable reserves.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive Directors:

Mr. Wong Sai Wa
Ms. Wong Moon Ha

The Director during the year was:

Independent non-executive Director:

Mr. Chan Kin Hang (retired on 28 January 2011)

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, 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 and the senior management of the Group are set out on page 10 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 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 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:

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 corporations	Ordinary shares	400,000,000 shares	29.58%	*(1)*

Note:

(1) The shares were held by Concord Pharmaceutical Technology (Holdings) Limited, which is a wholly-owned subsidiary of Concord Business Management Limited, 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 31 July 2011, none of the Directors 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 2010	Exercised during the year	Lapsed during the year *(Note a)*	Expired/ cancelled during the year	As at 31 July 2011	Date of grant of share options *(Note a)*	Exercise period of share options *(Note b)*	Exercise price of share options *(Note c)*
Director								
Mr. Wong Sai Wa ("Mr. Wong")	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.*

As 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, the share options had expired pursuant to the terms of the Pre-IPO Plan. During the year ended 31 July 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.

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 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 2011, in so far as known to the Directors 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 (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)*
Concord Pharmaceutical Technology (Holdings) Limited ("CPT")	Corporation	Ordinary shares	400,000,000 shares	29.58%	*(2)*
Concord Business Management Limited ("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 executive director and Chairman 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 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.

(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 Scheme.

Save as disclosed above, as at 31 July 2011, the Directors were not aware of any person (other than Directors) 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 meetings of any other member of the Group.

CONNECTED TRANSACTIONS

During the year, the Group incurred a cost of approximately HK$12,874,000, determined on an arm's length basis by reference to market rates, for the supply of feedstock products from Taike Jiadan (Fujian) Swine Nutrition Company Limited ("Taike Jiadan"). Since the controlling shareholder of Taike Jiadan has been a substantial shareholder of the JV on 5 August 2010, the relevant transaction has been classified as a related party transaction and feedstock products amounting to approximately HK$12,874,000 has been provided. Details of terms of the continuing connected transactions are set out in the circular of the Company dated 21 July 2010. Details of the transactions are set out in note 34 to the financial statements.

CHARGES OF GROUP ASSETS

Save for the charging of the Group's assets to the Former Investor and the Investor as detailed in notes 27 and 28 to the financial statements, the Group had no other assets of significance which were charged as at 31 July 2011.

CAPITAL COMMITMENT

Save for the capital contribution of RMB3.72 million to the JV pursuant to the JV Agreement, the Group did not have any material capital commitment as at 31 July 2011.

CONTINGENT LIABILITIES

Save for as disclosed in note 32 to the financial statements, the Group did not have any material contingent liabilities as at 31 July 2011.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

None of the Directors 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, 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 2011 are set out in note 35 to the financial statements.

AUDITOR

A resolution to re-appoint the retiring auditor, 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, 21 October 2011

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 set out on pages 26 to 80, which comprise the consolidated statement of financial position as at 31 July 2011, the consolidated statement of comprehensive income, 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 information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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.

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 about whether the consolidated financial statements are free from material misstatement. Because of the matter described in the Basis of Disclaimer of Opinion paragraphs, however, we were not able to provide a basis for an audit opinion.

BASIS FOR DISCLAIMER OF OPINION

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 29 April 2011, a formal restructuring agreement was entered into among an investor, the Company and the Provisional Liquidators pursuant to which the parties agreed to the terms and conditions for the purpose of facilitating the Company's Restructuring Proposal and The Stock Exchange of Hong Kong Limited has granted a conditional approval to the Company to resume the trading in the shares of the Company subject to the Company fulfilling the resuming conditions by 31 October 2011.

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 proposed restructuring, 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

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs, we do not express an opinion on the consolidated financial statements. 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
21 October 2011

Consolidated Statement of Comprehensive Income

For the year ended 31 July 2011

	Note	**2011**	2010
		HK$'000	HK$'000
Turnover	8	**86,304**	35,285
Cost of sales		**(71,276)**	(28,198)
Gross profit		**15,028**	7,087
Other revenue	8	**34**	278
Selling and distribution costs		**(3,022)**	(821)
General and administrative expenses		**(6,102)**	(2,436)
Restructuring costs		**(2,874)**	(4,287)
Profit/(loss) from operating activities	9	**3,064**	(179)
Finance costs	10	**(341)**	(1,347)
Gain on deconsolidation of subsidiaries	30	**36,191**	3,187
Profit before tax		**38,914**	1,661
Tax	13(a)	**(2,557)**	(1,461)
Profit for the year	14	**36,357**	200
Other comprehensive income/(loss) for the year			
– Release of exchange fluctuation reserve upon deconsolidation of subsidiaries		**2,368**	(484)
– Exchange differences arising on translation of financial statements of overseas subsidiaries		**1,093**	(369)
Total comprehensive income/(loss) for the year		**39,818**	(653)
Profit for the year attributable to:			
– Equity shareholders of the Company		**36,339**	200
– Non-controlling interests		**18**	–
		36,357	200
Total comprehensive income/(loss) for the year attributable to:			
– Equity shareholders of the Company		**39,672**	(653)
– Non-controlling interests		**146**	–
		39,818	(653)
Earnings per share	15	**HK Cents**	HK Cents
Basic		**2.69**	0.01
Diluted		**N/A**	N/A

Consolidated Statement of Financial Position

As at 31 July 2011

	Note	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**12,989**	48
Prepaid lease payments	17	**1,064**	–
Goodwill	19	**–**	–
		14,053	48
CURRENT ASSETS			
Inventories	20	**1,458**	–
Trade receivables	21	**10,845**	7,188
Deposits, prepayments and other receivables	22	**2,536**	172
Cash, bank balances and time deposits		**10,843**	4,218
		25,682	11,578
DEDUCT:			
CURRENT LIABILITIES			
Bank and other borrowings	23	**–**	5,629
Trade payables	24	**464**	1,582
Convertible bonds	25	**106,600**	106,600
Amounts due to deconsolidated subsidiaries	26	**1,239**	2,928
Other payables and accruals		**21,252**	44,222
Amount due to the Former Investor	27	**16,538**	9,687
Amount due to the Investor	28	**8,399**	–
Income tax payable		**938**	2,223
		155,430	172,871
NET CURRENT LIABILITIES		**(129,748)**	(161,293)
NET LIABILITIES		**(115,695)**	(161,245)

As at 31 July 2011

	Note	2011 HK$'000	2010 HK$'000
REPRESENTING:			
CAPITAL AND RESERVES			
Share capital	29(a)	**67,620**	67,620
Reserves		**(189,193)**	(228,865)
Capital deficiencies attributable to equity shareholders of the Company		**(121,573)**	(161,245)
Non-controlling interests		**5,878**	–
CAPITAL DEFICIENCIES		**(115,695)**	(161,245)

APPROVED AND AUTHORISED FOR ISSUE BY THE BOARD OF DIRECTORS ON 21 OCTOBER 2011

....	....
DIRECTOR	*DIRECTOR*
Wong Sai Wa	**Wong Moon Ha**

Consolidated Statement of Cash Flows

For the year ended 31 July 2011

	Note	2011 HK$'000	2010 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**38,914**	1,661
Adjustments for:			
Interest expenses		**341**	1,347
Interest income		**(14)**	(5)
Depreciation		**104**	6
Amortisation of prepaid lease payments		**17**	–
Loss on disposal of property, plant and equipment and non-current assets held for sales		**–**	258
Gain on deconsolidation of subsidiaries		**(36,191)**	(3,187)
Operating profit before working capital changes		**3,171**	80
Increase in inventories		**(1,414)**	–
Increase in trade receivables		**(3,094)**	(7,133)
Increase in deposits, prepayments and other receivables		**(2,255)**	(11)
(Decrease)/increase in trade payables		**(75)**	198
Increase/(decrease) in other payables and accruals		**6,013**	(469)
Cash from/(used in) operations		**2,346**	(7,335)
Interest received		**14**	5
Tax paid		**(2,796)**	(351)
NET CASH USED IN OPERATING ACTIVITIES		**(436)**	(7,681)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		**(12,653)**	(54)
Prepaid lease payments		**(1,070)**	–
Deconsolidation of subsidiaries	30	**(71)**	(64)
Proceeds from disposal of non-current assets held for sales		**–**	741
NET CASH (USED IN)/FROM INVESTING ACTIVITIES		**(13,794)**	623

For the year ended 31 July 2011

	Note	2011 HK$'000	2010 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Advances from the Former Investor		**6,529**	9,612
Advances from the Investor		**8,380**	–
Capital contribution by non-controlling shareholders of a subsidiary		**5,732**	–
NET CASH FROM FINANCING ACTIVITIES		**20,641**	9,612
NET INCREASE IN CASH AND CASH EQUIVALENTS		**6,411**	2,554
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**214**	8
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**4,218**	1,656
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**10,843**	4,218
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Cash, bank balances and time deposits		**10,843**	4,218

Consolidated Statement of Changes in Equity

For the year ended 31 July 2011

	Attributable to equity shareholders of the Company											
	Share capital	Share premium	Capital reserve	Share option reserve	Convertible bond equity reserve	Warrant reserve	PRC statutory reserve	Exchange fluctuation reserve	Accumulated losses	Total	Non-controlling interests	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
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 loss for the year	–	–	–	–	–	–	–	(853)	200	(653)	–	(653)
At 31 July 2010 and at 1 August 2010	67,620	101,086	27,104	14,364	29,634	4,807	–	(2,279)	(403,581)	(161,245)	–	(161,245)
Capital contribution by non-controlling shareholders of a subsidiary	–	–	–	–	–	–	–	–	–	–	5,732	5,732
Transfer upon expiry of conversion option of convertible bonds	–	–	29,634	–	(29,634)	–	–	–	–	–	–	–
Transfer upon expiry of warrant	–	–	4,807	–	–	(4,807)	–	–	–	–	–	–
Transfer upon lapse of share options	–	–	–	(14,364)	–	–	–	–	14,364	–	–	–
Total comprehensive income for the year	–	–	–	–	–	–	–	3,333	36,339	39,672	146	39,818
Transfer to PRC statutory reserve	–	–	–	–	–	–	873	–	(873)	–	–	–
At 31 July 2011	**67,620**	**101,086**	**61,545**	**–**	**–**	**–**	**873**	**1,054**	**(353,751)**	**(121,573)**	**5,878**	**(115,695)**

The capital reserve arises from (i) capitalisation of a loan and 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; and (ii) the expiry of conversion option of convertible bonds and warranty.

The PRC statutory reserve represents the statutory surplus reserve. In accordance with Accounting Regulations for Business Enterprises, foreign business enterprises in Mainland China are required to transfer at least 10% of their profit after taxation, as determined under accounting principles general accepted in the People's Republic of China to the statutory surplus reserve until the balance of the reserve is equal to 50% of their registered capital.

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 manufacturing, 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 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 18 August 2011, the hearing for the petition which was initially fixed on 12 November 2008 was further adjourned to 9 January 2012.

2. BASIS OF PREPARATION *(continued)*

(b) Proposed restructuring of the Group

On 5 December 2008, the Provisional Liquidators have 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 "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 good faith 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 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, on 24 September 2009, the Former Investor, as lender and Tony China Limited ("Tony China"), a wholly-owned subsidiary of the Company and as borrower, entered into a working capital facility agreement in relation to the provision of the working capital facility of up to HK$9,000,000 with an interest rate of 5% per annum by the Former Investor to meet the trading and operation expenses required to maintain a viable and continuing business of the Company during the course of the proposed restructuring and after the date of the Exclusivity Agreement. On the same day, Tony China and the Former Investor executed a debenture in favour of the Former Investor on, inter alia, a charge over all assets and receivables whether present and future of Tony China in relation to the said working capital facility provided by the Former Investor.

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 granted a conditional approval to the Company to resume the trading in the shares of the Company (the "Resumption") subject to the Company fulfills the stipulated conditions by 30 April 2011.

On 27 January 2011, the Exclusivity Agreement lapsed pursuant to the terms of the Exclusivity Agreement. Upon the lapse of the Exclusivity Agreement, the working capital facility under the working capital facility agreement dated 24 September 2009 became due and payable.

Subsequently, Thousand Jade International Limited (the "Investor") has indicated and confirmed its interest in taking up the role of an investor in the proposed restructuring of the Company after the lapse of the Exclusivity Agreement. After various discussions involving representatives of the Provisional Liquidators, the Investor and their respective advisors, the terms of the Formal Restructuring Agreement were formulated ("Restructuring Proposal").

On 29 April 2011, the Formal Restructuring Agreement was entered into among the Investor as investor, Mr. Li Wing Chiu, the sole and beneficial owner and a director of the Investor, as guarantor, the Company and the Provisional Liquidators, pursuant to which the parties agreed to the terms and conditions for the purpose of facilitating the Restructuring Proposal.

2. BASIS OF PREPARATION *(continued)*

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

As at the date of the Formal Restructuring Agreement, the amount due and payable to the Former Investor under the working capital facility agreement entered into between Tony China and the Former Investor on 24 September 2009 was approximately HK$8,239,000. In order to settle the said working capital loan due and payable to the Former Investor, Tony China entered into a working capital facility agreement with the Investor on 5 July 2011 pursuant to which Tony China shall apply such escrow amount as is equivalent to the principal and accrued interest due under the working capital facility agreement entered into between Tony China and the Former Investor on 24 September 2009 (the "Escrow Amount") to settle the outstanding amount due thereunder and to obtain a release of the debenture executed by Tony China in favour of the Former Investor on 24 September 2009.

Upon the signing of the Formal Restructuring Agreement, the Investor deposited an amount of HK$15,000,000 in escrow with the escrow agent who shall have custody of such amount and place the same in an interest-bearing account in the name of the escrow agent (the "Initial Escrow Arrangement").

On 24 May 2011, the Stock Exchange granted extension of time for completing the resumption conditions to 31 October 2011.

On 1 June 2011, the parties to the Formal Restructuring Agreement entered into a supplemental restructuring agreement to amend certain terms of the Formal Restructuring Agreement.

On 5 July 2011, a working capital facility agreement was entered into between Tony China and the Investor and a debenture was given by Tony China in favour of the Investor on the same date creating a floating charge over the assets of Tony China and which is subordinated to the floating charge created by Tony China in favour of the Former Investor.

On 29 August 2011, a second supplemental restructuring agreement was entered into between the parties to the Formal Restructuring Agreement to amend certain terms of the Formal Restructuring Agreement and which include, inter alia, the termination of the Initial Escrow Arrangement, the setting up of the escrow account for the repayment of the outstanding principal and accrued interest due under the working capital facility agreement entered into between Tony China and the Former Investor.

On 2 September 2011, the Company dispatched the circular in relation to the proposed restructuring of the Company. On 13 October 2011, the Company published an announcement setting out the progress of the proposed restructuring and the revised expected timetable for the Resumption.

The Company, the Provisional Liquidators and the Investor are now taking appropriate steps to implement the transactions contemplated in the Resumption Proposal and fulfil the conditions set by the Stock Exchange.

2. BASIS OF PREPARATION *(continued)*

(c) Adoption of going concern basis

As at 31 July 2011, the Group had net current liabilities and net liabilities of approximately HK$129,748,000 and HK$115,695,000 respectively. The indebtedness of the Group mainly comprised of convertible bonds and amounts due to the Former Investor and the Investor, which represented a total of approximately HK$131,537,000. 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.

(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 judgements, 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 judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

2. BASIS OF PREPARATION *(continued)*

(e) Deconsolidation of subsidiaries

(i) 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. The directors of the Company (the "Directors") considered that the Group's control over these subsidiaries has been lost since the date the respective liquidators were appointed.

(ii) 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, Glazier Limited ("Glazier"). The Directors considered the Group has lost control over Glazier and its subsidiaries, namely Seechain Investments Limited, Chengdu Concord Yuen Heng Industrial Company Limited, Chengdu Viking Yuen Heng Pharmaceutical Company Limited and Sichuan Liheng Bio-pharmaceutical Company Limited since the date the respective liquidators were appointed.

(iii) 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, Qingyuan Yang Yang Biotechnology Chumu Company Limited and Jilin Yang Yang Bio Products Company Limited.

The Directors considered the Group's control over the aforementioned subsidiaries (the "Excluded Subsidiaries") has been lost. Accordingly. The results, assets and liabilities and cash flows of the Excluded Subsidiaries have been deconsolidated from the consolidated financial statements of the Group since the respective dates of loss of control of these subsidiaries.

In the opinion of the Directors, the consolidated financial statements for the years ended 31 July 2011 and 2010 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:–

HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HK Int-5	Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clauses
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments
HKAS 32 (Amendments)	Classification of Right Issues
HKFRS (Amendments)	Improvements to HKFRSs 2009
HKFRS (Amendments)	Improvements to HKFRSs 2010

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

(b) HKFRSs in issue but not yet effective

The following HKFRSs in issue at 31 July 2011 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 the annual periods beginning on 1 August 2010:–

HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[5]
HKAS 12 (Amendments)	Deferred Tax-Recovery of Underlying Assets[4]
HKAS 19 (Revised)	Employee Benefit[6]
HKAS 24 (Revised)	Related Party Disclosures[2]
HKAS 27	Separate Financial Statements[6]
HKAS 28	Investments in Associates and Joint Ventures[6]
HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[3]
HKFRS 7 (Amendments)	Transfers of Financial Assets[3]
HKFRS 9	Financial Instruments[6]
HKFRS 10	Consolidated Financial Statements[6]
HKFRS 11	Joint Arrangements[6]
HKFRS 12	Disclosure of Interests in Other Entities[6]
HKFRS 13	Fair Value Measurement[6]
Amendments to HK(IFRIC)-Int 14	Prepayments of a Minimum Funding Requirement[2]
HKFRS (Amendments)	Improvements to HKFRSs 2010[1]

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

(b) HKFRSs in issue but not yet effective *(continued)*

[1] Effective for financial period commencing on or after 1 January 2011, as appropriate.
[2] Effective for financial period commencing on or after 1 January 2011
[3] Effective for financial period commencing on or after 1 July 2011
[4] Effective for financial period commencing on or after 1 January 2012
[5] Effective for financial period commencing on or after 1 July 2012
[6] Effective for financial period commencing on or after 1 January 2013

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated financial statements from the date that control commenced or up to the date that control ceased. When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at that date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of an investment in an associate or jointly controlled entity or other investments.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

Non-controlling interests represent the equity or deficiency in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(a) Basis of consolidation *(continued)*

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position.

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 construction in progress, 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 construction in progress, depreciation is calculated to write off the cost of other items 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%
Plant and machinery	10%
Furniture, fixtures and office equipment	20 – 33.33%
Motor vehicles	10 – 20%

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Property, plant and equipment *(continued)*

Construction in progress is carried at cost less any impairment loss. Cost comprises direct costs of construction and exchange differences capitalised during the periods of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to appropriate category of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

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.

(c) Prepaid lease payments

Up-front payments for land use right are amortised over the term of the leases on a straight-line basis.

(d) Goodwill

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the net identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

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 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average cost basis and, in the case of work in progress and finished goods, cost comprises direct materials, direct labour and an attributable proportion of projection overheads. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(f) 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.

(g) Impairment of non-financial assets

The carrying amounts of the Group's non-financial 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.

(h) Payables

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Interest-bearing loans and borrowings

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

(j) 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.

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.

(k) 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 the functional currency at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) 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.

(m) 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.

(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.

(o) 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) Employee benefits *(continued)*

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.

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 net 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).

(p) 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. The Group's liability for current tax is calculated using tax rates that have been enacted or substantially enacted at the end of the reporting period.

Deferred tax is recognised 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 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(p) Income tax *(continued)*

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.

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.

(q) 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.

(r) 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)*

(s) 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 long-term 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.

(t) 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 JUDGEMENT AND KEY ESTIMATES

Estimates and judgements 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 notes 2(b) and 2(c) to the financial statements.

(b) Equity settled share-based transactions, convertible bonds and warrant

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.

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

(b) Equity settled share-based transactions, convertible bonds and warrant *(continued)*

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 trade receivables, deposits and other receivables are set out in notes 21 and 22 to the financial statements respectively.

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 of the Group's non-derivative financial liabilities as at 31 July 2011 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:–

	2011			2010		
	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
Trade payables	**464**	**464**	**464**	1,582	1,582	1,582
Convertible bonds	**106,600**	**106,600**	**106,600**	106,600	106,600	106,600
Amounts due to deconsolidated subsidiaries	**1,239**	**1,239**	**1,239**	2,928	2,928	2,928
Other payables and accruals	**21,252**	**21,252**	**21,252**	44,222	44,222	44,222
Amount due to the Former Investor	**16,538**	**16,935**	**16,935**	9,687	9,828	9,828
Amount due to the Investor	**8,399**	**8,683**	**8,683**	–	–	–
	154,492	**155,173**	**155,173**	170,648	171,394	171,394

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 flows 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 amounts due to the Former Investor and 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 2011:–

	2011		2010	
	Effective interest rate p.a.		Effective interest rate p.a.	
	%	**HK$'000**	%	HK$'000
Fixed rate liabilities:–				
Other loans	**–**	**–**	24	(854)
Amount due to the Former Investor	**5**	**(7,943)**	5	(2,813)
Amount due to the Investor	**5**	**(5,680)**	–	–
Variable rate assets/ (liabilities):–				
Cash at banks	**0.5**	**1,920**	0.36	1,794
Time deposits	**0.95**	**5,697**	–	–
Bank loans	**–**	**–**	8.97	(4,775)

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

(c) **Interest rate risk** *(continued)*

(ii) Sensitivity analysis

As at 31 July 2011, 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$60,000 (2010: HK$66,000).

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 2010.

(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 assets and liabilities are denominated in the functional currency of the group entities to which they relate. The currency giving rise to this risk is primarily United States dollars ("USD"). As Hong Kong dollars ("HKD") is pegged to USD, the Group considers the risk of movements in exchange rates between HKD and USD to be insignificant for transactions denominated in USD.

(e) **Fair value**

All significant financial assets and liabilities are carried at amounts not materially different from their fair values as at 31 July 2011 and 2010.

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.

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 of bank and other borrowings, convertible bonds, amounts due to the Former Investor and the Investor, and income tax payable.

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	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue and income:						
Sales to external customers	**86,304**	35,285	**–**	–	**86,304**	35,285
Other income	**–**	266	**20**	7	**20**	273
Total revenue	**86,304**	35,551	**20**	7	**86,324**	35,558
Segment results	**10,120**	4,977	**31,995**	2,313	**42,115**	7,290
Interest income					**14**	5
Restructuring costs					**(2,874)**	(4,287)
Finance costs					**(341)**	(1,347)
Profit before tax					**38,914**	1,661
Tax	**(2,557)**	(1,461)	**–**	–	**(2,557)**	(1,461)
Profit for the year					**36,357**	200
ASSETS						
Segment assets	**36,710**	9,213	**4,127**	5,737	**40,837**	14,950
Elimination of inter-segment receivable					**(1,102)**	(3,324)
Consolidated total assets					**39,735**	11,626

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

Reportable segments *(continued)*

	Feedstock products		**Other**		**Consolidated**	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
LIABILITIES						
Segment liabilities	**5,447**	4,957	**18,610**	47,099	**24,057**	52,056
Elimination of inter-segment payable					**(1,102)**	(3,324)
					22,955	48,732
Unallocated liabilities						
– Bank and other borrowings					**–**	5,629
– Convertible bonds					**106,600**	106,600
– Amount due to the Former Investor					**16,538**	9,687
– Amount due to the Investor					**8,399**	–
– Income tax payable					**938**	2,223
Consolidated total liabilities					**155,430**	172,871
OTHER INFORMATION						
Capital expenditure	**13,723**	54	**–**	–	**13,723**	54
Depreciation	**104**	6	**–**	–	**104**	6
Amortisation	**17**	–	**–**	–	**17**	–

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 2011, revenues from one customer of the feedstock business had contributed to more than 10% of the Group's revenue amounting to approximately HK$8,631,000 (2010: HK$6,733,000).

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:–

	2011 HK$'000	2010 HK$'000
Turnover		
Sale of feedstock products	**86,304**	35,285
Other revenue		
Interest income	**14**	5
Gain on disposal of properly, plant and equipment	**20**	–
Sundry income	**–**	273
	34	278
Total revenue	**86,338**	35,563

9. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

Profit/(loss) from operating activities is arrived at after charging:–

	2011 HK$'000	2010 HK$'000
Amortisation of prepaid lease payments	**17**	–
Auditors' remuneration	**350**	335
Cost of inventories sold	**71,276**	28,198
Depreciation	**104**	6
Sales proceeds	**–**	(10,976)
Less: Net book value	**–**	11,234
Loss on disposal of property, plant and equipment, leasehold land and non-current assets held for sales	**–**	258
Minimum operating lease payments for land and buildings	**288**	565
Staff costs (including Directors' emoluments)		
Salaries, wages and other allowances	**3,791**	1,016
Pension scheme contributions	**76**	35
	3,867	1,051

10. FINANCE COSTS

	2011 HK$'000	2010 HK$'000
Interest on bank loans wholly repayable within five years	–	1,108
Interest on advances from the Former Investor	322	75
Interest on advances from the Investor	19	–
Interest on other loans	–	164
	341	1,347

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

	Fees		Salaries, allowances and benefit-in-kinds		Total	
	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000
Executive Directors						
Ms. Wong Moon Ha	240	–	–	–	240	–
Mr. Wong Sai Wa	1,800	–	–	–	1,800	–
	2,040	–	–	–	2,040	–
Independent non-executive Director						
Mr. Chan Kin Hang (retired on 28 January 2011)	–	–	–	–	–	–
	2,040	–	–	–	2,040	–

Notes:–

The Company agreed to pay its executive Directors, Ms. Wong Moon Ha and Mr. Wong Sai Wa, the Director's remuneration of HK$20,000 and HK$150,000 per month respectively. The Directors' remuneration has been accrued since 1 August 2010, and the settlement of which is subject to the approval of Independent Shareholders of the Company and the payment of which is subject to the resumption in trading of the shares of the Company. At 31 July 2011, the remuneration payable to the Directors was approximately HK$2,040,000 (2010: Nil) which was included in other payables and accruals.

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.

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

(b) Five highest paid individuals

During the year, the five (2010: five) highest paid individuals included two Directors (2010: no Director), details of which are set out in note 11(a) to the financial statements. The emoluments of the remaining three (2010: five) highest paid individuals are as follows:–

	2011	2010
	HK$'000	HK$'000
Salaries and allowances	**614**	619
Pension scheme contributions	**18**	17
	632	636

The emoluments of each of the remaining three (2010: five) highest paid individuals were below HK$1,000,000.

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 monthly contributions.

During the year, the Group made pension contributions of approximately HK$76,000 (2010: HK$35,000).

13. TAX

(a) Income tax expense represents:–

	2011	2010
	HK$'000	HK$'000
PRC enterprise income tax		
Provision for the year	**2,534**	1,461
Under-provision in respect of prior year	**23**	–
	2,557	1,461

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 the subsidiaries operating in the PRC in accordance with the relevant income tax rules and regulations of the PRC for both years.

The taxation for the year can be reconciled to the profit before tax per consolidated statement of comprehensive income as follows:–

	2011	2010
	HK$'000	HK$'000
Profit before tax	**38,914**	1,661
Tax effect at the PRC statutory income tax rate of 25%	**9,728**	415
Tax effect of non-deductible expenses	**1,899**	1,918
Tax effect of tax-exempt revenue	**(9,052)**	(865)
Under-provision in respect of prior year	**23**	–
Others	**(41)**	(7)
Tax expense	**2,557**	1,461

(b) As at 31 July 2010, the Group had unutilised tax losses of HK$44,116,000 available for offset against future profits. No deferred tax assets have been recognised due to the unpredictability of future profit streams. These tax losses were attributable from certain Excluded Subsidiaries and were not included in the current year's unrecognised temporary differences as they were deconsolidated during the year (Notes 2(e)).

The Group had no significant temporary differences as at 31 July 2011.

14. PROFIT FOR THE YEAR

Profit for the year includes a loss of HK$7,073,000 (2010: HK$5,259,000) which has been dealt with in the financial statements of the Company.

15. EARNINGS PER SHARE

The calculation of basic earnings per share attributable to shareholders of the Company is based on the profit for the year of approximately HK$36,339,000 (2010: HK$200,000) and the weighted average number of 1,352,400,000 (2010: 1,352,400,000) ordinary shares in issue during the year.

No diluted earnings per share is presented for the years ended 31 July 2011 and 2010 as the conversion of the outstanding convertible bonds, warrants and share options during the years had an anti-dilutive effect on the basic earnings per share.

16. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress	Building	Plant and machinery	Furniture, fixtures and office equipment	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost:-						
Additions and at 31 July 2010	–	–	–	54	–	54
Additions	1,934	4,008	6,289	125	297	12,653
Exchange adjustments	60	125	195	7	9	396
At 31 July 2011	**1,994**	**4,133**	**6,484**	**186**	**306**	**13,103**
Aggregate depreciation:-						
Charge for the year and at 31 July 2010	–	–	–	6	–	6
Charge for the year	–	15	50	13	26	104
Exchange adjustments	–	1	1	1	1	4
At 31 July 2011	**–**	**16**	**51**	**20**	**27**	**114**
Net book value:-						
At 31 July 2011	**1,994**	**4,117**	**6,433**	**166**	**279**	**12,989**
At 31 July 2010	–	–	–	48	–	48

17. PREPAID LEASE PAYMENTS

	2011	2010
	HK$'000	HK$'000
Additions	**1,070**	–
Exchange adjustments	**33**	–
Amortisation for the year	**(17)**	–
Net book value at end of the year	**1,086**	–
Current portion (included in deposits, prepayments and other receivables (Note 22))	**(22)**	–
Non-current portion	**1,064**	–

The prepaid lease payments represent the land use right situated in the PRC held under medium term lease.

18. INTANGIBLE ASSETS

	Technical know-how HK$'000	Production licenses HK$'000	Total HK$'000
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 and 31 July 2011	–	–	–
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 and 31 July 2011	–	–	–
Impairment:-			
At 1 August 2009	–	4,861	4,861
Exchange adjustments	–	52	52
Written off	–	(4,913)	(4,913)
At 31 July 2010 and 31 July 2011	–	–	–
Net book value:-			
At 31 July 2011 and 31 July 2010	–	–	–

19. GOODWILL

	HK$'000
Cost:-	
At 1 August 2009 and 31 July 2010	26,701
Deconsolidation of subsidiaries	(3,593)
At 31 July 2011	**23,108**
Impairment:-	
At 1 August 2009 and 1 July 2010	26,701
Deconsolidation of subsidiaries	(3,593)
At 31 July 2011	**23,108**
Net book value:-	
At 31 July 2011 and 31 July 2010	**–**

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. INVENTORIES

	2011	2010
	HK$'000	HK$'000
Raw materials	**735**	–
Finished goods	**723**	–
	1,458	–

21. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period of 30 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.

The trade receivables as at 31 July 2011 and 2010, based on payment due date, were aged within two months.

Movements of the provision for bad and doubtful debts during the prior year were as follows:-

	2011	2010
	HK$'000	HK$'000
At beginning of the year	**–**	28,279
Uncollectible amount written off	**–**	(28,279)
At end of the year	**–**	–

22. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2011	2010
	HK$'000	HK$'000
Prepayments to suppliers	**2,400**	–
Deposits and other receivables	**114**	172
	2,514	172
Current portion of prepaid lease payments (Note 17)	**22**	–
	2,536	172

Movements of the provision for bad and doubtful debts during the prior year were as follows:-

	2011	2010
	HK$'000	HK$'000
At beginning of the year	**–**	17,682
Uncollectible amount written off	**–**	(17,682)
At end of the year	**–**	–

23. BANK AND OTHER BORROWINGS

	2011	2010
	HK$'000	HK$'000
Unsecured bank loans	–	4,775
Unsecured other loans	–	854
	–	5,629

Notes:-

(a) The Group's borrowings as at 31 July 2010 were denominated in the functional currency of the group entities to which they related. They carried variable interest rate at 8.97% per annum and fixed interest rate of 24% per annum respectively.

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

(c) The bank and other borrowings was derecognised during the year as a result of the deconsolidation of certain Excluded Subsidiaries as detailed in notes 2(e) and 30 to the financial statements.

24. TRADE PAYABLES

An aged analysis of the trade payables as at 31 July 2011, based on payment due date, is as follows:-

	2011	2010
	HK$'000	HK$'000
Within three months	**275**	298
Over one year	**189**	1,284
	464	1,582

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 Keywise Greater China Opportunities Master Fund (“Keywise”). 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”).

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 the 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 warrant have been split as to the liability and equity components and their movements during the current year are as follows:-

	Liability component of convertible bonds	**Equity component of convertible bonds**	**Equity component of warrant**	**Total**
	HK$’000	HK$’000	HK$’000	HK$’000
At 1 August 2009 and 31 July 2010	106,600	29,634	4,807	141,041
Transfer upon expiry of conversion option of convertible bonds	–	(29,634)	–	(29,634)
Transfer upon expiry of warrant	–	–	(4,807)	(4,807)
At 31 July 2011	**106,600**	**–**	**–**	**106,600**

25. CONVERTIBLE BONDS *(continued)*

On 31 March 2011, Keywise informed the Company that they have disposed of their Convertible Bonds with a nominal value of HK$100,000,000 issued by the Company to Victory Unicorn Limited, an unrelated third party (the "Disposal"). The Disposal was completed on 1 June 2011 and the Convertible Bonds were transferred and registered in favour of Victory Unicorn Limited.

None of the Convertible Bonds and the Nil-paid warrant were converted, exercised, redeemed or cancelled during the years ended 31 July 2010 and 2011.

26. AMOUNTS DUE TO DECONSOLIDATED SUBSIDIARIES

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

27. AMOUNT DUE TO THE FORMER INVESTOR

The amount is due to the Former Investor. On 24 September 2009, the Former Investor as lender and Tony China as borrower entered into a working capital facility agreement in relation to the provision of the working capital facility of up to HK$9,000,000 with an interest rate of 5% per annum by the Former Investor. On the same day, Tony China and the Former Investor executed a debenture in favour of the Former Investor on, inter alia, a charge over all assets and receivables whether present and future of Tony China in relation to the said working capital facility provided by the Former Investor.

An amount of approximately HK$8,198,000 (2010: 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 Former Investor, and upon the completion of the Formal Agreement, and the Group shall apply the same towards the payment of the subscription money payable by the Former Investor for subscription of the shares of the Group under the Formal Agreement. The remaining amount of approximately HK$7,943,000 (2010: HK$2,813,000) carries interest at 5% per annum, is secured by way of first floating charge on all properties and assets of Tony China and repayable on the Maturity Date as defined below or within 5 business days after a demand is made by the Former Investor.

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

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 Former Investor notifies the Group that it will not execute the Formal Agreement provided that the Former 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) the initial period of 9 months period commencing from the date of Exclusivity Agreement; (b) provided that the parties shall prior to the expiry of the initial period negotiate in good faith having regard to the progress of preparation of the Resumption Proposal to extend the initial period for an additional term of 3 months from the last day of the initial period (clauses (a) and (b) together shall be referred to as the "Exclusivity Period"); and (c) if the Resumption Proposal has been submitted to and accepted by the Stock Exchange before the expiry of the Exclusivity Period, the Exclusivity Period shall automatically be extended for a period of 6 months from the date of granting of the in-principal approval of the Resumption Proposal by the Stock Exchange.

On 27 January 2011, the Exclusivity Agreement lapsed pursuant to the terms of the Exclusivity Agreement. Upon the lapse of the Exclusivity Agreement, the working capital facility under the working capital facility agreement dated 24 September 2009 became due and payable.

The properties and assets of Tony China comprise mainly trade receivables, cash and bank balances and the investment in its wholly-owned subsidiary, Xiamen Dongyu Trading Company Limited ("Xiamen Dongyu"), which has a 63% equity interest in a Joint Venture Company, Longyan Dongyu Bio-feedstock Company Limited. Details of the assets of Tony China and Xiamen Dongyu as at 31 July 2011 are as follows:-

	HK$'000
Property, plant and equipment	126
Investment in joint venture company	9,275
Trade receivables	10,845
Deposits, prepayments and other receivables	1,959
Cash and bank balances	5,873
	28,078

28. AMOUNT DUE TO THE INVESTOR

On 5 July 2011, a working capital facility agreement was entered into between Tony China and the Investor and a debenture was given by Tony China in favour of the Investor on the same date creating a floating charge over the assets of Tony China and which is subordinated to the floating charge created by Tony China in favour of the Former Investor.

An amount of approximately HK$2,700,000 (2010: Nil) is interest-free and unsecured. If the legally binding agreement for the implementation of the Group's restructuring proposal and Resumption Proposal (the "Formal Restructuring 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 Restructuring 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 Restructuring Agreement. The remaining amount of approximately HK$5,680,000 (2010: Nil) carries interest at 5% per annum, is secured by way of floating charge on all properties and assets of Tony China and is subordinated to the floating charge created by Tony China in favour of the Former Investor, 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 date on which the Formal Restructuring Agreement is terminated in accordance with the terms therein or completion of the Formal Restructuring Agreement has failed to take place in accordance with the terms of the Formal Restructuring Agreement.

Please refer to note 27 to the financial statements for details of the assets of Tony China and Xiamen Dongyu as at 31 July 2011.

29. SHARE CAPITAL

(a) Shares

	2011	2010
	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.

30. DECONSOLIDATION OF SUBSIDIARIES

As disclosed in note 2(e) to the financial statements, the Directors considered that the control over the Excluded Subsidiaries has been lost with effect from the dates the respective liquidators were appointed or the liquidation was approved.

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 dates of the approval of liquidation or appointment of the liquidators.

30. DECONSOLIDATION OF SUBSIDIARIES *(continued)*

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

	2011	2010
	HK$'000	HK$'000
Net liabilities deconsolidated:-		
Deposit, prepayments and other receivables	**(45)**	–
Cash and bank balances	**(71)**	(64)
Amount due from the Group	**–**	(1,934)
Bank and other borrowings	**5,629**	–
Trade payables	**1,096**	–
Amounts due to deconsolidated subsidiaries	**1,905**	–
Other payables and accruals	**28,940**	4,701
Income tax payable	**1,105**	–
Net liabilities	**38,559**	2,703
Release of exchange fluctuation reserve	**(2,368)**	484
Gain on deconsolidation of subsidiaries	**36,191**	3,187

31. 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.

31. SHARE OPTION SCHEMES *(continued)*

(a) Share Option Scheme *(continued)*

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

For the years ended 31 July 2010 and 2011

				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 HK$	Outstanding as at 1.8.2009, 31.7.2010 and 1.8.2010	Exercised/ lapsed/ cancelled during the year	Outstanding as at 31.7.2011
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 2010 and 2011.

The above participants had ceased to be the Eligible Person as defined under the Scheme, and as such, the share options lapsed and there were no outstanding share options under the Scheme as at 31 July 2011.

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.

31. SHARE OPTION SCHEMES *(continued)*

(a) Share Option Scheme *(continued)*

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.

31. 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 2010 and 2011

				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) HK$	Outstanding as at 1.8.2009, 31.7.2010 and 1.8.2010	Exercised/ lapsed/ cancelled during the year	Outstanding as at 31.7.2011
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 3,200,000 share options granted to Mr. Wong Sai Wa under the Pre-IPO Plan were not exercised during 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 year.

32. 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 18 August 2011, the hearing for the petition which was initially fixed on 12 November 2008 was further adjourned to 9 January 2012.

(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 highranking 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.

33. CAPITAL COMMITMENTS

On 16 March 2010, the Group entered into the joint venture agreement (the "JV Agreement") (as supplemented by supplemental joint venture agreements dated 30 June 2010, 3 November 2010 and 13 December 2010) with the joint venture partners (the "JV Partners"), 台科加丹生物科技(廈門)有限公司 (Taike Jiadan Biotechnology Company Limited) ("Taike Jiadan"), a company established in the PRC, 廈門市弘海生物技術有限公司 (Xiamen Honghai Biotechnology Company Limited) ("Honghai"), a company established in the PRC and Mega Timber Enterprise ("Mega Timber"), a company incorporated in Malaysia to set up the joint venture company (the "JV") in the PRC. The establishment of the JV was completed in August 2010. The JV will be principally engaged in the development and manufacturing of feedstock products.

Pursuant to the JV Agreement, the Group, Jiadan, Honghai and Mega Timber shall contribute RMB11.34 million, RMB4.32 million, RMB1.62 million and RMB0.72 million (equivalent to approximately HK$13.80 million, HK$5.26 million, HK$1.97 million and HK$0.88 million) in cash respectively, representing 63%, 24%, 9% and 4% equity interest of the JV respectively. The JV parties will complete their contribution to JV's registered capital of RMB 18 million (equivalent to HK$21.91 million) within two years after the JV obtaining its business license.

As at 31 July 2011, the Group, Jiadan and Mega Timber were committed to contribute RMB3.72 million, RMB1.23 million and RMB0.61 million (equivalent to approximately HK$4.53 million, HK$1.50 million and HK$0.75 million) in cash respectively.

34. MATERIAL RELATED PARTY TRANSACTIONS

Material related party transactions constituted as continued connected transactions under Chapter 20 of the GEM Listing Rules were as follows:

During the year, the Group incurred a cost of approximately HK$12,874,000, determined on an arm's length basis by reference to market rates, for the supply of feedstock products from Taike Jiadan. Since the controlling shareholder of Taike Jiadan has been a substantial shareholder of the JV on 5 August 2010, the relevant transaction has been classified as a related party transaction and feedstock products amounting to approximately HK$12,874,000 has been provided.

Save as disclosed above, the Board is not aware of any material related party transactions during the year ended 31 July 2011.

35. 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 9 January 2012. Details of the background information in relation to the winding-up petition are set out in note 2(a) to the financial statements.

35. SIGNIFICANT SUBSEQUENT EVENTS *(continued)*

As mentioned in note 2(b) to the financial statements, the working capital facility under the working capital facility agreement dated 24 September 2009 became due and payable to the Former Investor. On 30 August 2011, Tony China issued letters to the Former Investor and its advisors informing them that the Escrow Amount has been deposited in an escrow account opened with Messrs. P.C. Woo & Co. solely for the repayment to the Former Investor. As at the date of this report, the Company is still awaiting the Former Investor to provide the required documents for the release of the Escrow Amount.

Pursuant to the conditions for resumption issued by the Stock Exchange to the Company on 26 July 2010, the Company is required to publish a circular relating to the restructuring of the Group (the "Restructuring Circular") in prospectus standard. The Company was granted approval by the Stock Exchange and the Securities and Futures Commission (the "SFC") in relation to the publication of the Circular and on 2 September 2011, the Company has dispatched the Restructuring Circular, together with the notice of extraordinary general meeting to be held on 26 September 2011 (the "EGM") to the members of the Company.

On 14 September 2011, Mr. Robin Lee McMahon and Mr. Roy Bailey, both of Ernst & Young Limited, were appointed as the joint voluntary liquidators to the Company's direct wholly-owned subsidiary, namely China Biotechnology Limited. China Biotechnology Limited was placed into voluntary liquidation on 14 September 2011 pursuant to section 116(d) of the Companies Law (2010 Revision) of the Cayman Islands, passed by the Company.

On 23 September 2011, the Company and the Investor obtained consent from the Executive (as defined in the Restructuring Circular) of the SFC in relation to the approval of the Special Deals and the Whitewash Wavier respectively.

On 26 September 2011, a meeting of creditors of the Company (the "Scheme Meeting") was convened pursuant to an order of the High Court of Hong Kong dated 9 August 2011 and summoned by a Notice of Scheme Meeting dated 2 September 2011 for the purpose of consideration and, if thought fit, approving (with or without modification) the scheme of arrangement dated 2 September 2011 (the "Scheme of Arrangement") proposed to be entered into between the Company and the Creditors. The Scheme of Arrangement was approved and adopted by the requisite majority of the creditors attending and voting at the Scheme Meeting. The Scheme of Arrangement is part of the proposed restructuring of the Company. The Company has made application to the High Court of Hong Kong and the Grand Court of the Cayman Islands for the sanctioning of the Scheme of Arrangement. The High Court of Hong Kong and the Grand Court of the Cayman Islands have respectively fixed the hearing for the sanction of the Scheme of Arrangement on 14 October 2011 and 18 October 2011 (Cayman Islands time).

35. SIGNIFICANT SUBSEQUENT EVENTS *(continued)*

The EGM was also held on 26 September 2011, to approve, among others, the special and ordinary resolutions in relation to the capital restructuring of the Company, the Formal Restructuring Agreement, the Share Subscription, the CN Subscription, the Whitewash Waiver, the Special Deals, and the transactions contemplated thereunder. Except for one ordinary resolution which relates to the approval of the director's remuneration payable to Wong Sai Wa and required to be approved by shareholders in accordance with the Code on Takeovers and Mergers in Hong Kong (the "Resolution"), all other resolutions proposed in the EGM were duly passed. Accordingly, the Company has obtained consent from the Investor under the Formal Restructuring Agreement to waive, among other things, the passing of the Resolution as part of the conditions precedent to completion of the Restructuring Proposal. As such, the non-passing of the Resolution does not affect the completion of the Restructuring Proposal.

On 16 September 2011, the Company had filed applications to the Grand Court of the Cayman Islands to apply for sanction of the court to approve the capital restructuring and that the said hearing for the sanction of the capital restructuring be joined with the hearing for the sanction of the Scheme of Arrangement which was previously fixed on 18 October 2011 ("the CR Application"). On 7 October 2011 (Cayman Islands time), the CR Application was heard and the Grand Court of the Cayman Islands granted the CR Application. As such, the sanction of the capital restructuring was fixed for hearing on 18 October 2011.

On 11 October 2011, Stephen Liu Yiu Keung of Ernst & Young Transactions Limited and William Tacon of Zolfo Cooper were appointed as Joint Liquidators to the Company's indirect wholly-owned subsidiary, JBC Bio Products Company Limited ("JBC Bio"). Since then, the Directors considered the Group has lost control over JBC Bio and its subsidiaries, JBC Bio Products China Limited and Zhongshan JBC Bio-Technology Co. Ltd. (中山吉本生物科技有限公司).

On 14 October 2011, the Hong Kong Court sanctioned the Scheme of Arrangement.

On 17 October 2011, the Hong Kong Court ordered for the hearing for dismissal of the Petition be heard on 28 October 2011, on the condition that the proposed restructuring is completed and all the conditions are satisfied save as to the requirement for there to be a withdrawal/dismissal of the Petition and the discharge of Provisional Liquidators.

35. SIGNIFICANT SUBSEQUENT EVENTS *(continued)*

At the hearing on 18 October 2011, the Grand Court of the Cayman Islands ordered the following: (i) the Scheme of Arrangement between the Company and the Creditors (as defined in the Scheme of Arrangement) is sanctioned; and (ii) (a) the par value of every issued share of the Company be reduced from HK$0.05 to HK$0.001 by the reduction of HK$0.049 on each issued share of the Company of HK$0.05 each (the "Capital Reduction"), (b) following such Capital Reduction, the relevant amount of issued share capital thereby cancelled together with all remaining amounts of the authorised but unissued share capital of the Company be cancelled so that the authorised share capital of the Company following such Capital Reduction and cancellation be an amount of HK$1,352,400 divided into 1,352,400,000 shares of par value HK$0.001 each, (c) upon the Capital Reduction becoming effective, every 40 share of par value HK$0.001 each be consolidated into 1 share of par value HK$0.04 each (the "New Shares"), such that following such consolidation, the issued share capital of the Company shall be HK$1,352,400 divided into 33,810,000 New Shares (the "Consolidation"); and (d) upon the Consolidation becoming effective, the Company's authorised share capital be increased to HK$200,000,000 divided into 5,000,000,000 New Shares of par value HK$0.04 each.

36. DETAILS OF SUBSIDIARIES

(a) Particulars of the subsidiaries as at 31 July 2011 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	
JBC Bio Products Company Limited	British Virgin Island	US$100	70.00	–	Dormant
JBC Bio Products China Limited	British Virgin Island	US$100	–	70.00	Dormant
Zhongshan JBC Bio-Technology Company Limited#	PRC	US$576,566	–	70.00	Dormant
Global Kingdom Development Limited	British Virgin Island	US$1	100.00	–	Dormant
Asia Force Development Limited	British Virgin Island	US$1	100.00	–	Dormant

36. DETAILS OF SUBSIDIARIES *(continued)*

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	
Tony China Limited	Hong Kong	HK$10,000	100.00	–	Investment holding
Xiamen Dongyu Trading Company Limited	PRC	US$1,000,000	–	100.00	Trading and distribution of animal feed supplements
Longyan Dongyu Bio-feedstock Company Limited*	PRC	RMB18,000,000	–	63.00	Development and manufacturing of feedstock products

Wholly-foreign-owned enterprise

* Sino-foreign joint venture enterprise

(b) The Group has subsequently increased the registered share capital of Xiamen Dongyu Trading Company Limited from US$1,000,000 to US$4,000,000 on 29 August 2011. As at that date, 20% of the capital increment has been paid and the remaining contributions will be due for payment before 29 August 2013.

(c) As at 31 July 2011, the Group had not yet contributed the outstanding capital of Longyan Dongyu Bio-feedstock Company Limited of RMB3,717,000. These contributions are due for payment before 5 August 2012.

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2011	2010
	HK$'000	HK$'000
NON-CURRENT ASSETS		
Interests in subsidiaries	10	10
CURRENT ASSETS		
Deposits, prepayments and other debtors	–	17
Cash and cash equivalents	2,948	2,366
	2,948	2,383
CURRENT LIABILITIES		
Other payables and accruals	17,063	14,518
Amount due to a director	38	38
Amount due to the Former Investor	8,198	6,798
Amount due to the Investor	3,703	–
Convertible bonds	106,600	106,600
	135,602	127,954
NET CURRENT LIABILITIES	(132,654)	(125,571)
TOTAL ASSETS LESS CURRENT LIABILITIES	(132,644)	(125,561)
NON-CURRENT LIABILITIES		
Amounts due to subsidiaries	1,356	1,366
NET LIABILITIES	(134,000)	(126,927)
REPRESENTING:		
CAPITAL AND RESERVES		
Share capital	67,620	67,620
Reserves	(201,620)	(194,547)
CAPITAL DEFICIENCIES	(134,000)	(126,927)