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)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 JULY 2007

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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspaper. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

This announcement, for which the directors of CHINA MEDICAL AND BIO SCIENCE LIMITED (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with Rules Governing the Listing of Securities on the GEM for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this announcement is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and (iii) 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*

HIGHLIGHTS

- Turnover of the Group for the year ended 31 July 2007 amounted to approximately HK$6,289,000 representing a decrease of approximately 88.4% as compared with that in the preceding year.

- Loss attributable to shareholders for the year ended 31 July 2007 amounted to approximately HK$65,899,000.

- Loss per share attributable to shareholders amounted to approximately 7.56 cents for the year ended 31 July 2007.

- The Directors do not recommend the payment of any final dividend for the year ended 31 July 2007.

RESULTS

The board of directors (the "Board") of China Medical and Bio Science Limited (the "Company") presents the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 July 2007, together with the comparative audited figures for the year ended 31 July 2006 as follows:

CONSOLIDATED INCOME STATEMENT

	Note	2007 HK$'000	2006 HK$'000
Turnover			
– Continuing operations	2	**6,289**	16,854
– Discontinued operations	4	–	37,200
		6,289	54,054
Cost of sales		**(4,525)**	(37,950)
Gross profit		**1,764**	16,104
Other revenue	3	**1,132**	416
Written back of provisions for disposal of subsidiaries		–	12,606
Selling and distribution costs		**(3,392)**	(9,214)
General and administrative expenses		**(29,932)**	(10,671)
Other operating expenses		**(7,658)**	(2,689)
Gain on disposal of subsidiaries		–	1,335
Provision for bad and doubtful debts		**(15,417)**	(10,922)
Loss from operating activities	5	**(53,503)**	(3,035)
Finance costs	6	**(3,857)**	(4,743)
Impairment on property, plant and equipment		**(10,000)**	–
Profit/(loss) before tax			
– Continuing operations		**(67,360)**	(8,251)
– Discontinued operations		–	473
		(67,360)	(7,778)
Tax	7		
– Continuing operations		**(231)**	(23)
– Discontinued operations		–	(170)
		(231)	(193)
Profit/(loss) for the year			
– Continuing operations		**(67,591)**	(8,274)
– Discontinued operations		–	303
		(67,591)	(7,971)
Loss attributable to:			
Shareholders of the Company	8	**(65,899)**	(5,774)
Minority interests		**(1,692)**	(2,197)
		(67,591)	(7,971)
Earnings/(loss) per share attributable to Shareholders of the Company (in cents)	8		
Basic			
– Continuing operations		**(7.56)**	(1.21)
– Discontinued operations		–	0.06
		(7.56)	(1.15)
Diluted			
– Continuing operations		**N/A**	N/A
– Discontinued operations		**N/A**	N/A

CONSOLIDATED BALANCE SHEET
As at 31 July 2007

	Note	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**26,297**	33,430
Leasehold land		**7,425**	2,945
Intangible assets		**4,183**	6,314
Goodwill		**26,701**	3,309
Deposits for acquisition of property, plant and equipment		**2,443**	2,443
Deferred tax asset		**–**	231
		67,049	48,672
CURRENT ASSETS			
Inventories		**253**	5,488
Trade receivables	9	**1,323**	12,345
Deposits, prepayments and other debtors		**2,772**	11,257
Financial assets at fair value through profit or loss		**18,735**	–
Derivative financial instruments		**72**	–
Cash and cash equivalents		**40,796**	936
		63,951	30,026
DEDUCT:			
CURRENT LIABILITIES			
Derivative financial instruments		**1,826**	–
Bank and other borrowings		**15,117**	22,055
Finance lease obligations		**78**	–
Trade payables	10	**1,177**	5,107
Other payables and accruals		**36,728**	35,461
Amounts due to directors		**1,581**	889
Income tax payable		**996**	939
		57,503	64,451
NET CURRENT ASSETS/(LIABILITIES)		**6,448**	(34,425)
TOTAL ASSETS LESS CURRENT LIABILITIES		**73,497**	14,247
DEDUCT:			
NON-CURRENT LIABILITIES			
Finance lease obligations		**535**	–
NET ASSETS		**72,962**	14,247
REPRESENTING:			
CAPITAL AND RESERVES			
Share capital		**67,620**	25,000
Reserves	12	**5,342**	(12,222)
Equity attributable to Shareholders of the Company		**72,962**	12,778
Minority interests		**–**	1,469
TOTAL EQUITY		**72,962**	14,247

Notes:

1. Basis of preparation

(a) These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") (hereafter collectively referred to as "Hong Kong Financial Reporting Standards") and are prepared under the historical cost convention as modified by the revaluation of the financial assets at fair value through profit or loss. These financial statements also comply with the applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("GEM Listing Rules") and by the Hong Kong Companies Ordinance.

(b) Initial application of Hong Kong Financial Reporting Standards

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards that are effective or available for early adoption for the current accounting period of the Group. The initial application of these Hong Kong Financial Reporting Standards does not necessitate material changes in the Group's accounting policies or retrospective adjustments of the comparatives presented.

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

The following Hong Kong Financial Reporting Standards in issue at 31 July 2007 have not been applied in the preparation of the Group's financial statements for the year ended 31 July 2007 since they were not yet effective for the annual period beginning on 1 August 2006:

HKAS 1 (Amendment)	Capital Disclosures [1]
HKAS 23 (Revised)	Borrowing Costs [2]
HKFRS 7	Financial Instruments: Disclosures [1]
HKFRS 8	Operating Segments [2]
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment [3]
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions [4]
HK(IFRIC)-Int 12	Service Concession Arrangements [5]

[1] Effective for accounting periods beginning on or after 1 January 2007
[2] Effective for accounting periods beginning on or after 1 January 2009
[3] Effective for accounting periods beginning on or after 1 November 2006
[4] Effective for accounting periods beginning on or after 1 March 2007
[5] Effective for accounting periods beginning on or after 1 January 2008

2. Segment information

Business segments

Summary details of the business segments are as follows:

(a) the veterinary drugs segment comprises the production and distribution of veterinary drugs;

(b) the animal feed supplements segment comprises the developments and distribution of animal feed supplements; and

(c) the corporate segment comprises corporate income and expense items.

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

	Continuing operations						Discontinued operations		Eliminations		Consolidated	
	Veterinary drugs		Corporate		Animal feed supplement		Human drugs					
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:												
Sales to external customers	**5,528**	16,854	**–**	–	**761**	–	**–**	37,200	**–**	–	**6,289**	54,054
Other revenue	**201**	423	**–**	12,606	**10**	–	**–**	352	**–**	(387)	**211**	12,994
Total revenue	**5,729**	17,277	**–**	12,606	**771**	–	**–**	37,552	**–**	(387)	**6,500**	67,048
Segment results	**(26,810)**	(16,762)	**(16,950)**	11,300	**(10,664)**	–	**–**	2,399	**–**	–	**(54,424)**	(3,063)
Interest income											**921**	28
Loss from operating activities											**(53,503)**	(3,035)
Finance costs											**(3,857)**	(4,743)
Impairment on – Property, plant and equipment	**(10,000)**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(10,000)**	–
Loss before tax											**(67,360)**	(7,778)
Tax	**(231)**	(23)	**–**	–	**–**	–	**–**	(170)	**–**	–	**(231)**	(193)
Loss for the year											**(67,591)**	(7,971)

Geographical segments

	PRC		Malaysia		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external sales	**5,528**	54,054	**761**	–	**6,289**	54,054

3. Turnover and 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:

	2007	2006
	HK$'000	*HK$'000*
Continuing operations		
Sales of veterinary drugs	**5,528**	16,854
Sales of animal feed supplements	**761**	–
	6,289	16,854
Discontinued operations		
Sales of human drugs	**–**	37,200
	6,289	54,054
Other revenue		
Interest income	**921**	28
Sundry income	**172**	57
Exchange gain	**10**	–
Gain on disposal of property, plant and equipment	**29**	–
Amortisation of deferred income	**–**	331
	1,132	416
Total revenue	**7,421**	54,470

4. Discontinued operations

On 20 May 2005, Chengdu Viking Yuen Heng Pharmaceutical Co., Ltd., an indirectly 91% owned subsidiary of the Company entered into an equity interest transfer agreement with an independent third party for the disposal of the 51.05% equity interest in Sichuan Shule for a consideration of RMB1. Sichuan Shule and its subsidiary were engaged in the human drugs business segment.

The transfer was considered completed on 7 December 2005 and the Company had consolidated the results of Sichuan Shule and its subsidiary from 1 August 2005 to 7 December 2005 in the financial statements for the year ended 31 July 2006.

After the completion of the aforementioned disposal, the Group discontinued its development, production, sales and distribution of packaging materials for biotechnology and pharmaceutical products and human drugs businesses.

The turnover, expenses and results of the discontinued operations included in the consolidated income statement for the year ended 31 July 2006 are as follows:

	HK$'000
Turnover	37,200
Cost of sales	(26,001)
Other revenue	380
Selling and distribution costs	(4,816)
General and administrative expenses	(4,198)
Other operating expenses	(138)
Finance costs	(3,289)
Loss before tax	(862)
Tax	(170)
Operating loss for the year	(1,032)
Gain on disposal of subsidiaries	1,335
Profit for the year	303

The discontinued operations contributed approximately HK$19,376,000 to the Group's net operating outflow, contributed approximately HK$68,000 to the Group's net investing outflow and contributed approximately HK$10,660,000 to the Group's net financing inflow for the year ended 31 July 2006.

5. Loss from operating activities

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

	2007	2006
	HK$'000	*HK$'000*
Amortisation of intangible assets	**2,568**	2,785
Amortisation of leasehold lands	**48**	185
Auditors' remuneration	**254**	300
Depreciation	**1,590**	3,706
Guaranteed return	**–**	864
Sales proceeds	**(754)**	(388)
Less: Net book value	**725**	557
(Gain)/loss on disposal of property, plant and equipment	**(29)**	169
Minimum operating lease payments for land and buildings	**814**	271
Provision of obsolete inventories	**2,907**	–
Research and development expenditure	**3,053**	118
Staff costs (including directors' emoluments):		
Salaries, wages and other allowances	**6,852**	4,518
Pension scheme contributions	**185**	644
	7,037	5,162
Unrealised fair value loss on financial assets at fair value through profit or loss and derivative financial instruments	**1,139**	–

6. Finance costs

	2007	2006
	HK$'000	*HK$'000*
Finance lease charges	**4**	–
Interest on bank loans wholly repayable within five years	**1,220**	4,434
Interest on other loans	**2,633**	798
Less: Amount capitalised	**–**	(489)
	3,857	4,743

For the year ended 31 July 2006, interest on other loans was capitalised to construction in progress at the average annual rate of 24%.

7. Tax

Tax expense in the consolidated income statement represents:

	2007	2006
	HK$'000	*HK$'000*
Current tax:		
PRC	**–**	180
Deferred tax:		
Current year	**231**	13
Tax expense	**231**	193

No provision for Hong Kong profits tax has been made as the Group has no estimated assessable profits arising in Hong Kong for both years. Current tax of preceding year represents the China enterprise income tax charged on the estimated taxable profits of certain subsidiaries operating in the People's Republic of China and is calculated at the prevailing tax rate.

8. Earnings/(Loss) per share attributable to shareholders of the Company

The calculation of basic loss per share attributable to shareholders of the Company from continuing operations is based on the loss attributable to the shareholders of the Company from continuing operations for the year of approximately HK$55,899,000 (2006: approximately HK$6,077,000) and the weighted average number of 893,930,959 (2006: 500,000,000) ordinary shares in issue during the year.

For the year ended 31 July 2006, the calculation of basic earnings per share attributable to shareholders of the Company from discontinued operations is based on the profit attributable to the shareholders of the Company from discontinued operations of approximately HK$303,000 and the weighted average number of 500,000,000 ordinary shares in issue during the year.

No diluted earnings/loss per share from continuing and discontinued operations is shown as there were no dilutive potential shares.

9. Trade receivables

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.

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

	2007	2006
	HK$'000	*HK$'000*
Within 3 months	**–**	3,528
3 to 6 months	**761**	3,244
6 to 12 months	**562**	5,374
Over 1 year	**–**	199
	1,323	12,345

10. Trade payables

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

	2007	2006
	HK$'000	*HK$'000*
Within 3 months	**–**	984
3 to 6 months	**–**	1,179
6 to 12 months	**295**	1,195
Over 1 year	**882**	1,749
	1,177	5,107

11. Acquisition of subsidiaries

On 31 July 2006, the Company, as the purchaser, entered into an agreement with JBC Bio Technology Company Limited (the "Vendor"), in relation to the acquisition of 70% equity interest in JBC Bio Products for a consideration of 480 million new shares of the Company's ordinary shares allotted and issued to the Vendor at par credited as fully paid upon the completion of the acquisition (the "Acquisition"). The Company and the Vendor entered into two supplementary agreements on 27 October 2006 and 8 December 2006 respectively to extend the long stop date for fulfilment of the conditions to the agreement.

In relation to the Acquisition, the Company published an announcement on 6 September 2006 a circular dated 22 December 2006 was sent to shareholders. The Acquisition was approved at an extraordinary general meeting held on 16 January 2007 and was completed on 22 January 2007.

12. Reserves

	Share premium HK$'000	Capital reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
At 1 August 2005, as previously reported	17,992	27,104	828	(57,736)	(11,812)
Effect of adopting new financial reporting standards	–	–	–	4,746	4,746
At 1 August 2005 as restated	17,992	27,104	828	(52,990)	(7,066)
Exchange difference arising on translation of financial statements of PRC subsidiaries	–	–	618	–	618
Loss for the year	–	–	–	(5,774)	(5,774)
At 31 July 2006 and 1 August 2006	17,992	27,104	1,446	(58,764)	(12,222)
Issue of shares, net of expenses	83,094	–	–	–	83,094
Exchange differences arising on translation of financial statements of overseas subsidiaries	–	–	369	–	369
Loss for the year	–	–	–	(65,899)	(65,899)
At 31 July 2007	101,086	27,104	1,815	(124,663)	5,342

DIVIDEND

The Directors do not recommend the payment of any final dividend for the year ended 31 July 2007 (2006: nil).

BUSINESS REVIEW AND OUTLOOK

FINANCIAL REVIEW

The Group recorded a turnover of approximately HK$6,289,000 for the year ended 31 July 2007, representing a decrease of approximately 88.4% as compared to approximately HK$54,054,000 that was recorded in the preceding year whereas the turnover from sale of veterinary drugs declined to approximately HK$5,528,000 from approximately HK$16,854,000 in 2006. The decrease was mainly attributable to (a) The performance in veterinary drug business of Viking Yuen Heng was affected by change of industrial planning in the area, GMP review and inspection as a result of production restrain, and keen competition from non-GMP certified manufacturers. (b) GMP operation of Concord Yuen Heng was still under construction and failed to complete as scheduled. Production and sales were thus failed, and could not provide any sales income; (c) The Group completed the acquisition of feed supplements business on 22 January 2007, which created new centres of economic growth for the future development of the Group. Upon the completion of the acquisition, the Group invested substantial amount of capital in the formulation of market strategies, customer retention and training, product enhancement, application development, technologies support and establishment of sales system, and the accumulation of human resources. Satisfactory results were obtained, and formed strong income and profit base. However, during the year ended 31 July 2007, the above factors had not yet contributed significantly forthwith to the income of the Group.

The Group recorded a loss attributable to the shareholders of the Company for the year ended 31 July 2007 of approximately HK$65,899,000 (2006: approximately HK$5,774,000). The loss in this year increased from the preceding year, which was mainly caused by (a) The performance in veterinary drug business of Viking Yuen Heng was affected by change of industrial planning in the area and GMP review and inspection as a result of production restrain. Therefore impairment provisions were made to plant and equipment as well as accounts receivables. (b) upon the completion in the acquisition of feed supplements by the Group on 22 January 2007, operating expenses increased relatively faster as a result of faster pace expansion strategies in the market for the formation of sales and profitability.

Liquidity, financial resources and capital structure

The Group generally financed its operations through internally generated cashflows, bank and other borrowings. As at 31 July 2007, the aggregate borrowings were approximately HK$15,117,000 (2006: approximately HK$22,055,000). The reduction of approximately 31.5% in aggregate borrowings for the year under review was mainly attributable to the repayment of borrowings from Sichuan Concord Yuen Heng. As at 31 July 2007, the amount of banking facilities available and utilised was approximately HK$13,460,000 (2006: approximately HK$12,686,000). The Group's outstanding bank and other loans bear interest at the prevailing market rate.

Following the acquisition of feed supplement business, it was announced on 19 January 2007 that the Group issued 260 million shares and placed to independent investors at HK$0.148, with a net proceeds of approximately HK$37 million. It was further announced on 23 March 2007 that the Group issued 100 million shares at HK$0.66 and placed to investors, with a net proceeds of approximately HK$63 million.

The Group continues to adopt a conservative approach towards its treasury policy with all bank deposits in either Hong Kong Dollars, or in the local currencies of the operating subsidiaries, keeping a minimum exposure to foreign exchange risks.

Gearing ratio

The gearing ratio as at 31 July 2007 (total borrowing, including notes payable, less cash and cash equivalents and pledged bank deposits to the total assets) was in net cash position (2006: approximately 26.8%). Total assets also increased as a result of increase in capital after the issue of ordinary shares to the shareholders.

Foreign exchange and interest rate exposure

The Group mainly earns revenue and incurs cost in Renminbi, US dollar and Hong Kong dollar. The Directors consider that the impact of foreign exchange and interest rate exposures of the Group is minimal, and therefore, no hedging against foreign currency and interest rate exposures is considered necessary.

Charges on group asset

As at 31 July 2007, the following assets were pledged to secure borrowings granted to the Group:

	2007	2006
	HK$'000	*HK$'000*
Leasehold land (on net book value)	**3,044**	2,869
Plant and machinery (on net book value)	**1,394**	1,344
Construction in progress (on net book value)	**12,218**	10,780
Production licences (on net book value)	**3,427**	4,878

Contingent liabilities

As at 31 July 2007 and 2006, the Group did not have any significant contingent liabilities.

Commitments

As at 31 July 2007, the Group had outstanding capital commitment of approximately HK$7,768,000 (2006: approximately HK$6,809,000).

Future plan for investment

Except as disclosed in the financial statements, as at 31 July 2007, the Group did not have future plan for material investment and capital assets.

Material acquisitions/disposals

Except for those set out in the paragraphs of "Operation Review" and "Outlook", the Group had no other material acquisitions or disposals of subsidiaries and affiliated companies for the year under review.

Employee Information

As at 31 July 2007, the Group had approximately 60 employees (2006: 198) in Hong Kong, PRC and Singapore. The total remuneration to employees, including directors' emoluments amounted to approximately HK$7,037,000 (2006: approximately HK$5,162,000). The Group remunerates its employees based on their performance, qualification, experience and the prevailing industry practice. Other benefits include contributions to statutory mandatory provident fund scheme and medical coverage to its employees in Hong Kong and the statutory central pension schemes to its employees in the PRC.

OPERATION REVIEW

Continuing operations

Veterinary drug and animal vaccines: During the year under review, the sale of veterinary drugs decreased from HK$16,854,000 in 2006 to HK$5,528,000 in 2007. The decrease was mainly attributable to (a) The performance in veterinary drug business of Viking Yuen Heng was affected by change of industrial planning in the area, GMP review and inspection as a result of production restrained, and keen competition from non-GMP certified manufacturers. (b) GMP operation of Concord Yuen Heng was still under construction. During the year under review, the Group used its best endeavours to deploy resources from different sources, but failed to complete GMP inspection as scheduled. Production and sales were thus failed, and could not provide any sales income;

Feed supplements business: The Group completed the acquisition of feed supplements business on 22 January 2007, which created new centres of economic growth for the future development of the Group. During the year under review, the sales of feed supplements by the Group was HK$761,000. Upon the completion of the acquisition, the Group invested substantial amount of capital in the formulation of market strategies, customer retention and training, product enhancement, application development, technologies support and establishment of sales system, and the accumulation of human resources. Satisfactory results were obtained, and formed strong income and profit base. However, during the year ended 31 July 2007, the above factors had not yet contributed significantly forthwith to the income of the Group.

Research and Development

After acquiring the feed supplements business, the Group has obtained new patent technologies relating to manufacturing livestock feed based on feed supplements. During the year under review, the Group continued to conduct research and development for the application of feed supplements in Japan, Singapore, Malaysia, Hong Kong and PRC in livestock such as pig, chicken and prawn, which has laid a foundation within and outside PRC for their large scale development.

OUTLOOK

After completion of acquisition of feed supplements business on 22 January 2007, the Group's principal businesses shifted from the original business to feed supplements and the production and operation of end-user food safety formed by the use of feed supplements.

Pollution on agricultural products becomes increasing serious around the world, in particular for developing countries. This is resulted from the abuse of antibiotics and additives or prohibited drugs and decay feeds, as well as the three key pollution sources brought to the environment from the industrial sector, and the extensive use of pesticides in agricultural production. In terms of pollution by pesticides, heavy metals, antibiotics and androgen, excessive use of pesticides, antibiotics and androgen, together with heavy metals such as mercury, lead and arsenic were partly absorbed by the plants and built up in agricultural and husbandry products upon pollution of water and soil. On the other hand, the medical residuals in pesticides, pork, chicken, egg and aquatic produce always exceed the benchmark. As people are fed on such husbandry and agricultural products, such related products are also culminated inside the human bodies. This will finally hamper the well being of human race, which is witnessed by early maturity in children becoming serious, resistance to antibiotics and decrease in immunity. At the same time when the state-of-the-art husbandry has provided abundant food such as meat, poultry, milk and egg, it is confirmed by the medical sector that cancer disease commonly found in human beings, mal-development, drug-resistance, early maturity of children, and cardiovascular diseases for middle and old age people are related to the abuse and remains of antibiotics, androgen, and other synthetic drug in certain food. The challenges faced by husbandry industry are stringent. Diseases and remains are the two factors restraining the development of husbandry and export of husbandry products. At present the situation for disease in China is quite complicated. In order to protect the ecological environment, and pursue for sustainable development, quality monitoring of all aspects from the "land" to the "table" is implemented. The present directions and targets for the pursuit of development in agricultural industry globally are ensuring the production of safety, healthy and quality food. It was prohibited in 2006 by European Union to the use of certain antibiotics. On the bases of feed supplements, the Group's patents over the breeding system are an effective solution to tackle the difficulties in husbandry and agricultural products.

The feed supplements business continued to benefit from the rural reforms adopted by the Central People's Government of the PRC (the "Central Government"). According to Central Government State Council's "No. 1 Document" dated 29 January 2007 – "Certain Opinions on Actively Developing Modern Agriculture and Improving Construction of Socialist New Villages (關於積極發展現代農業扎實推進社會主義新農村建設的若干意見)" and the document of "Guofa (2007) No 4" – "State Council's Opinions on Promoting Sustainable and Healthy Development of Husbandry Industry (國務院關於促進畜牧業持續健康發展的意見)", the Central Government will continue to strongly support the development of agriculture, rural areas and farmers (collectively call "三農"). During 2007, the Central Government will contribute RMB 391.7 billion for financing of agriculture, rural areas and farmers through central fiscal arrangements, an increase of RMB 52 billion when comparing to last year, principally for: (1) improving agriculture's sustainable development and encouraging development of recycling and ecological agriculture, and accelerating development of organic agriculture in suitable places; (2) speeding up change of the way to grow of husbandry industry, actively developing healthy breeding and feeding, establishing modern husbandry industry system and strengthening safe feed management to control product quality safety of husbandry industry from its source; (3) strictly adhering to rely on science and technology, encouraging scientific and technological innovation, promoting use of suitable advanced technologies, speeding up the transformation of scientific and technological achievements to boost industry upgrade and enhance the competitiveness of husbandry industry; (4) strengthening supervision quality safety in production of livestock products. The Group is aimed to establish comprehensive quality standards of livestock products, strengthen quality management, optimize inspection approaches and enhance inspecting and monitoring quality of livestock products. The Group also pursued to establish a retrospective system for quality of livestock products, strengthen management of poultry and husbandry breeding and feeding archive, conduct whole process quality supervision in breeding and feeding, standardize usage of feed, feed supplements and veterinary drugs and actively developing production of pollution free, green and organic livestock products.

Hence the existing potential of market for feed supplements in PRC and regions outside PRC is considerably huge. The Company has established wholly-owned subsidiaries for the operation of food supplements and its safe food businesses in Japan, Singapore and Hong Kong. Wholly-owned subsidiaries will also be established in Southeast Asia Regions, such as Malaysia and Mainland China for the operation of food supplements and its safe food businesses. Efforts will be devoted to concentrate in the expansion of food supplement and its safe food businesses, so as to satisfy the increasing demand from the society. In order to accelerate the expansion in the market, the Company intends to issue convertible bonds with warrants. Part of the proceeds from which will be applied in the capture of acquisition opportunities to be arising from the operation of feed supplements business in a better manner. Part of which will be applied as the working capital required for market expansion. With the assurance of funds, the Company will also actively perfect the organization structure and management system. The Company will also implement equity incentive plans to motivate staff and various professional advisers to perform actively and effectively in the expansion of the Company's businesses.

In terms of market expansion strategies, the Company will seek to strengthen liaison with dedicated food producers in Japan and Singapore, such as Singapore Food Industries Limited listed in Singapore. The development is brand oriented, which will adopt advanced patent technologies as means to joint establish a new standard in the culture of ecological system with healthy and safe products. Other than expanding in existing markets in Japan, Singapore, Mainland China, Hong Kong and Macao, the Company will also expand the markets in Europe and Australia.

On the basis of business restructuring, endeavours in management and establishment of sales system, the Company will further strengthen the finance and internal control system, and the establishment of regulatory measures for the Company. It is strongly expected the Company will achieve growth in market share and profitability in the coming financial year, so as to create better value and efficiency for shareholders.

COMPETING INTEREST

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

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

As at 31 July 2007, the interests or short position of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be 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 is taken or deemed to have 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 relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange, were as follows:

Name of the Director	Capacity and nature of interest	Shares/equity derivatives	Number/amount of Shares/equity derivatives held (Long position)	Percentage of the Company's issued share capital
Ms. Liu Yang	Through controlled corporation *(Note 1)*	Shares	432,000,000 Shares *(Note 1)*	31.94%
Mr. Wong Sai Wa	Directly beneficially owned	Options *(Note 2)*	3,200,000 options	0.24%
Mr. Kwan Kai Cheong	Directly beneficially owned	Options *(Note 2)*	3,000,000 options	0.22%

Notes:

1. The Shares were held by Ms. Liu Yang through JBC Bio Technology Company Limited ("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 35.49% of the total issued share capital of the Company.

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

Save as disclosed herein, as at 31 July 2007, none of Directors or chief executives of the Company had any interests or short position in the Shares, underlying Shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be 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 was taken or deemed to have 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 relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange.

SHARE OPTION SCHEMES

On 23 March 2001, the Company conditionally adopted the Pre-IPO Plan and a Share Option Scheme (the "Share Option Scheme"), the principal terms of both of which are set out in the Prospectus.

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

Name or category of participant	At 1.08.2006	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	At 31.7.2007	Date of grant of share options *(Note a)*	Exercise period of share options	Exercise price of share options *(Note b)* *HK$*
Directors									
Mr. Wong Sai Wa	3,200,000	–	–	–	–	3,200,000	23.3.2001	10.10.2001 to 22.3.2011	0.55
Mr. Kwan Kai Cheong	3,000,000	–	–	–	–	3,000,000	23.3.2001	10.10.2001 to 22.3.2011	0.55
	6,200,000	–	–	–	–	6,200,000			
Other employees	400,000	–	–	–	–	400,000	23.3.2001	10.10.2001 to 22.3.2011	0.55
	6,600,000	–	–	–	–	6,600,000			

Notes:

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

(b) 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 6,600,000 outstanding share options as at 31 July 2007, would under the present capital structure of the Company, result in the issue of 6,600,000 additional share capitals of HK$330,000 and share premium of HK$3,300,000 (before issue expenses). During the year ended 31 July 2007, none of the directors or employees of the Company had exercised any share options and no allotment or issue of shares was made pursuant to the Pre-IPO Plan.

On 23 March 2001, the Company adopted a Share Option Scheme under which the board of directors of the Company may, at their discretion, grant options to full time employees of the Group, including any executive directors of the Company and any of its subsidiaries, to subscribe for shares in the Company in accordance with the provisions in the Share Option Scheme. The Share Option Scheme became effective on 23 March 2001 for a period of ten years. Further details of the Share Option Scheme are set out in the Prospectus. No options were granted under the Share Option Scheme during the period under review.

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

(A) Substantial Shareholders

As at 31 July 2007, so far as was known to the Directors or chief executive of the Company based on the register maintained by the Company pursuant to Part XV of the SFO, the following persons (other than a Director or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name	Capacity and nature of interest	Shares/equity derivatives	Number/amount of Shares/equity derivatives held (Long position)	Percentage of the Company's issued share capital
JBC Bio Tech	Corporation *(Note 1)*	Shares	432,000,000 Shares *(Note 1)*	31.94%
Concord Pharmaceutical Technology (Holdings) Limited ("CPT")	Corporation *(Note 2)*	Shares	400,000,000 Shares	29.58%
Concord Business Management Limited ("CBM")	Through controlled corporation *(Note 2)*	Shares	400,000,000 Shares	29.58%
Wong Sai Chung	Through controlled corporation *(Note 2)*	Shares	400,000,000 Shares	29.58%

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 35.49% of the total issued share capital of the Company.

2. CPT is a wholly-owned subsidiary of CBM. Accordingly, CBM is deemed to have an interest in the 400,000,000 shares held by CPT. CBM was wholly owned by Mr. Wong Sai Chung as at 31 July 2007. Accordingly, Mr. Wong Sai Chung is also deemed to be interested in the aggregate of 400,000,000 Shares in which CPT is interested. Mr. Wong Sai Chung resigned as an executive Director and chairman of the Company in April 2005. Mr. Wong Sai Chung is the brother of Mr. Wong Sai Wa and Ms. Wong Moon Ha, both executive Directors of the Company.

(B) Other person who are required to disclose their interests pursuant to section 336 of the SFO

Name	Capacity and nature of interest	Share/equity derivates	Number/amount of Shares/equity derivatives held (Long position)	Percentage of the Company's issued share capital
Keywise Capital Management (HK) Limited	Investment Manager	Shares	108,148,000 Shares	8.00%
Keywise Greater China Opportunities Master Fund	Investment Manager	Shares	108,148,000 Shares	8.00%

Save as disclosed herein, as at 31 July 2007, so far as was known to the Directors or chief executive of the Company based on the register maintained by the Company pursuant to Part XV of the SFO, no other persons (not being a Director or chief executive of the Company) had, or were deemed or taken to have, any interest or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

AUDIT COMMITTEE

The Company established an audit committee on 23 March 2001 with written terms of reference in compliance with the requirements as set out in Rules 5.28, 5.29 and 5.33 of the GEM Listing Rules. The primary duties of the audit committee are to review the Company's annual report and financial statements, half-yearly report and quarterly reports and to provide advice and comment thereon to the Board. The audit committee are also responsible for reviewing and supervising the financial reporting process and internal control procedures of the Group. Currently it consists of three independent non-executive Directors, Mr. Chan Kin Hang, Dr. Ding Hanpeng and Mr. Garry Alides Willinge, while Mr. Chan Kin Hang is the chairman of the audit committee. During the year under review, the Audit Committee met with the external auditor once.

CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the year ended 31 July 2007, the Company has complied with the Code provisions set out in the Code except for Code Provisions A.2.1, A.4.1 and E.1.2. The Board will keep these matters under review on a periodical basis.

The Chairman and the Chief Executive Officer

The code provisions A.2.1 require that the roles of chairman and CEO should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

Ms. Liu Yang is both the chairman and chief executive officer of the Company, who is responsible for managing the board of directors (the "Board") and the businesses of the Company and its subsidiaries (collectively the "Group"). The Group considers Ms. Liu Yang has in-depth knowledge in the Group's business and can make appropriate decision efficiently.

Since the members of the Board meet regularly to discuss the issues affecting the operations of the Group, the Group considers the existing structure will not impair the balance of power and authority between the Board and the management. The Group also considers the existing structure, which has been working efficiently and effectively in the past, should be maintained in order to ensure consistent leadership for the Company.

Appointment and Re-election of Directors

The code provisions A.4.1 requires that non-executive directors should be appointed for a specific term, subject to re-election.

Apart from the executive directors, no other directors of the Company (the "Directors") are currently appointed with specific terms which are subject to retirement in accordance with the articles of association of the Company (the "Articles"). According to the Articles, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not greater than one-third) shall retire from office by rotation.

Communication with Shareholders

The code provisions E1.2 requires that the Chairman of the Board should attend the annual general meeting (the "AGM") and arrange for the chairman of the audit, and remuneration committees (or in the absence of the chairman of any such committee, another member of the committee) to be available to answer questions at the AGM.

Due to another business engagement, the chairman of the board was not able to attend the annual general meeting on 5 December 2006. Mr. Kwan Kai Cheong, an executive Director, and Mr. Garry Alides Willinge, an independent non-executive Director and also member of the audit committee of the Company, attended the 2006 annual general meeting and were available to answer questions at the meeting.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the year ended 31 July 2007, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

By Order of the Board of
China Medical and Bio Science Limited
Liu Yang
Chairman

Hong Kong, 30 October 2007

As at the date of this announcement, the Board of the Company comprises five executive Directors, namely Ms. Liu Yang (Chairman), Ms. Wong Moon Ha, Dr. Liu Dong Hui, Mr. Wong Sai Wa and Mr. Fang Ming; two non-executive Directors, namely, Mr. Kwan Kai Cheong and Dr. Tan Min; and three independent non-executive Directors, namely Mr. Chan Kin Hang, Mr. Garry Alides Willinge and Dr. Ding Hanpeng.

This announcement will remain on the "Latest Company Announcements" page of the GEM website http://www.hkgem.com for at least 7 days from the day of its posting.