

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 RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 JULY 2008

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

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

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

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This announcement, for which the directors (the “Directors”) of China Medical and Bio Science Limited (Provisional Liquidators Appointed) (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

* For identification purpose only

THE ANNUAL RESULTS FOR THE YEAR ENDED 31 JULY 2008

The board of directors (the “Board”) of China Medical and Bio Science Limited (Provisional Liquidators Appointed) (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 July 2008, together with the comparative figures in 2007 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 July 2008

	<i>Note</i>	2008 <i>HK\$'000</i>	Restated 2007 <i>HK\$'000</i>
Turnover	6	5,981	6,289
Cost of sales		(3,129)	(4,525)
		<hr/>	<hr/>
Gross profit		2,852	1,764
Other revenue	6	15,984	1,132
Selling and distribution costs		(1,292)	(3,392)
General, administrative and other operating expenses		(88,519)	(36,451)
Provision for bad and doubtful debts		(15,477)	(15,417)
Net unrealised fair value loss on financial assets at fair value through profit or loss and derivative financial instruments		(33,844)	(1,139)
		<hr/>	<hr/>
Loss from operating activities	7	(120,296)	(53,503)
Finance costs	8	(11,106)	(3,857)
Impairment on			
– Property, plant and equipment and deposits paid for acquisition of property, plant and equipment		(184)	(29,005)
– Intangible assets		–	(4,183)
– Goodwill		(23,392)	(3,309)
		<hr/>	<hr/>
Loss before tax		(154,978)	(93,857)
Tax	9	–	(231)
		<hr/>	<hr/>
Loss for the year		(154,978)	(94,088)
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CONSOLIDATED INCOME STATEMENT (CONT'D)*For the year ended 31 July 2008*

	<i>Note</i>	2008 <i>HK\$'000</i>	Restated 2007 <i>HK\$'000</i>
Loss attributable to:			
Shareholders of the Company		(154,978)	(92,396)
Minority interests		—	(1,692)
		<u>(154,978)</u>	<u>(94,088)</u>
Loss per share attributable to Shareholders of the Company	<i>10</i>		
Basic		<u>HK\$0.11</u>	<u>HK\$0.10</u>
Diluted		<u>N/A</u>	<u>N/A</u>

CONSOLIDATED BALANCE SHEET

As at 31 July 2008

	<i>Note</i>	2008 <i>HK\$'000</i>	Restated 2007 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		24,350	2,421
Leasehold land		13,184	4,237
Intangible assets		–	–
Goodwill		–	23,392
		<u>37,534</u>	<u>30,050</u>
CURRENT ASSETS			
Inventories		352	253
Trade receivables	<i>11</i>	242	1,323
Deposits, prepayments and other receivables	<i>12</i>	12,348	2,772
Financial assets at fair value through profit or loss		50,647	18,735
Derivative financial instruments		–	72
Cash, bank balances and time deposits		12,497	40,796
		<u>76,086</u>	<u>63,951</u>
Non-current assets held for sales	<i>13</i>	–	9,978
		<u>76,086</u>	<u>73,929</u>
DEDUCT:			
CURRENT LIABILITIES			
Derivative financial instruments		–	1,826
Bank and other borrowings	<i>14</i>	37,981	1,657
Finance lease obligations		182	78
Trade payables	<i>15</i>	1,291	1,177
Other payables and accruals		50,762	36,728
Amounts due to directors		–	1,581
Income tax payable		1,101	996
		<u>91,317</u>	<u>44,043</u>
Liabilities directly associated with non-current assets held for sales	<i>13</i>	–	13,460
		<u>91,317</u>	<u>57,503</u>
NET CURRENT (LIABILITIES)/ASSETS		<u>(15,231)</u>	<u>16,426</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>22,303</u>	<u>46,476</u>

CONSOLIDATED BALANCE SHEET (CONT'D)*As at 31 July 2008*

	<i>Note</i>	2008 <i>HK\$'000</i>	Restated 2007 <i>HK\$'000</i>
DEDUCT:			
NON-CURRENT LIABILITIES			
Bank loans	<i>14</i>	9,258	–
Finance lease obligations		911	535
Convertible bonds		74,161	–
		<u>84,330</u>	<u>535</u>
NET (LIABILITIES)/ASSETS		<u>(62,027)</u>	<u>45,941</u>
REPRESENTING:			
CAPITAL AND RESERVES			
Share capital		67,620	67,620
Reserves		(129,647)	(21,679)
(CAPITAL DEFICIENCY)/TOTAL EQUITY		<u>(62,027)</u>	<u>45,941</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 July 2008

	Attributable to shareholders of the Company									
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Share option reserve HK\$'000	Convertible bond equity reserve HK\$'000	Warrants reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Accumulated losses HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1 August 2006	25,000	17,992	27,104	–	–	–	1,446	(58,764)	1,469	14,247
Acquisition of subsidiaries	24,000	–	–	–	–	–	–	–	261	24,261
Issue of new shares	18,620	83,094	–	–	–	–	–	–	–	101,714
Exchange differences arising on translation of financial statements of overseas subsidiaries										
– As previously reported	–	–	–	–	–	–	369	–	(38)	331
– Prior year adjustment	–	–	–	–	–	–	(524)	–	–	(524)
– As restated	–	–	–	–	–	–	(155)	–	(38)	(193)
Loss for the year										
– As previously reported	–	–	–	–	–	–	–	(65,899)	(1,692)	(67,591)
– Prior year adjustment	–	–	–	–	–	–	–	(26,497)	–	(26,497)
– As restated	–	–	–	–	–	–	–	(92,396)	(1,692)	(94,088)
At 31 July 2007	<u>67,620</u>	<u>101,086</u>	<u>27,104</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,291</u>	<u>(151,160)</u>	<u>–</u>	<u>45,941</u>
At 1 August 2007										
– As previously reported	67,620	101,086	27,104	–	–	–	1,815	(124,663)	–	72,962
– Prior year adjustment	–	–	–	–	–	–	(524)	(26,497)	–	(27,021)
– As restated	67,620	101,086	27,104	–	–	–	1,291	(151,160)	–	45,941
Share based compensation expenses	–	–	–	14,364	–	–	–	–	–	14,364
Issue of warrants	–	–	–	–	–	4,807	–	–	–	4,807
Recognition of equity component of convertible bonds	–	–	–	–	29,634	–	–	–	–	29,634
Exchange differences arising on translation of financial statements of overseas subsidiaries	–	–	–	–	–	–	(1,795)	–	–	(1,795)
Loss for the year	–	–	–	–	–	–	–	(154,978)	–	(154,978)
At 31 July 2008	<u>67,620</u>	<u>101,086</u>	<u>27,104</u>	<u>14,364</u>	<u>29,634</u>	<u>4,807</u>	<u>(504)</u>	<u>(306,138)</u>	<u>–</u>	<u>(62,027)</u>

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

NOTES

1. CORPORATE INFORMATION

China Medical and Bio Science Limited (Provisional Liquidators Appointed) (the “Company”) and its subsidiaries (collectively the “Group”) are principally engaged in bio-livestock feed business mainly involving the development and distribution of feed supplements and the production and operation of end-user safe food based on the use of feed supplements.

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 from 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”).

(b) Proposed restructuring of the Group

On 5 December 2008, the Provisional Liquidators appointed Asian Capital (Corporate Finance) Limited as financial adviser to the Company (the “Financial Adviser”). Since then, the Provisional Liquidators and the Financial Adviser had been in discussion and negotiation with various potential investors with a view of restructuring the Company and submitting a viable resumption proposal to the Stock Exchange.

On 1 April 2009, an exclusivity agreement was entered into amongst Good One International Inc. (“Good One”), the Company and the Provisional Liquidators to grant Good One exclusivity for the proposed restructuring of the Group. This exclusivity agreement was subsequently terminated on 28 July 2009.

2. BASIS OF PREPARATION (CONT'D)

(b) Proposed restructuring of the Group (Cont'd)

On 28 July 2009, a new exclusivity agreement (the “Exclusivity Agreement”) was entered into amongst NEUF Capital Limited (the “Investor”), the Company and the Provisional Liquidators to grant the Investor exclusivity for the preparation of a resumption proposal (the “Resumption Proposal”) and negotiation in a good faith of legally binding agreements for the implementation of the proposed restructuring and the Resumption Proposal. The restructuring proposal so submitted by the Investor was accepted by the Provisional Liquidators, and in principle, supported by the major creditors of the Company as it was considered to be in the best interest of the Company and its stakeholders.

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

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

The proposed restructuring, if successfully implemented, will, amongst other things, result in:

- (i) a restructuring of the share capital of the Company through capital reduction, shares consolidation and the increase in share capital, and the issuance of new shares of the Company;
- (ii) all the creditors of the Company discharging and waiving their claims against the Company by way of schemes of arrangement in Hong Kong and the Cayman Islands (the “Schemes”), as appropriate; and
- (iii) resumption of trading in the shares of the Company upon completion of the proposed restructuring subject to the restoration of sufficient public float.

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

(c) Adoption of going concern basis

The Group incurred a loss attributable to equity holders of the Company of approximately HK\$154,978,000 for the year ended 31 July 2008 and as at that date, the Group had net current liabilities and net liabilities of approximately HK\$15,231,000 and HK\$62,027,000 respectively. The indebtedness of the Group mainly comprised short-term bank loans and other borrowings and convertible bonds, amounting to a total of approximately HK\$121,400,000, of which bank loans of approximately HK\$4,007,000 were overdue as at 31 July 2008. These conditions indicated the existence of a material uncertainty which cast significant doubt on the Group’s ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

These 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 be able to meet in full its financial obligations as they fall due in the foreseeable future.

Should the Group be unable to achieve a successful restructuring and to continue its business as a going concern, adjustments would have to be made to the financial statements to properly reflect the value of the Group’s assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively.

2. BASIS OF PREPARATION (CONT'D)

(d) Compliance with Hong Kong Financial Reporting Standards

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply 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 as modified by the revaluation of financial assets at fair value through profit or loss. These consolidated financial statements also comply with the applicable disclosures required by the GEM Listing Rules and by the Hong Kong Companies Ordinance.

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

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

(a) Initial application of HKFRSs

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

HKAS 1	Presentation of Financial Statements, Paragraphs 124A to 124C
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions

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) Hong Kong Financial Reporting Standards in issue but not yet effective

The following HKFRSs in issue as at 31 July 2008 have not been applied in the preparation of the Group’s financial statements for the year ended 31 July 2008 since they were not yet effective for the annual period beginning on 1 August 2007:

HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing Costs ¹
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ²
Amendments to HKAS 32 and HKAS 1	Puttable Financial Instruments and Obligations Arising on Liquidation ¹
Amendment to HKFRS 2	Share-based Payment – Vesting Conditions and Cancellations ¹
HKFRS 3 (Revised)	Business Combinations ²
HKFRS 8	Operating Segments ¹
HK(IFRIC)-Int 12	Service Concession Arrangements ³
HK(IFRIC)-Int 13	Customer Loyalty Programmes ⁴
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction ³

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONT'D)

(b) Hong Kong Financial Reporting Standards in issue but not yet effective (Cont'd)

- ¹ Effective for financial period commencing on or after 1 January 2009
- ² Effective for financial period commencing on or after 1 July 2009
- ³ Effective for financial period commencing on or after 1 January 2008
- ⁴ Effective for financial period commencing on or after 1 July 2008

The Group is in the process of making an assessment of what the impact of these new HKFRS is expected to be in the period of initial application.

4. PRIOR PERIOD ADJUSTMENTS

China Citic Bank (Chengdu Branch) (the “Bank”) had taken legal action against the Company’s subsidiary, Chengdu Viking Yuen Heng Pharmaceutical Co. Ltd. (“Viking Yuen Heng”), being the borrower, and the Company’s subsidiary, Chengdu Concord Yuen Heng Industrial Co., Ltd. (“Concord Yuen Heng”), the Company’s former subsidiary, Sichuan Shule Pharmaceutical Joint Stock Co. Ltd. and the Company’s executive director, Mr. Wong Sai Wa, being the guarantors to the borrowing agreement (together the “Guarantors”), to recover the overdue loans of RMB13,000,000 together with the overdue interest charged thereon (the “Overdue Debts”). The judgments of the Chengdu Intermediate People’s Court of the People’s Republic of China (the “PRC”) (“Chengdu Court”) had been issued for execution on 18 April 2006 and 20 April 2006 accordingly (the “Judgments”).

On 26 June 2006, the Chengdu Court approved the application of the Bank for enforcement of the Judgments by the Wenjiang District People’s Court of Chengdu City of the PRC (“Wenjiang Court”) and the Bank demanded the Guarantors to indemnify the debts. The factories, machineries and land owned by Viking Yuen Heng and Concord Yuen Heng (together the “Properties”) were valued by professional valuers engaged by Wenjiang Court in February 2007 and July 2007 respectively to have an aggregate market value of approximately RMB13,220,000. The Properties comprised: (1) the factories then owned by Viking Yuan Heng; and (2) a piece of land of 44,000 square meter together with factories erected thereon and machineries therein then owned by Concord Yuen Heng. Viking Yuen Heng and the Guarantors did not repay the debts to the Bank. On 22 August 2007, at the application of the Bank, the Wenjiang Court granted an order to sell the Properties through public auction for an amount of RMB10,000,000 for the purpose of satisfying the Judgments. The public auction was held on 10 September 2007, at which the Properties were sold to the successful bidder of the Properties at a consideration of RMB10,000,000 (net proceeds after the deduction of related legal charges was RMB9,720,000), which was subsequently approved and confirmed by the Wenjiang Court on 18 October 2007.

The Board was only informed of the aforesaid valuation, auction and court approval until the receipt of the official notice from the court on 13 November 2007. The Company’s directors’ report and audited financial statements for the year ended 31 July 2007 were approved and authorised for issue on 30 October 2007, of which no corresponding adjustment on the fair value of the Properties had been recognised to reflect the impairment.

4. PRIOR PERIOD ADJUSTMENTS (CONT'D)

The Board considers it is more appropriate to reflect the impairment of the Properties, together with the impairment on goodwill and intangible assets that belong to the same cash generating unit of the Properties, in the Company's financial statements for the year ended 31 July 2007. Furthermore, the Properties and the Overdue Debts were reclassified as non-current assets held for sales and liabilities directly associated with non-current assets held for sales respectively as at 31 July 2007 since the Properties' carrying amount would be recovered through a sale transaction rather than through continuing use. Details of the effect of the prior period adjustments are as follows:

	As at 31 July 2007 HK\$'000
Assets	
Decrease in property, plant and equipment	23,876
Decrease in leasehold land	3,188
Decrease intangible assets	4,183
Decrease in goodwill	3,309
Decrease in deposits for acquisition of property, plant and equipment	2,443
Increase in non-current assets held for sales	9,978
Liabilities	
Decrease in bank and other loans	13,460
Increase in liabilities directly associated with non-current assets held for sales	13,460
Equity	
Increase in accumulated losses	26,497
Decrease in exchange fluctuation reserve	524
	<hr/> <hr/>
	As at 31 July 2007 HK\$'000
Increase in impairment provision for property, plant and equipment, intangible assets and goodwill	
Increase in loss for the year	26,497
Increase in loss per share	
– Basic (HK\$)	0.03
– Diluted (HK\$)	N/A
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5. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

- (a) the veterinary drugs segment comprises the production, sales and distribution of veterinary drugs;
- (b) the feed supplements segment comprises the manufacture and sale of feed supplements;
- (c) the safe food segment comprises the trading of livestock and "Sakura Pork" branded food fed with probiotics-based feed supplements; and
- (d) the corporate segment comprises corporate income and expense items.

Inter-segment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

5. SEGMENT INFORMATION (CONT'D)

Business segments

The following tables present revenue, loss and certain assets, liabilities and expenditure information for the Group's business segments.

	Veterinary drugs		Feed supplements		Safe food		Corporate		Eliminations		Consolidated	
	2008	Restated 2007	2008	Restated 2007	2008	Restated 2007	2008	Restated 2007	2008	Restated 2007	2008	Restated 2007
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment revenue:												
Sales to external customers	-	5,528	3,540	761	2,441	-	-	-	-	-	5,981	6,289
Other revenue	-	201	3,307	10	-	-	-	-	-	-	3,307	211
Total revenue	-	5,729	6,847	771	2,441	-	-	-	-	-	9,288	6,500
Segment results	(1,260)	(26,810)	(76,991)	(10,664)	(216)	-	(54,506)	(16,950)	-	-	(132,973)	(54,424)
Interest income											12,677	921
Loss from operating activities											(120,296)	(53,503)
Finance costs											(11,106)	(3,857)
Impairment on												
- Property, plant and equipment and deposits paid for acquisition of property, plant and equipment	(105)	(29,005)	-	-	-	-	(79)	-	-	-	(184)	(29,005)
- Intangible assets	-	(4,183)	-	-	-	-	-	-	-	-	-	(4,183)
- Goodwill	-	-	-	-	-	-	(23,392)	(3,309)	-	-	(23,392)	(3,309)
Loss before tax											(154,978)	(93,857)
Tax	-	(231)	-	-	-	-	-	-	-	-	-	(231)
Loss for the year											(154,978)	(94,088)
Segment assets	18,233	20,004	45,194	19,498	3,096	-	380,981	258,132	(333,884)	(193,655)	113,620	103,979
Total assets	18,233	20,004	45,194	19,498	3,096	-	380,981	258,132	(333,884)	(193,655)	113,620	103,979
Segment liabilities	67,976	63,177	54,962	17,283	878	-	385,715	171,233	(333,884)	(193,655)	175,647	58,038
Total liabilities	67,976	63,177	54,962	17,283	878	-	385,715	171,233	(333,884)	(193,655)	175,647	58,038
Other segment information:												
Depreciation and amortisation	47	4,029	1,663	168	2	-	269	9	-	-	1,981	4,206
Capital expenditure	-	796	13,067	2,084	368	-	18,918	154	-	-	32,353	3,034

5. SEGMENT INFORMATION (CONT'D)

Geographical segments

	Hong Kong		PRC		Malaysia		Singapore		Japan		Consolidated	
	2008 <i>HK\$'000</i>	Restated 2007 <i>HK\$'000</i>	2008 <i>HK\$'000</i>	Restated 2007 <i>HK\$'000</i>	2008 <i>HK\$'000</i>	Restated 2007 <i>HK\$'000</i>	2008 <i>HK\$'000</i>	Restated 2007 <i>HK\$'000</i>	2008 <i>HK\$'000</i>	Restated 2007 <i>HK\$'000</i>	2008 <i>HK\$'000</i>	Restated 2007 <i>HK\$'000</i>
Revenue from external sales	15	–	3,001	5,528	–	761	2,452	–	513	–	5,981	6,289
Segment assets	53,730	56,869	41,971	38,922	–	–	8,500	8,188	9,419	–	113,620	103,979
Capital expenditure	19,817	154	1,827	796	–	–	1,243	2,084	9,466	–	32,353	3,034

6. 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:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Sale of feed supplements	3,540	761
Sale of safe food	2,441	–
Sale of veterinary drugs	–	5,528
	<u>5,981</u>	<u>6,289</u>
Other revenue		
Interest income	12,677	921
Exchange gain	–	10
Gain on disposal of property, plant and equipment	–	29
Sundry income	3,307	172
	<u>15,984</u>	<u>1,132</u>
Total revenue	<u>21,965</u>	<u>7,421</u>

7. LOSS FROM OPERATING ACTIVITIES

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

	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Amortisation of intangible assets	–	2,568
Amortisation of leasehold land	261	48
Auditors' remuneration	550	254
Depreciation	1,720	1,590
Sales proceeds	(10,624)	(754)
Less: Net book value	10,627	725
Loss/(gain) on disposal of property, plant and equipment and non-current assets held for sales	3	(29)
Minimum operating lease payments for land and buildings	3,023	814
Provision for obsolete inventories	952	2,907
Research and development expenditure	3,765	3,053
Staff costs (including directors' emoluments)		
Salaries, wages and other allowances	16,852	6,852
Pension scheme contributions	745	185
	17,597	7,037

8. FINANCE COSTS

	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on convertible bonds	8,602	–
Finance lease charges	29	4
Interest on bank loans wholly repayable within five years	419	1,220
Interest on other loans	2,056	2,633
	11,106	3,857

9. TAX

- (a) Taxation in the consolidated income statement of preceding year represented deferred tax (Note 9(b)).

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.

No provision for income taxes in the PRC and other jurisdictions has been made as the Group did not have any assessable profits arising in these jurisdictions for both years.

The Hong Kong profits tax rate decreased from 17.5% to 16.5% with effect from the year of assessment 2008/09.

The PRC corporate income tax rate decreased from 33% to 25% with effect from year 2008.

Tax expense for the year can be reconciled as follows:

	2008	Restated
	<i>HK\$'000</i>	2007
		<i>HK\$'000</i>
Loss before tax	(154,978)	(93,857)
Tax effect at the PRC statutory income tax rate of 25% (2007: 33%)	(38,745)	(30,973)
Tax effect of non-deductible expenses	28,797	12,340
Tax effect of tax exempt revenue	(263)	(75)
Tax effect of unrecognised general provision for bad and doubtful debts	3,869	5,088
Tax effect of unrecognised impairment of assets	(7,251)	9,571
Tax effect of unrecognised tax losses	13,593	4,280
Tax expense	–	231

- (b) Movements in recognised deferred tax asset during the preceding year are as follows:

	Decelerated depreciation allowances
	<i>HK\$'000</i>
At 1 August 2006	(231)
Charge for the year	231
At 31 July 2007 and 31 July 2008	–

9. TAX (CONT'D)

(c) The components of unrecognised deductible temporary differences at the balance sheet dates are as follows:

	2008 <i>HK\$'000</i>	Restated 2007 <i>HK\$'000</i>
Unutilised tax losses	77,877	23,505
Provision for bad and doubtful debts	45,402	29,925
Impairment of assets	—	29,005
	<u>123,279</u>	<u>82,435</u>

The unutilised tax losses accumulated in the PRC and Japan subsidiaries would expire in five years and seven years respectively from the respective year of loss.

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

10. LOSS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of basic loss per share attributable to shareholders of the Company is based on the loss attributable to the shareholders of the Company from continuing operations for the year of approximately HK\$154,978,000 (2007: HK\$92,396,000 as restated) and the weighted average number of 1,352,400,000 (2007: 893,930,959) ordinary shares in issue during the year.

No diluted loss per share is presented for the year ended 31 July 2008 as the conversion of the outstanding convertible bonds, warrants and share options during the year had an anti-dilutive effect on the basic loss per share.

For the year ended 31 July 2007, there were no dilutive potential shares.

11. TRADE RECEIVABLES

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Trade receivables	28,411	25,324
Provision for bad and doubtful debts	(28,169)	(24,001)
	<u>242</u>	<u>1,323</u>

The Group's trading terms with its customers are mainly on credit, except for new customers where payment in advance is normally required. The credit period is generally for a period of three months 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.

11. TRADE RECEIVABLES (CONT'D)

An aged analysis of the trade receivables as at the balance sheet date, based on payment due date and net of provision, is as follows:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Within 3 months	222	–
3 to 6 months	–	761
6 to 12 months	20	562
	<u>242</u>	<u>1,323</u>

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

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
At beginning of the year	24,001	14,508
Provided for the year	4,168	9,493
	<u>28,169</u>	<u>24,001</u>

12. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Prepayments	2,580	807
Deposits and other receivables	26,667	7,743
Provision for bad and doubtful debts	(17,233)	(5,924)
	<u>12,014</u>	<u>2,626</u>
Current portion of leasehold lands	334	146
	<u>12,348</u>	<u>2,772</u>

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

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
At beginning of the year	5,924	–
Provided for the year	11,309	5,924
	<u>17,233</u>	<u>5,924</u>

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

	2008	Restated
	<i>HK\$'000</i>	2007
		<i>HK\$'000</i>
Non-current assets held for sales		
– Property, plant and equipment	–	6,790
– Leasehold land	–	3,188
	<u>–</u>	<u>9,978</u>
Liabilities directly associated with non-current assets held for sales		
– Bank loans	–	13,460
	<u>–</u>	<u>13,460</u>

The non-current assets held for sales and liabilities directly associated with non-current assets held for sales as at 31 July 2007 represented the Properties and the Overdue Debts, details of which are set out in note 4 to this announcement.

14. BANK AND OTHER BORROWINGS

	2008	Restated
	<i>HK\$'000</i>	2007
		<i>HK\$'000</i>
Bank loans		
– Secured	9,657	–
– Unsecured	4,007	–
	<u>13,664</u>	–
Other loans		
– Secured	27,889	1,657
– Unsecured	5,686	–
	<u>33,575</u>	<u>1,657</u>
	<u>47,239</u>	<u>1,657</u>
Bank loans repayable within one year	4,406	–
Other loans within one year	33,575	1,657
	<u>37,981</u>	<u>1,657</u>
Bank loans repayable		
– within the second year	408	–
– within the third to fifth years	1,278	–
– beyond the fifth year	7,572	–
	<u>9,258</u>	–
	<u>47,239</u>	<u>1,657</u>

14. BANK AND OTHER BORROWINGS (CONT'D)

- (a) The Group's borrowings are denominated in the functional currency of the group entities to which they relate.
- (b) The bank loans carry variable interest rate ranging from 2.3% to 9.43% per annum (2007: 8.97% to 9.43%) and the other loans carry fixed interest rate ranging from 9.6% to 24% per annum (2007: 12% to 24%).
- (c) The unsecured bank loans of approximately HK\$4,007,000 as at 31 July 2008 represented the remaining Overdue Debts after the repayment of the proceeds from the auction.
- (d) The other loans are secured by the Group's financial assets at fair value through profit or loss and bear interest at the prevailing market rate.
- (e) The bank loans of approximately HK\$9,657,000 are secured by the Group's (i) leasehold land; and (ii) leasehold buildings respectively.
- (f) Other loans included a loan of approximately HK\$686,000 (2007: HK\$621,000) due to a family member of a former senior management personnel of the Group.

15. TRADE PAYABLES

An aged analysis of the trade payables as at the balance sheet date, based on payment due date, is as follows:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Within 3 months	10	–
6 to 12 months	–	295
Over 1 year	1,281	882
	<hr/> 1,291 <hr/>	<hr/> 1,177 <hr/>

DIVIDEND

The directors do not recommend the payment of any dividend in respect of the year ended 31 July 2008 (2007: Nil).

QUALIFIED INDEPENDENT AUDITOR'S REPORT

The directors would like to draw your attention to the fact that the independent auditor's report on the financial statements for the year ended 31 July 2008 has been qualified. An extract of the independent auditor's report that dealt with the qualifications is as follows:

LIMITATION OF AUDIT SCOPE

1. Included in China Medical and Bio Science Limited (Provisional Liquidators Appointed) and its subsidiaries' (collectively the "Group") other payables and accruals of HK\$50,762,000 were recorded payables of HK\$12,507,000 of which no replies to our satisfaction on the direct confirmations from the creditors were received as at the date of this report and there was no sufficient evidence. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves on the completeness of these payables stated in the consolidated balance sheet as at 31 July 2008.
2. Included in the Group's general and administrative expenses of HK\$85,951,000 were legal and professional fee, and research and development expenses of HK\$5,781,000 and HK\$3,529,000 respectively. No sufficient evidence has been obtained by us and we were unable to satisfy ourselves that these recorded expenses were free from material misstatements.

Any adjustments that might have been found to be necessary in respect of the matters set out in points (1) and (2) above may have a consequential and significant effect on the aforementioned items and the Group's loss for the year ended 31 July 2008 and the related disclosures in the consolidated financial statements.

BASIS FOR DISCLAIMER OF OPINION

MATERIAL UNCERTAINTY RELATING TO THE GOING CONCERN BASIS

In forming our opinion, we have considered the adequacy of the disclosure made in note 2 to the consolidated financial statements which explains that on 28 July 2009, an exclusivity agreement was entered into among an investor, the Company and the Provisional Liquidators to grant the investor exclusivity for the preparation of a resumption proposal and negotiation in good faith of legally binding agreements for the implementation of the Company's restructuring proposal and resumption proposal.

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

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

Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs regarding the material uncertainty relating to the going concern basis as described above, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the state of affairs of the Group as at 31 July 2008 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover of China Medical and Bio Science Limited (Provisional Liquidators Appointed) (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 July 2008 was approximately HK\$5,981,000, a drop of HK\$308,000 or 4.9% compared with the turnover for the previous year which was approximately HK\$6,289,000. The expected increment in feed supplements business was unable to be realised due to the unsatisfactory results in the formation of the market strategies, technical support and sales system establishment.

Loss attributable to the Company's shareholders for the year ended 31 July 2008 was approximately HK\$154,978,000, an increase of approximately HK\$62,582,000 or 67.7% compared to the loss of the previous year which amounted to approximately HK\$92,396,000. The drastic increase in loss for the year was due to the substantial increase in expenditures invested in the formulation of market strategies, customer retention and training, product enhancement, application development, technologies support and establishment of sales system, as well as the impairments on trade receivables and prepayments and deposits paid on the research and development projects.

For the year ended 31 July 2008, the loss per share was approximately 11 Hong Kong cents (2007: 10 Hong Kong cents).

SECURITIES INVESTMENT

As at 31 July 2008, the listed equity securities investment was approximately HK\$50,647,000. In respect of the performance of the investment for the year ended 31 July 2008, the Group recorded a net loss of approximately HK\$21,540,000, which was mainly attributable to the unrealised loss on equity-linked notes and listed shares of approximately HK\$33,844,000, dividend and interest income of approximately HK\$12,507,000.

MATERIAL ACQUISITIONS AND DISPOSALS

Except for those prior-year adjustments to the financial statement, the Group had no material acquisition and disposal during the year ended 31 July 2008.

FINANCIAL RESOURCES, LIQUIDITY, CAPITAL STRUCTURE AND GEARING RATIO

As at 31 July 2008, the Group did not have sufficient liquid funds and had net current liabilities of approximately HK\$15,231,000 as compared to net current assets of approximately HK\$16,426,000 in the preceding year. The adverse alteration on liquidity is due to an increase in irrecoverable amount on trade receivables and prepayments and deposits paid on the research and development projects.

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

As at 31 July 2008, the Group's total bank and other borrowings amounted to approximately HK\$47,239,000 (2007: HK\$15,117,000), of which approximately HK\$9,657,000 (2007: Nil) and HK\$4,007,000 (2007: HK\$13,460,000) were secured bank loan and unsecured bank loan respectively; and approximately HK\$27,889,000 (2007: HK\$1,657,000) and HK\$5,686,000 (2007: Nil) were secured other loan and unsecured other loan respectively. The Group's outstanding bank and secured other loan bear interest at the prevailing market rate. The other unsecured loan bears a fixed interest rate.

The Group had non-current convertible bonds of approximately HK\$74,161,000 as at 31 July 2008.

The Group's gearing ratio, which is calculated on the basis of the Group's total borrowing less cash and cash equivalent to the total assets in relation to its total capital, as at 31 July 2008 is approximately 97%. The gearing ratio at 31 July 2007 could not be determined as the Group was in net cash position.

FOREIGN EXCHANGE AND INTEREST RATE EXPOSURE

The Group has a minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities were principally denominated in the functional currencies used by the Group entities or in United States dollars for Hong Kong dollar functional currency Group 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.

FOREIGN EXCHANGE AND INTEREST RATE EXPOSURE (CONT'D)

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

CHARGES ON GROUP ASSET

As at 31 July 2008, the following assets were pledged to secure borrowings granted to the Group:

	2008	Restated 2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Leasehold land (on net book value)	8,783	3,044
Leasehold building (on net book value)	4,026	—
	<u> </u>	<u> </u>

CONTINGENT LIABILITIES

Except for the full provision for the winding up petition set out below, the Group had no material contingent liability as at 31 July 2008:

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.

The hearing for the petition was further adjourned to 12 April 2010. The Provisional Liquidators are obtaining legal opinion on the merits and validity of the Petitioner’s claim.

EMPLOYEE INFORMATION

As at 31 July 2008, the Group had approximately 70 employees (2007: 60) in Hong Kong, the People's Republic of China (the "PRC"), Japan and Singapore. The total remuneration to employees, including director's emoluments amounted to approximately HK\$17,597,000 for the year ended 31 July 2008 (2007: HK\$7,037,000). Remuneration to employees and directors are based on performance, qualification, experience and the prevailing industry practice. Other benefits to its employee in Hong Kong include share option scheme, contributions to statutory mandatory provident fund scheme and medical coverage and the employees in the PRC will be included in the statutory central pension schemes and additional requirement in the PRC.

OPERATION REVIEW

Feed supplements business

The Group's feed supplements operation had experienced a significant growth in the second year after the acquisition of feed supplements business in 2007, which is due to the accelerated presence in the global market place. At the same time, the Group invested significant amounts of money in downstream marketing, conducting road shows and application development in perspective farms in order to introduce our products to as many prospects as possible, and as soon as possible. All these explained the high operation cost reflected in the segmental loss of such operation for the year ended 31 July 2008.

Safe food business

The major objective of the safe food operation is to visualize the result and benefit of the usage of our feed supplements in the livestock husbandry. Through the establishment of downstream pork retailing business in our brand name "YY Sakura Pork" in Guangzhou, the public awareness and recognition of the safe food with the application of products and technology were successfully achieved. The demand and the higher selling price were clearly demonstrated, and this will further promote the willingness and courage of the farm producers in the consumption of the feed supplements. However, this operation was not profitable for the year ended 31 July 2008.

Veterinary drugs

The Group's veterinary drugs operation was basically ceased because of the disposal of assets in the corresponding operations in Sichuan. The segmental loss in respect of such operation for the year was attributed to the impairment on the prepayments and advances.

APPOINTMENT OF PROVISIONAL LIQUIDATORS AND SUSPENSION OF TRADING

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 the Petitioner. 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.

Trading in the shares of the Company on the Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) has been suspended since 28 October 2008 and remained suspended as at the date of this announcement.

PROSPECT

On 28 July 2009, an exclusivity agreement was entered into amongst NEUF Capital Limited (the “Investor”), the Company and the Provisional Liquidators. The exclusivity agreement forms part of the restructuring exercise. It is anticipated that the financial condition of the Group will be substantially improved upon completion of the proposed restructuring of the Group as contemplated under the resumption proposal as all liabilities arising from creditors of the Company and the creditors of its subsidiaries holding guarantees given by the Company will be compromised and discharged by schemes of arrangement in Hong Kong and the Cayman Islands, as appropriate.

The Investor is currently reviewing the Group’s existing bio-livestock feed business, mainly involving the development and distribution of feed supplements and the production and operation of end-user safe food based on the use of the feed supplements, and the resumption proposal was submitted on 30 November 2009.

The Company is confident that, with the Investor’s strong support in the business and financial aspects, the Group will be able to gain a strong foothold in the bio-livestock feed business and achieve a substantial level of operations within a reasonable period of time after the resumption of trading in its shares.

SIGNIFICANT SUBSEQUENT EVENTS

Details of significant events which took place subsequent to 31 July 2008 are set out as follows:-

(a) Winding-up petition

The winding-up petition filed by the Petitioner originally scheduled to be heard on 12 November 2008 was further adjourned to 12 April 2010.

SIGNIFICANT SUBSEQUENT EVENTS (CONT'D)

(b) Appointment of the Provisional Liquidators

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 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”).

(c) Proposed restructuring of the Group

Asian Capital (Corporate Finance) Limited has been appointed by the Provisional Liquidators as the financial adviser to the Company (the “Financial Adviser”) regarding the proposed restructuring of the Group since 5 December 2008.

On 1 April 2009, an exclusivity agreement was entered into amongst Good One International Inc. (“Good One”), the Company and the Provisional Liquidators to grant Good One exclusivity for the proposed restructuring of the Group. This Exclusivity agreement was subsequently terminated on 28 July 2009.

On 28 July 2009, an exclusivity agreement (the “Exclusivity Agreement”) was entered into amongst the Investor, the Company and the Provisional Liquidators to grant the Investor exclusivity for the preparation of resumption proposal (the “Resumption Proposal”) and negotiation in a good faith of legally binding agreements for the implementation of the proposed restructuring and the Resumption Proposal.

Pursuant to the Exclusivity Agreement, the Investor undertook in-principle to provide the funds to the Company in the form of equity to assist with the proposed restructuring. The Investor has paid a non-refundable deposit of HK\$3 million and a fee contribution of HK\$2 million in cleared funds after the signing of the Exclusivity Agreement to the Provisional Liquidators to cover part of the costs of the Provisional Liquidators and their professional parties for the proposed restructuring. The Investor will pay further restructuring expenses by installments to the Provisional Liquidators and their professional parties to implement the restructuring agreements within an agreed period of time.

SIGNIFICANT SUBSEQUENT EVENTS (CONT'D)

(c) Proposed restructuring of the Group (Cont'd)

On 9 September 2009, the High Court's sanction was obtained by the Provisional Liquidators to execute the working capital facility agreement and the debenture between Tony China Limited ("Tony China") a wholly owned subsidiary of the Company, and the Investor (collectively referred as the "Agreements"). The Agreements were entered into on 21 September 2009. According to the Agreements, the Investor undertook to provide sufficient funds of up to HK\$9 million as working capital facility (the "Working Capital Facility") for Tony China to settle the trading and operation expenses as required to maintain a viable, continuing business of the Company during the course of proposed restructuring. The Working Capital Facility is secured by a debenture with a floating charge over the assets of Tony China in favour of the Investor. Subsequently, Xiamen Dongyu Trading Company Limited, a wholly-owned subsidiary of Tony China, was incorporated on 26 October 2009 as a wholly foreign-owned foreign enterprise in the PRC.

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

(d) Winding-up of subsidiaries

On 27 March 2009, Yang Yang Bio-Products (S) (PTE.) LTD. (the "Singapore Subsidiary") has passed a resolution in writing pursuant to an article of association of the Singapore Subsidiary that the Singapore Subsidiary would be wound up voluntarily and a creditors' meeting would be convened. The creditor's meeting was convened on 27 April 2009 for the purpose of the presentation of a Statement of Affairs of the Singapore Subsidiary, the appointment of liquidator and the establishment of the Committee of Inspection. The Liquidator was subsequently appointed on 27 April 2009.

On 26 August 2009, a liquidator was appointed to Japan Yang Yang Bio Products Company Limited ("Japan Yang Yang"), an indirect wholly-owned subsidiary of the Company, of which control has considered to be lost as at 31 July 2009 by the directors of the Company.

On 17 November 2009, the PRC Government Authority approved the liquidation of Guangdong Yang Yang Bio Products Company Limited, an indirect wholly-owned subsidiary of the Company.

(e) Surrender of the mortgaged properties to Bank of China (Hong Kong) Limited

On 15 January 2009, Bank of China (Hong Kong) Limited (the "BOCHK") issued a demand letter to China Biotechnology Limited demanding the outstanding mortgage loans repayment. On 26 February 2009, the Provisional Liquidators surrendered the vacant possession of the leasehold building and leasehold land to BOCHK. The mortgaged properties were disposed of after 31 July 2008 and the corresponding mortgage loans were fully settled.

SIGNIFICANT SUBSEQUENT EVENTS (CONT'D)

(f) Change of principal place of business

The current lease for the principal place of business of the Company has been surrendered to the landlord on 31 January 2009. The principal place of business of the Company has been changed to the office of the Provisional Liquidators at 62/F, One Island East, 18 Westlands Road, Island East, Hong Kong.

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

As at 31 July 2008, 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. Liu Yang	Through controlled corporation	Ordinary shares	432,000,000 shares	31.94%	(1)
Ms. Wong Moon Ha	Through controlled corporation	Ordinary shares	400,000,000 shares	29.58%	(2)
Mr. Wong Sai Wa	Directly beneficially owned	Share options	3,200,000 share options	0.24%	(3)
Mr. Kwan Kai Cheong	Directly beneficially owned	Share options	3,000,000 share options	0.22%	(3) and (4)

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

Long positions in ordinary shares and underlying shares of the Company (Cont'd)

Note:

- (1) The shares were held by Ms. Liu Yang through JBC Bio Technology Company Limited ("JBC Bio Tech").
- (2) The shares were held by Concord Pharmaceutical Technology (Holdings) Limited ("CPT"), which is a wholly-owned subsidiary of Concord Business Management Limited ("CBM"), the entire issued capital of which was owned by Ms. Wong Moon Ha. According to the disclosure of interest forms dated 6 September 2007, Mr. Wong Sai Chung surrendered his rights to 400,000,000 shares of the Company to Ms. Wong Moon Ha on even date. Mr. Wong Sai Chung is the brother of Mr. Wong Sai Wa and Ms. Wong Moon Ha, both of whom are executive directors of the Company.
- (3) The options are exercisable at any time from 10 October 2001 up to and including 22 March 2011 at an exercise price of HK\$0.55 per share in accordance with the terms of the pre-initial public offerings share option scheme (the "Pre-IPO Plan") adopted by the Company on 23 March 2001.
- (4) Mr. Kwan Kai Cheong ("Mr. Kwan") resigned on 20 May 2008 as the Non-Executive Director of the Company. Mr. Kwan did not exercise his share option until the last actual working day with the Company. Mr. Kwan's share option is considered to be lapsed automatically.

Save as disclosed herein, as at 31 July 2008, none of the directors or chief executives of the Company had short positions in the shares or underlying shares of equity derivatives of the Company and no other person was individually and/or collectively entitled to exercise or control the exercise of 5% or more of the voting power at general meeting of the Company and was able, as a practical matter, to direct or influence the management of the Company.

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

Name or category of participant	At 1.8.2007	Granted during the year	Exercised during the year	Lapsed during the year (Note a)	Cancelled during the year	At 31.7.2008	Date of grant of share options (Note b)	Exercise period of share options	Exercise period of share options (Note c)	HK\$
Directors										
Mr. Wong Sai Wa	3,200,000	–	–	–	–	3,200,000	23.2.2001	10.10.2001 to 22.3.2011	0.55	
Mr. Kwan Kai Cheong	3,000,000	–	–	(3,000,000)	–	–	23.2.2001	10.10.2001 to 22.3.2011	0.55	
	6,200,000	–	–	–	–	3,200,000				
Other employees	400,000	–	–	(400,000)	–	–	23.2.2001	10.10.2001 to 22.3.2011	0.55	
	6,600,000	–	–	(3,400,000)	–	3,200,000				

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

Long positions in ordinary shares and underlying shares of the Company (Cont'd)

Note:

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

The exercise of the above 3,200,000 outstanding share options of the Pre-IPO Plan as at 31 July 2008 would under the present capital structure of the Company, would result in the issue of 3,200,000 additional ordinary shares of the Company and additional share capital amounted to HK\$160,000 and share premium amounted to HK\$1,600,000 (before issue expenses). During the year ended 31 July 2008, none of the directors or employees of the Company had exercised any share options and no allotment or issue of shares were made pursuant to the Pre-IPO Plan.

DIRECTORS' RIGHTS TO ACQUIRE SHARE OR DEBENTURES

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

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

As at 31 July 2008, so far as was known to the directors or chief executives of the Company based on the register maintained by the Company pursuant to Part XV of the SFO, the following persons (not being the directors and chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

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

Substantial Shareholders

Name	Capacity and nature of interest	Shares	Number/amount of shares/equity derivatives held (Long position)	Percentage of the Company's issued share capital	<i>Note</i>
JBC Bio Tech	Corporation	Ordinary shares	432,000,000 shares	31.94%	(1)
CPT	Corporation	Ordinary shares	400,000,000 shares	29.58%	(2)
CBM	Through controlled corporation	Ordinary shares	400,000,000 shares	29.58%	(2)
Keywise Capital Management (HK) Limited	Investment Manager	Ordinary shares	442,599,386 shares	32.70%	(3)
Keywise Greater China Opportunities Master Fund ("Keywise")	Investment Manager	Ordinary shares	442,599,386 shares	32.70%	(3)

Notes:

- (1) *The shares were held by Ms. Liu Yang through JBC Bio Tech. Prior to the unauthorized sale of 48,000,000 shares as mentioned in the announcement of the Company dated 29 May 2007, JBC Bio Tech held 480,000,000 shares, representing 35.94% of the total issued share capital of the Company.*
- (2) *CPT is a wholly-owned subsidiary of CBM and CBM is wholly owned by Ms. Wong Moon Ha, an executive director of the Company. Accordingly, CBM and Ms. Wong Moon Ha are deemed to have an interest in the 400,000,000 shares of the Company held by CPT.*
- (3) *Keywise is an investment fund managed by Keywise Capital Management (HK) Limited. These shares comprise (i) 220,496,000 shares of the Company and (ii) 151,515,151 and 70,588,235 underlying shares which would be issued upon conversion of convertible bonds and exercise of subscription rights attaching to warrants respectively.*

Save as disclosed above, as at 31 July 2008, the directors and/or chief executives of the Company were not aware of any person (other than directors and/or chief executive 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 meeting of any other member of the Group.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the year ended 31 July 2008, with the exception of the situations listed below, the Company complied with the principles of good governance (the “Principles”) and code provision (the “Code Provision”). Appendix 15 sets out the “Code on Corporate Governance Practices” (the “Code”) of the GEM Listing Rules.

1. Due to practical reasons, 14 days’ advanced notifications have not been given to most of the board of directors (the “Board”) meetings of the Company. Reasons have not been given in the notifications in respect of those Board meetings where it is not practical to give 14 days’ advanced notification. The directors of the Company will give 14 days’ advanced notification of regular Board meeting to give all directors of the Company an opportunity to attend and use its best endeavour to give reasonable notices for all other Board meetings (Code Provision A.1.3);
2. Ms. Liu Yang was both the chairman and the chief executive officer of the Company, who is responsible for managing the Board and the business of the Group (Code Provision A.2.1);
3. Non-executive directors of the Company 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);
4. No remuneration committee was established to review directors’ remuneration policy and other remuneration related matters. The directors of the Company 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);
5. The Company had not complied with the financial reporting and disclosure requirements set out in the GEM Listing Rules by publishing annual, interim and quarterly reports on a regular basis. The directors of the Company will use their best endeavour to present a balanced, cleared and assessable assessment of the Company’s performance, position and prospects to shareholders of the Company by publishing annual, interim and quarterly reports in accordance with the financial reporting and disclosure requirements set out in the GEM Listing Rules (Code Provision C.1.3);
6. The directors of the Company did not review the effectiveness of the system of internal control of the Group. In this regard, the directors of the Company will at least annually conduct a review of the effectiveness of the system of internal control of the Group (Code Provision C.2.1)); and

CODE ON CORPORATE GOVERNANCE PRACTICES (CONT'D)

7. The directors of the Company did not maintain an on-going dialogue with shareholders of the Company. In this regard, the directors of the Company will at least annually conduct a general meeting to communicate with shareholders of the Company and encourage their participation (Principle E.1).

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

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

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

During the year ended 31 July 2008, 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.

AUDIT COMMITTEE

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

Since there are insufficient directors of the Company to be appointed members of an audit committee, there is no audit committee and the Company's audited financial results for the year ended 31 July 2008 have not been reviewed by an audit committee. However, the directors of the Company will, as soon as practicable, establish an audit committee pursuant to the GEM Listing Rules.

For and on behalf of
China Medical and Bio Science Limited
(Provisional Liquidators Appointed)
Wong Sai Wa
Executive Director

Hong Kong, 8 January 2010

As at the date of this announcement, the Board comprises two executive directors, namely Ms. Wong Moon Ha and Mr. Wong Sai Wa; and one independent non-executive director, namely Mr. Chan Kin Hang.

This announcement will appear on the GEM website (www.hkgem.com) for at least seven days after the date of publication and on the website of the Company at www.irasia.com/listco/hk/chinamedical.