

CHINA MEDICAL AND BIO SCIENCE LIMITED

中華藥業生物科學有限公司*

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8120

FIRST QUARTERLY REPORT

2011 / 2012

** For identification purposes only*

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

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

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

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*This report, for which the directors (the “**Directors**”) of China Medical and Bio Science Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange Hong Kong Limited (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

HIGHLIGHTS

- The Company reported a profit attributable to the equity shareholders of the Company of HK\$73,346,000 for the quarter ended 31 October 2011, of which, a sum of HK\$69,534,000 was attributable to a gain on the Scheme of arrangement with the Company's creditors.
- The revenue of the Company together with its subsidiaries (collectively, the "Group") was HK\$28,371,000 for the quarter, an increase of HK\$8,428,000 when compared to the same period of the previous financial year.
- Gross profit for the quarter was HK\$5,852,000 which corresponds to a gross margin of 21%.
- Other income, some HK\$3,007,000 higher when compared with the same period in the previous financial year, was mainly due to the receipt of non-refundable fee contributions of HK\$3,000,000 from the Former Investor to assist in completing the restructuring and resumption of trading in the shares of the Company on the GEM board.
- Operating expenditures increased significantly by HK\$1,229,000 or 91% for the quarter.
- The board of Directors (the "Board") does not recommend the payment of an interim dividend for the quarter.

	Three months ended 31 October	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	<u>28,371</u>	<u>19,943</u>
Gross profit	5,852	4,151
Other revenue	3,008	1
Operating expenditure *	(2,584)	(1,355)
Restructuring costs	(971)	(720)
Finance costs	(213)	(45)
Gain on the Scheme	69,534	–
Gain on deconsolidation of subsidiaries	<u>401</u>	<u>–</u>
Profit before tax	75,027	2,032
Tax	<u>(1,105)</u>	<u>(876)</u>
Profit for the period	<u>73,922</u>	<u>1,156</u>
Gross margin (gross profit as a percentage of revenue)	<u>21%</u>	<u>21%</u>

* Being selling and distribution costs and general and administrative expenses

FIRST QUARTERLY RESULTS (UNAUDITED)

The Board is pleased to announce the unaudited results of the Group for the three months ended 31 October 2011 together with the unaudited comparative figures for the corresponding period in 2010 as follows:

Consolidated Statement of Comprehensive Income

		Three months ended 31 October	
	<i>Note</i>	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Turnover	2	28,371	19,943
Cost of sales		(22,519)	(15,792)
Gross profit		5,852	4,151
Other revenue	3	3,008	1
Selling and distribution costs		(722)	(457)
General and administrative expenses		(1,862)	(898)
Restructuring costs		(971)	(720)
Profit from operating activities		5,305	2,077
Finance costs	4	(213)	(45)
Gain on the Scheme	11	69,534	–
Gain on deconsolidation of subsidiaries	5	401	–
Profit before tax		75,027	2,032
Tax	6	(1,105)	(876)
Profit for the period		73,922	1,156
Other comprehensive income for the period:			
– Release of exchange fluctuation reserve upon deconsolidation of subsidiaries		(20)	–
– Exchange differences arising on translation of financial statements of overseas subsidiaries		(162)	19
Total comprehensive income for the period		<u>73,740</u>	<u>1,175</u>
Profit for the period attributable to:			
– Equity shareholders of the Company		73,346	1,156
– Non-controlling interest		576	–
		<u>73,922</u>	<u>1,156</u>
Total comprehensive income for the period attributable to:			
– Equity shareholders of the Company		73,159	1,175
– Non-controlling interests		581	–
		<u>73,740</u>	<u>1,175</u>
		<i>HK\$</i>	<i>HK\$</i>
Earnings per share	7		
Basic		<u>1.42</u>	<u>0.03</u>
Diluted		<u>1.25</u>	<u>N/A</u>

1. Basis of presentation

The unaudited quarterly financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong which include Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and in compliance with the disclosure requirements of the GEM Listing Rules.

The principal accounting policies used in the unaudited quarterly financial statements are consistent with those followed in the preparation of the Group’s financial statements for the year ended 31 July 2011 and these unaudited quarterly financial statements should be read in conjunction with such financial statements.

HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards. For those which are effective for accounting periods beginning on 1 August 2011, the adoption has no material effect on the reported results and the financial position of the Group for the current or prior accounting periods. For those which are not yet effective and have not been early adopted, the Group is in the process of assessing their impact on the Group’s results and financial position.

2. Turnover

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

3. Other revenue

	Three months ended 31 October	
	2011	2010
	<i>HK\$’000</i>	<i>HK\$’000</i>
Non-refundable fee contributions from Former Investor	3,000	–
Interest income	8	1
	<u>3,008</u>	<u>1</u>
	<u><u>3,008</u></u>	<u><u>1</u></u>

4. Finance costs

	Three months ended 31 October	
	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Interest on advances from the Former Investor	66	45
Interest on advances from the Investor	105	–
Interest on other loans	2	–
Interest on convertible notes	40	–
	<u>213</u>	<u>45</u>

5. Gain on deconsolidation of subsidiaries

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

On 11 October 2011, Mr. Liu Yiu Keung Stephen of Ernst & Young Transactions Limited and Mr. William Tacon of Messrs. Zolfo Cooper were appointed as liquidators of the Company's indirect wholly-owned subsidiary, JBC Bio Products Company Limited ("JBC Bio"). JBC Bio has two subsidiaries, namely, JBC Bio Products China Limited and Zhongshan JBC Bio-Technology Co. Ltd. (中山吉本生物科技有限公司).

The Directors consider that the Group has lost control over CBL and JBC Bio together with its subsidiaries (collectively, "the Subsidiaries") with effect from the respective dates of passing the resolutions and appointment of liquidators (the "Relevant Dates"). For the purpose of appropriate presentation and in order to allow the public to evaluate the performance of the Group, the Group has deconsolidated the Subsidiaries since the Relevant Dates.

The Subsidiaries did not contribute any turnover or profit to the Group's results in both periods.

5. Gain on deconsolidation of subsidiaries (Cont'd)

Details of the gain on deconsolidation of subsidiaries are as follow:

	Three months ended 31 October	
	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Deposit, prepayment and other receivables	(47)	—
Cash and bank balances	(7)	—
Trade payables	189	—
Other payables and accruals	246	—
	<hr/>	<hr/>
Net liabilities deconsolidated	381	—
Release of exchange fluctuation reserve	20	—
	<hr/>	<hr/>
Gain on deconsolidation of subsidiaries	<u>401</u>	<u>—</u>

6. Tax

	Three months ended 31 October	
	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Provision for PRC enterprise income tax for the period	<u>1,105</u>	<u>876</u>

No provision for Hong Kong profits tax has been made as the Group does not have any estimated assessable profits arising in Hong Kong for both periods.

The provision for PRC enterprise income tax is calculated at 25% on the estimated assessable profits of the subsidiaries operating in the PRC in accordance with the relevant income tax rules and regulations of the PRC for both periods.

7. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the following data:

	Three months ended 31 October	
	2011 HK\$'000	2010 HK\$'000
Profit attributable to equity shareholders of the Company	<u>73,346</u>	<u>1,156</u>
	Weighted average number of ordinary shares at 31 October	
	2011 '000 shares	2010 '000 shares
Issued ordinary shares at 1 August	1,352,400	1,352,400
Effect of Capital Reduction (<i>note 9(a)</i>)	<u>(1,318,590)</u>	<u>(1,318,590)</u>
Ordinary shares deemed to be in issue at 1 August	33,810	33,810
Effect of issuance of Subscription Shares (<i>note 9(b)</i>)	15,652	–
Effect of issuance of Creditors Shares (<i>note 11</i>)	<u>2,087</u>	<u>–</u>
	<u>51,549</u>	<u>33,810</u>

33,810,000 ordinary shares are deemed to be in issue as at 1 August 2010 assuming that the Capital Reduction was effective on that date. The comparative figure for the three months ended 31 October 2010 has been adjusted accordingly.

7. **Earnings per share (Cont'd)**

(b) *Diluted earnings per share*

The calculation of diluted earnings per share is based on the following data:

	Three months ended 31 October	
	2011 HK\$'000	2010 HK\$'000
Profit attributable to equity shareholders of the Company	73,346	1,156
Interest on convertible notes	40	–
	<u>73,386</u>	<u>1,156</u>
Profit attributable to equity shareholders of the Company (diluted)	<u><u>73,386</u></u>	<u><u>1,156</u></u>
	Weighted average number of shares ordinary shares (diluted) at 31 October	
	2011 '000 shares	2010 '000 shares
Weighted average number of ordinary shares at 31 October	51,549	33,810
Effect of issuance of Conversion Shares (<i>note 10</i>)	7,174	–
	<u>58,723</u>	<u>33,810</u>

8. Share capital and reserves

	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	PRC statutory reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non- controlling interest HK\$'000	Total HK\$'000
At 1 August 2011	67,620	101,086	61,545	873	1,054	(353,751)	(121,573)	5,878	(115,695)
Capital restructuring (see (a) below)	(66,268)	(101,086)	-	-	-	167,354	-	-	-
Issuance of Subscription Shares (note 9(b))	9,600	38,400	-	-	-	-	48,000	-	48,000
Issuance of Creditors Shares (note 11)	1,280	45,440	-	-	-	-	46,720	-	46,720
Issuance of Convertible Notes (note 10)	-	-	8,647	-	-	-	8,647	-	8,647
Release of capital reserve upon:									
– deconsolidation of subsidiaries (note 5)	-	-	(27,104)	-	-	27,104	-	-	-
– discharge of convertible bonds under the Scheme (see (b) below)	-	-	(34,441)	-	-	34,441	-	-	-
Total comprehensive income for the period	-	-	-	-	(187)	73,346	73,159	581	73,740
At 31 October 2011	<u>12,232</u>	<u>83,840</u>	<u>8,647</u>	<u>873</u>	<u>867</u>	<u>(51,506)</u>	<u>54,953</u>	<u>6,459</u>	<u>61,412</u>

- (a) The credit balance arising from the Capital Reduction of HK\$66,268,000 was applied, as permitted by the Cayman Companies Law to set off part of the accumulated losses of the Company. With effect from the completion of the Restructuring Agreement (see note 9(b)), the entire amount standing to the credit of the share premium account of the Company amounting to HK\$101,086,000 was reduced and set off against the accumulated losses of the Company.
- (b) Under the Scheme, all outstanding convertible bonds issued on 2 November 2007 together with certain other claims and liabilities of the Company will be settled by cash and the Creditors Shares. As a result, the reserve applicable to the conversion option and warrant of the convertible bonds were released and set off against the accumulated losses of the Company during the period.

9. Share capital

	Par value <i>HK\$</i>	Number of ordinary shares	Amount <i>HK\$</i>
Authorised:			
At 1 August 2011	0.050	3,000,000,000	150,000,000
Reduction of par value and cancellation of shares		(1,647,600,000)	(148,647,600)
After reduction of par value and cancellation of shares	0.001	1,352,400,000	1,352,400
Consolidation of 40 shares into 1 share	0.001	(1,318,590,000)	–
After consolidation of shares	0.040	33,810,000	1,352,400
Increase in shares	0.040	4,966,190,000	198,647,600
At 31 October 2011	0.040	<u>5,000,000,000</u>	<u>200,000,000</u>
Issued and fully paid:			
At 1 August 2011	0.050	1,352,400,000	67,620,000
Reduction of par value	(0.049)	–	(66,267,600)
After reduction of par value	0.001	1,352,400,000	1,352,400
Consolidation of 40 shares into 1 share	0.001	(1,318,590,000)	–
After consolidation of shares	0.040	33,810,000	1,352,400
Subscription Shares issued	0.040	240,000,000	9,600,000
Creditors Shares issued	0.040	32,000,000	1,280,000
At 31 October 2011	0.040	<u>305,810,000</u>	<u>12,232,400</u>

9. Share capital (Cont'd)

- (a) With the sanction of the Grand Court of the Cayman Islands (the “Cayman Court”) on 18 October 2011 and by a special resolution of the shareholders passed at an extraordinary general meeting of the Company held on 26 September 2011 (the “EGM”), the par value of every issued share of the Company was reduced from HK\$0.05 to HK\$0.001 by the reduction of HK\$0.049 par value for each issued share (the “Capital Reduction”).

Immediately following the Capital Reduction, the then authorised but unissued share capital of the Company of HK\$148,647,600 was cancelled in its entirety resulting in the authorised and issued share capital of the Company remained at an amount of HK\$1,352,400; and every forty authorised and issued shares of HK\$0.001 each was consolidated into one new share of HK\$0.04 each (“New Shares”). As a result, 1,352,400,000 authorised and issued shares of the Company of HK\$0.001 each were consolidated into 33,810,000 authorised and issued New Shares of HK\$0.04 each (the “Share Consolidation”).

Immediately following the Share Consolidation, the authorised share capital of the Company was increased from HK\$1,352,400 to HK\$200,000,000 by the creation of 4,966,190,000 New Shares.

- (b) By an ordinary resolution of the shareholders passed at the EGM (the “Ordinary Resolution”), the restructuring agreement dated 29 April 2011 as amended and supplemented by a supplemental restructuring agreement dated 1 June 2011 and a second supplemental restructuring agreement dated 29 August 2011 (collectively, the “Restructuring Agreement”) entered into among the Company, the then Provisional Liquidators, Thousand Jade International Limited as investor (the “Investor”) and Mr. LI Wing Chiu as guarantor in relation to the restructuring of the Company and the transactions contemplated thereunder, the issuance and allotment of 240,000,000 New Shares (the “Subscription Shares”) at a subscription price of HK\$0.20 each for a total consideration of HK\$48,000,000, the creation and issue of the convertible notes (the “Convertible Notes”) with the principal amount of HK\$22,000,000 and the scheme of arrangement to be made between the Company and its creditors pursuant to section 166 of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) and section 86 of the Cayman Companies Law (the “Scheme”) and the performance thereof by the Company were approved, ratified and confirmed.

9. Share capital (Cont'd)

(b) (cont'd)

The shareholders also approved as follows:

- (i) the allotment and issue of the Subscription Shares to the Investor at a subscription price of HK\$0.20 per Subscription Share pursuant to the Restructuring Agreement;
- (ii) the allotment and issue of 32,000,000 New Shares to partially settle claims against and liabilities of the Company with its creditors under the Scheme (the "Creditors Shares") on and subject to the terms and conditions of the Scheme.

Subsequently, the Subscription Shares and Creditors Shares were issued on 26 October 2011.

10. Convertible Notes

By the Ordinary resolution, the creation and issue by the Company of the Convertible Notes due on the date falling three years from the date of issue of the Convertible Notes, convertible into 110,000,000 New Shares (the "Conversion Shares") at the conversion price of HK\$0.20 per Conversion Share and the issue and allotment of the Conversion Shares on and subject to the terms and conditions contained in the Restructuring Agreement were approved.

The Convertible Notes shall not bear any interest and shall mature on the date falling three years from the date of issue of the Convertible Notes (the "Maturity Date"). All outstanding Convertible Notes will be redeemed on the Maturity Date at their outstanding principal amount. Subject to mutual agreement by the Company and the holders of the Convertible Notes, the Convertible Notes may be early redeemed at 100% of the outstanding principal amount of the Convertible Notes (in whole or in part) at any time and from time to time at the option of either party prior to the maturity date of the Convertible Notes with written notice.

Subsequently, the Convertible Notes were issued on 26 October 2011.

10. Convertible Notes (Cont'd)

The Convertible Notes contain a liability component and an equity component. The equity component is credited to the Company's capital reserve. The annual effective interest rate of the liability component is 18.103% per annum. The movement of the liability component for the period is as follows:

	<i>HK\$'000</i>
Proceeds of issue	22,000
Equity component	(8,647)
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Liability component at date of issue	13,353
Interest charged	40
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Liability component at 31 October 2011	<u>13,393</u>

As at 31 October 2011, the fair value of the liability component was amounted to HK\$13,384,000.

11. Scheme of arrangement

By orders of the High Court of the Hong Kong Special Administrative Region (the "Hong Kong Court") and the Cayman Court made on 9 August 2011 and 26 August 2011 respectively, the Hong Kong Court and Cayman Court have respectively directed that a meeting (the "Scheme Meeting") to be convened for the creditors of the Company for the purpose of considering and approving the Scheme.

On 26 September 2011, the Scheme including the following terms was approved by a resolution of the creditors of the Company:

- (i) the Company shall pay a sum of up to HK\$13,160,000 out of the proceeds from the issuance of the Subscription Shares as a cash settlement (including the settlement of the petition costs, the preferential claims, the issuance costs and the cost of the Scheme); and
- (ii) the Company shall issue a total of 32,000,000 New Shares as Creditors Shares to settle all claims against and liabilities of the Company in accordance with the terms of the Scheme.

Subsequently, the Scheme has become effective since 26 October 2011.

11. Scheme of arrangement (Cont'd)

Details of the gain on the Scheme are as follow:

	<i>HK\$'000</i>
Convertible bonds	106,600
Amounts due to deconsolidated subsidiaries	1,356
Other payables and accruals	16,222
Amount due to a Director	38
Amount due to the Former Investor	5,198
	<hr/>
Total liabilities settled	129,414
Consideration paid:	
Cash	(13,160)
Total fair value of Creditors Shares	(46,720)
	<hr/>
Gain on the Scheme	<u>69,534</u>

The total fair value less total par value of the Creditors Shares will be credited to the share premium account of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the quarter ended 31 October 2011 within the financial year 2011/12, the Company recorded a profit attributable to the equity shareholders of the Company of HK\$73,346,000, of which a sum of HK\$69,534,000 was attributable to a gain on the Scheme of arrangement with the Company's creditors.

Since the newly-established plants of the Group's joint venture located in Wuping county, Longyan city, Fujian province commenced operation in June, the sale volume and the number of customers grew stably. For the period from the date of commencement of operation to the ending date of this quarter, the accumulated sales volume of the Group exceeds 8,000 tones. Furthermore, thanks for the geographical advantage of the new plants, the business focus of the Group has shifted from the periphery of Xiamen to the periphery of the new plants so as to get a better access to the customers, thus the number of customer grew stably.

Apart from improving the product quality and after-sales service, the Group also endeavors to enlarge its customer base by various marketing strategies, such as setting up outlets, developing distributor system and expanding its delivery network in order to increase its distribution scale of sales and income. Thus, the revenue for this quarter was HK\$28,371,000, representing an increase of HK\$8,428,000 as compared to the same period of the previous financial year.

Since September 2011, the management of the Group has ceased purchasing feed product from external suppliers and allocated all of its resources to promote its own feed products and to establish its own brand with an aim to benefit the Group with a higher profit margin and further improve the Group's financial position. During the quarter, the Group recorded a gross profit of HK\$5,852,000 and a profit margin of 21%, for which recovered to the level of the corresponding period in the previous financial year of 21%, and exceeded the average annual profit margin of the previous financial year of 17%.

Other revenue has been increased by HK\$3,007,000 comparing with the corresponding period in the previous financial year, was mainly due to the receipt of non-refundable contributions of HK\$3,000,000 from the Former Investor to assist in completing the restructuring and resumption of trading in the shares of the Company on the GEM.

Operating expenditure was recorded at HK\$2,584,000, representing an increase by HK\$1,229,000 as compared with the corresponding period of the previous financial year. The increase was mainly caused by the corresponding increase in revenue and hence related resources further deployed in coping with the increased business.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Business Review (Cont'd)

The Board does not recommend the payment of an interim dividend for the quarter.

Prospect

The Group completed the restructuring during the period and since 1 November 2011, the trading of shares of the Company on the GEM of the Stock Exchange has officially resumed, and hence it is expected that the financial position of the Group will significantly improve accordingly.

In the future, the business strategy of the Group will focus on consolidating the existing production scale and its market share for the purposes of increasing one production line, optimizing the formula of bio-feeds and expanding its revenue. Also, the Group will seek to extend its industrial chain by actively carrying out market survey, providing much more livestock raising technology service and developing eco-farming business around the periphery of factories and expand its engagement in feed-related businesses, such as trading of the feed materials, livestock business and meat processing, with an ultimate objective to build up the brand, “東麟” to get access to the end market. If the strategies are successfully effected, it will facilitate the Group to further consolidate its business, better exploit the potential growth of the PRC feed market in the future, and create long term economic benefit for the Group's and the Company's shareholders as a whole.

DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31 October 2011 (2010: nil).

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities if the Company during the three months ended 31 October 2011.

AUDIT COMMITTEE

The audit committee of the Company consists of three independent non-executive Directors, namely, Ms. Wong Yan Ki Angel, Ms. Liao Aimin and Mr. Li Jingxing with written terms of reference in compliance with the Rule 5.28 to 5.33 to the GEM Listing Rules. The audit committee has reviewed the first quarter results for the three months ended 31 October 2011.

DISMISSAL OF THE PETITION AND DISCHARGE OF THE PROVISIONAL LIQUIDATORS

On 28 October 2011, the Hong Kong Court granted an order to dismiss the Petition and discharge the Provisional Liquidators with immediate effect.

RESUMPTION OF TRADING OF THE SHARES OF THE COMPANY

Trading of the shares of the Company on the GEM board has been resumed with effect from 9:00 a.m. on Tuesday, 1 November 2011.

PROPOSED CHANGE OF NAME OF THE COMPANY

At an extraordinary general meeting of the Company held on 13 December 2011, the shareholders of the Company had, by a special resolution, approved to change the name of the Company from “China Medical and Bio Science Limited” to “Oriental Unicorn Agricultural Group Limited 東麟農業集團有限公司”.

The above change of name is subject to the approval of the Registrar of Companies in the Cayman Islands and shall take effect from the date of entry of the new name on the register maintained by the Registrar of Companies in the Cayman Islands.

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

As at 31 October 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:

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

Long positions in ordinary shares and underlying shares of the Company

Name of directors	Capacity nature of interest	Shares/equity derivatives	Number of shares/equity derivatives held	Percentage of the Company's issued share capital	Note
Mr. Li Wing Chiu	Through controlled corporation	Ordinary shares	219,356,000 shares	71.73%	(1)
Ms. Wong Moon Ha	Through controlled corporation	Ordinary shares	10,000,000 shares	3.27%	(2)

Note:

- (1) *The shares were held by Thousand Jade International Limited, which is wholly-owned by Mr. Li Wing Chiu, an executive director and Chairman of the board of Directors of the Company.*
- (2) *The shares were held by Concord Pharmaceutical Technology (Holdings) Limited, which is a wholly-owned subsidiary of Concord Management Limited, the entire issued capital of which was owned by Ms. Wong Moon Ha, an non-executive director of the Company.*

Save as disclosed herein, as at 31 October 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.

SHARE OPTION SCHEMES

The Company had no share option scheme in effect during the period.

No new share option was granted under any option scheme of the Company to any person during the period.

At 31 October 2011, no person had any interest in option under any share option scheme to subscribe for any share of the Company.

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

As at 31 October 2011, in so far as known to the directors or chief executives of the Company based on the register maintained by the Company pursuant to Part XV of the SFO, the following persons (not being 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 nature of interest	Share/equity derivatives	Number of shares/equity derivatives held (long position)	Percentage of the Company's issued share capital	<i>Note</i>
Thousand Jade International Limited	Corporation	Ordinary	219,356,000 shares	71.73%	(1)
Mr. Li Wing Chiu	Through controlled corporation	Ordinary shares	219,356,000 shares	71.73%	(1)
Precise Idea Investments Limited	Corporation	Convertible note	25,000,000 ordinary shares	8.18%	(2)
Mr. Wong Leung Chi	Through controlled corporation	Convertible note	25,000,000 ordinary shares	8.18%	(2)
Will Summit Limited	Corporation	Convertible note	22,750,000 ordinary shares	7.44%	(3)
Ms. Chen Shu Huan	Through controlled corporation	Convertible note	22,750,000 ordinary shares	7.44%	(3)
Power Soar Limited	Corporation	Convertible note	20,000,000 ordinary shares	6.54%	(4)
Mr. Hung Cho Chiu	Through controlled corporation	Convertible note	20,000,000 ordinary shares	6.54%	(4)

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND OTHER PERSON'S INTERESTS AND SHORT POSITIONS IN SHARES OF THE COMPANY (CONT'D)

Substantial Shareholders (Cont'd)

Note:

- (1) *The shares were held by Thousand Jade International Limited for which its entire share capital is wholly-owned by Mr. Li Wing Chiu, an executive director and Chairman of the board of Directors of the Company.*
- (2) *The deemed shares were held by Precise Idea Investments Limited for which its entire share capital is wholly-owned by Mr. Wong Leung Chi, a holder of the Convertible Note (the "CN") issued by the Company on 26 October 2011. Of which, the holder is entitled to the right attaching to the CN to subscribe for 25,000,000 shares of the Company.*
- (3) *The deemed shares were held by Will Summit Limited for which its entire share capital is wholly-owned by Ms. Chen Shu Huan, a holder of the CN issued by the Company on 26 October 2011. Of which, the holder is entitled to the right attaching to the CN to subscribe for 22,750,000 shares of the Company.*
- (4) *The deemed shares were held by Power Soar Limited for which its share capital is wholly-owned by Mr. Hung Cho Chiu, a holder of the CN issued by the Company on 26 October 2011. Of which, the holder is entitled to the right attaching to the CN to subscribe for 20,000,000 shares of the Company.*

Save as disclosed above, as at 31 October 2011, the directors of the Company were not aware of any person (other than directors of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding securities transactions by the Directors.

The Company has made specific enquiry to all Directors and the Directors have confirmed that they have complied with all the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules during the period ended 30 September 2011.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the period ended 31 October 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. Two non-executive Directors were appointed on 26 October 2011, namely, Mr. Qiao Long and the former executive director, Ms. Wong Moon Ha was re-designated as non-executive director on the same date. Such appointment 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. Remuneration committee of the board of Directors was established on 26 October 2011. Written terms of reference were adopted in compliance with the GEM Listing Rules. The remuneration committee consists of two independent non-executive directors, namely Ms. Wong Yan Ki, Angel and Ms. Liao Aimin and an executive director, Mr. Wang Zhiming. During the period, the Remuneration Committee reviewed the remuneration package of the Directors and the senior management of the Group and proposed bonus policy to Executive Directors to reflect their contributions to the Group and to link their remuneration to the Group’s performance.
3. Nomination committee of the board of Directors was established on 26 October 2011. Written terms of reference were adopted in compliance with the GEM Listing Rules. The nomination committee consists of two independent non-executive directors, namely Mr. Li Jingxing and Ms. Liao Aimin and an executive director, Mr. Wang Zhiming.

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 during the period.

On behalf of the Board
Li Wing Chiu
Chairman

Hong Kong, 15 December 2011

As at the date of this report, the Board comprises four executive Directors, namely, Mr. Li Wing Chiu, Mr. Wang Zhimin, Mr. Zhang Xiaobin and Mr. Wong Sai Wa; two non-executive Directors, namely Mr. Qiao Long and Ms. Wong Moon Ha, and three independent non-executive Directors, namely Ms. Wong Yan Ki Angel, Ms. Liao Aimin and Mr. Li Jingxing.

This report will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for a minimum period of seven days from the date of publication and on the Company’s website at www.irasia.com/listcol/hk/chinamedical.