

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)

2007/2008 SECOND QUARTERLY RESULTS ANNOUNCEMENT

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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 six months ended 31 January 2008 amounted to approximately HK\$7,934,000, representing a increase of approximately 45.8% as compared with that in the preceding year.
- Loss attributable to shareholders for the six months ended 31 January 2008 amounted to approximately HK\$21,390,000
- Loss per share amounted to approximately HK1.58 cents for the six months ended 31 January 2008.
- The Directors do not recommend the payment of any interim dividend for the six months ended 31 January 2008.

RESULTS

The board of directors (the “Board”) of China Medical and Bio Science Limited (the “Company”) presents the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 31 January 2008, together with the comparative unaudited figures for the corresponding period of the preceding year are as follows:

CONSOLIDATED INCOME STATEMENT – UNAUDITED

		For the three months ended 31 January		For the six months ended 31 January	
		2008	2007	2008	2007
	<i>Note</i>	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	2	6,515	1,948	7,934	5,441
Cost of sales		(1,072)	(1,520)	(1,335)	(3,953)
Gross profit		5,443	428	6,599	1,488
Other revenue	2	(293)	11	1,433	11
Selling and distribution expenses		(4,456)	(1,653)	(5,213)	(2,245)
General and administrative expenses		(8,358)	(1,814)	(12,924)	(3,672)
Other operating expenses		(6,997)	(732)	(7,398)	(1,456)
LOSS FROM OPERATING ACTIVITIES	4	(14,661)	(3,760)	(17,503)	(5,874)
Finance costs		(3,882)	(376)	(3,887)	(756)
LOSS BEFORE TAX		(18,543)	(4,136)	(21,390)	(6,630)

		For the three months ended 31 January 2008		For the six months ended 31 January 2008	
		2007	2008	2007	2008
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Tax expense	5	—	—	—	(3)
LOSS FOR THE PERIOD		(18,543)	(4,136)	(21,390)	(6,633)
Attributable to:					
Shareholders of the Company		(18,543)	(3,753)	(21,390)	(6,039)
Minority interests		—	(383)	—	(594)
		(18,543)	(4,136)	(21,390)	(6,633)
LOSS PER SHARE	6				
ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY (HK Cents)					
– Basic		(1.37)	(0.68)	(1.58)	(1.15)
– Diluted		N/A	N/A	N/A	N/A

CONSOLIDATED BALANCE SHEET

		31 January 2008	31 July 2007
	<i>Notes</i>	HK\$'000	HK\$'000
		(unaudited)	(audited)
NON-CURRENT ASSETS			
Property, plant and equipment	7	47,822	26,297
Leasehold land		7,795	7,425
Intangible assets		3,614	4,183
Goodwill		26,701	26,701
Deposits for acquisition of property, plant and equipment		6,159	2,443
Deposits for acquisition of subsidiaries		16,198	—
		108,289	67,049
CURRENT ASSETS			
Inventories		759	253
Trade receivables	8	8,695	1,323
Deposits, prepayments and other debtors		22,755	2,772
Financial assets at fair value through profit or loss		71,944	18,735
Derivative financial instruments		—	72
Cash and cash equivalents		22,360	40,796
		126,513	63,951
DEDUCT:			
CURRENT LIABILITIES			
Derivative financial instruments		2,949	1,826
Bank and other borrowings		5,371	15,117
Finance lease obligations		152	78
Trade payables	10	1,226	1,177
Other payables and accruals		59,124	36,728
Amounts due to directors		1,147	1,581
Income tax payable		1,112	996
		71,081	57,503

		31 January 2008	31 July 2007
	<i>Notes</i>	HK\$'000	HK\$'000
		<i>(unaudited)</i>	<i>(audited)</i>
NET CURRENT ASSETS/(LIABILITIES)		55,432	6,448
TOTAL ASSETS LESS CURRENT LIABILITIES		163,721	73,497
DEDUCT:			
NON-CURRENT LIABILITIES			
Finance lease obligations		1,005	535
Borrowings-due after one year		9,475	—
Convertible bonds		68,403	—
NET ASSETS		84,838	72,962
REPRESENTING:			
CAPITAL AND RESERVES			
Share capital	9	67,620	67,620
Reserves		17,218	5,342
Equity attributable to Shareholders of the Company		84,838	72,962
Minority interests		—	—
TOTAL EQUITY		84,838	72,962

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

	For the six months ended 31 January 2008 <i>HK\$'000</i>	For the six months ended 31 January 2007 <i>HK\$'000</i>
Net cash (used in) from operating activities	(21,340)	2,487
Net cash used in investing activities	(93,468)	(3,834)
Net cash from financing	96,229	711
Decrease in cash and cash equivalents	(18,579)	(636)
Effect of foreign exchange rate changes	143	7
Cash and cash equivalents at beginning of the period	40,796	936
Cash and cash equivalents at end of the period	22,360	307

CONSOLIDATED STATEMENT OF CHANGE IN EQUITY (UNAUDITED)

	Share Capital HK\$'000	Share premium HK\$'000	Convertible bonds-equity reserve HK\$'000	Capital reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits/ accumulated losses HK\$'000	Total HK\$'000
At 1 August 2006	25,000	17,992	–	27,104	1,446	(58,764)	12,778
Acquisition of subsidiaries	24,000	–	–	–	–	–	24,000
Exchange difference arising on translation of financial statements of PRC subsidiaries	–	–	–	–	1,646	–	1,646
Net loss for the period	–	–	–	–	–	(6,039)	(6,039)
At 31 January 2007	<u>49,000</u>	<u>17,992</u>	<u>–</u>	<u>27,104</u>	<u>3,092</u>	<u>(64,803)</u>	<u>32,385</u>
At 1 August 2007	67,620	101,086	–	27,104	1,815	(124,663)	72,962
Issue of convertible bonds	–	–	34,440	–	–	–	34,440
Exchange difference arising on translation of financial statements of overseas subsidiaries	–	–	–	–	(1,174)	–	(1,174)
Net loss for the period	–	–	–	–	–	(21,390)	(21,390)
At 31 January 2008	<u>67,620</u>	<u>101,086</u>	<u>34,440</u>	<u>27,104</u>	<u>641</u>	<u>(146,053)</u>	<u>84,838</u>

Notes:

1. Basis of presentation

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and with the applicable disclosure requirements of Chapter 18 to the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited and have been prepared under the historical cost convention.

The accounting policies adopted in preparing the unaudited consolidated financial statements for the six months ended 31 January 2008 are consistent with those followed in the annual report of the Company for the year ended 31 July 2007.

2. Turnover

The Group's turnover represents the net invoiced value of goods sold after allowances for returns and discounts, and net of value-added tax.

An analysis of turnover is as follows:

	For the three months ended 31 January		For the six months ended 31 January	
	2008	2007	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover				
Sale of feed supplements	6,515	–	7,934	–
Sale of veterinary drugs	–	1,948	–	5,441
	<u>6,515</u>	<u>1,948</u>	<u>7,934</u>	<u>5,441</u>
Other revenue				
Interest income	71	1	271	1
Sundry income	–	10	–	10
Net unrealized fair value gain (loss) on financial assets at fair value	(364)	–	1,162	–
	<u>(293)</u>	<u>11</u>	<u>1,433</u>	<u>11</u>

3. Segment information

Business segments

An analysis of the Group's turnover and contribution to operating results by business segments is as follows:

	Animal feed supplement		Veterinary Drugs		Corporate		Elimination		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	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	7,934	–	–	5,441	–	–	–	–	7,934	5,441
Intersegment sales	–	–	–	–	–	–	–	–	–	–
Other revenue	–	–	–	10	1,162	–	–	–	1,162	10
	<u>7,934</u>	<u>–</u>	<u>–</u>	<u>5,451</u>	<u>1,162</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>9,096</u>	<u>5,451</u>
Total	<u>7,934</u>	<u>–</u>	<u>–</u>	<u>5,451</u>	<u>1,162</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>9,096</u>	<u>5,451</u>
Segment results	(1,484)	–	(1,260)	(2,763)	(15,030)	(3,112)	–	–	(17,774)	(5,875)
Interest income									271	1
Loss from operating activities									(17,503)	(5,874)
Finance costs									(3,887)	(756)
Loss before tax									(21,390)	(6,630)
Tax expense				(3)					–	(3)
Loss after tax									(21,390)	(6,633)
Attributable:										
Equity Holders of the Company									(21,390)	(6,039)
Minority interest									–	(594)
									(21,390)	(6,633)

Geographical segments

	Hong Kong		Japan		PRC		Singapore		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external sales	4,014	–	1,452	–	1,044	5,441	1,424	–	7,934	5,441

4. Loss from operating activities

The Group's loss from operating activities is arrived at after charging/(crediting):

	For the three months ended 31 January		For the six months ended 31 January	
	2008	2007	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of inventories sold	1,072	1,520	1,335	3,953
Depreciation of fixed assets	410	381	980	767
Amortisation of intangible assets	285	566	570	1,131
Net unrealized fair value loss on financial assets at fair value through profit or loss and derivative financial instruments	2,731	—	2,731	—

5. Tax expenses

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong for the six months ended 31 January 2008 (2007: Nil). Current tax represents PRC enterprise income tax charged on the estimated taxable profits of certain subsidiaries operating in the PRC and is calculated at the prevailing tax rate.

There is no material deferred tax credit recognised for the six months ended 31 January 2008 and 2007.

6. Loss per share

The calculation of basic loss per share for the three months and six months ended 31 January 2008 was based on the unaudited net loss attributable to shareholders of approximately HK\$18,543,000 and approximately HK\$21,390,000 respectively (three months and six months ended 31 January 2007: approximately HK\$3,753,000 and approximately HK\$6,039,000) and the weighted average number of 1,352,400,000 for the three months and 1,352,400,000 for six months ended 31 January 2008 (three months and six months ended 31 January 2007: approximately 552,173,913 and 526,086,957) ordinary shares in issue during the period.

No diluted loss per share are presented for the three months and six months ended 31 January 2008 and 2007 respectively as the share options, convertible bonds and warrants (for period ended 31 January 2008) had an anti-dilutive effect on the basic loss per share.

7. Fixed assets

The Group during the period under review spent approximately HK\$21,895,000 on the acquisition of property plant and equipment.

8. Trade and deposits, prepayments and other receivables

	31 January 2008 HK\$'000 (Unaudited)	31 July 2007 HK\$'000 (Audited)
Trade receivables	8,695	1,323
Deposits, prepayments and other receivables	22,755	2,772
	<u>31,450</u>	<u>4,095</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 to six months and on discretion 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 based on payment due date and net of provision, is as follows:

	31 January 2008 HK\$'000 (Unaudited)	31 July 2007 HK\$'000 (Audited)
Within 3 months	6,358	—
3 to 6 months	1,014	761
6 to 12 months	761	562
Over 1 year	562	—
	<u>8,695</u>	<u>1,323</u>

9. Share capital

	No. of shares		Nominal value	
	At 31 January 2008 '000	At 31 July 2007 '000	At 31 January 2008 HK\$'000	At 31 July 2007 HK\$'000
Authorised:				
Ordinary share of HK\$0.05 each				
As at 1 August 2007	1,500,000	1,500,000	75,000	75,000
Increase of 1,500,000,000 authorized share capital during the period at HK\$0.05 each	1,500,000	—	75,000	—
	<u>3,000,000</u>	<u>1,500,000</u>	<u>150,000</u>	<u>75,000</u>
Issued and fully paid:				
Ordinary share of HK\$0.05 each				
At end of the period/year	1,352,400	1,352,400	67,620	67,620

10. Trade payables

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

	31 January 2008 HK\$'000 (Unaudited)	31 July 2007 HK\$'000 (Audited)
Within 3 months	—	—
3 to 6 months	—	—
6 to 12 months	—	295
Over 1 year	1,226	882
	1,226	1,177

OPERATION REVIEW

During the half year under review, the sale of feed supplements was approximately HK\$7,934,000. The Group invested substantial amount of capital in the formulation of market strategies, customer retention and training, product enhancement, application development, technologies support, establishment of sales system, and the accumulation of human resources, and achieved satisfactory results, it will gradually contribute to the Group's income.

On 25 September 2007, the Company entered into the Subscription Agreement with Keywise, whereby (i) Keywise has conditionally agreed to subscribe for the Convertible Bonds in the principal amount of HK\$100 million and (ii) in consideration of Keywise agreeing to subscribe for the Convertible Bonds, Keywise has been granted 70,588,235 Warrants which entitle the holders thereof to subscribe for up to 70,588,235 Shares at the Exercise Price of HK\$0.85 per Warrant Share.

During the period, there was approximately HK\$6,919,000 expenses relating to the issuance expenses and imputed interest of convertible bonds.

Research and Development

After acquiring new patent technologies relating to manufacturing livestock feed based on feed supplements, the Group has continued to conduct research and development for the application of feed supplements in Japan, Hong Kong, PRC, among others.

OUTLOOK

The Group's principal businesses shifted from the original veterinary drugs business to feed supplements and the production and operation of end-user food safety formed by the use of feed supplements.

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 work report dated 8 March 2008, the Central Government will continue to strongly support the development of agriculture, rural areas and farmers (collectively call "三農"). During 2008, the Central Government will contribute a record high RMB 562.5 billion for financing of agriculture, rural areas and farmers through central fiscal arrangements, an increase of RMB 130.7 billion when comparing to last year.

In addition, as concern over quality of animal feeding stuff is increasing and allergy effect of antibiotics on human body causes prohibition of use of antibiotics in animal feeding stuff, there is a huge market potential for feed supplements and animal drugs both in and outside China.

On 29 November 2007, the Group entered into an agreement with Chew's Agriculture Pte Ltd ("CA") vendors in Singapore for the acquisition of 70% interests in CA at a consideration of S\$8,820,000, which was equivalent to HK\$47,628,000. Of which S\$6,174,000 will be paid in cash. The balance of S\$2,646,000 will be settled with the issue of CA Consideration Shares at HK\$0.85 per share. The Consideration Shares represented approximately 1.23% of the enlarged share capital. CA is principally engaged in egg farming by deploying its specialty expertise management programme and egg distribution in Singapore.

In addition, on 29 November 2007, the Group entered into an agreement with the Kee Song Brothers Poultry Industries Pte Ltd ("KSB") vendors in Singapore for the acquisition of 70% equity interests in KSB Group at a consideration of S\$12,432,000 (approximately HK\$67,132,800). Of which, approximately S\$8,702,400 will be paid in cash, and the balance of S\$3,729,600 will be settled with the issue of KSB Consideration Shares at HK\$0.85 per share, representing 1.72% of the enlarged share capital. KSB is principally engaged in the farming and processing of poultry in Singapore.

Circulars with further information with regard to such proposed acquisitions will be distributed as soon as possible.

The Group has supplied Feed Supplements and provided technical assistance to help CA Group and KSB Group in developing "YY SAKURA" egg and "YY SAKURA" chicken, which were launched into the market in second half of 2007. In view of the increasing public awareness on health food, the Directors expected that the "YY SAKURA" chicken and "YY SAKURA" egg will receive good recognition in the market. Therefore, Directors believe, the CA Acquisition and the KSB Group Acquisition are strategic moves of the Group to husbandry industry which will further strengthen its feed supplements business and allow the Group to further enhance its revenue from the feed supplement business. Accordingly, the two acquisitions provide a golden opportunity for the Group to participate in the health food industry in Singapore.

After the above acquisitions, the financial results of CA Group and KSB Group will be consolidated into the Group's financial statements. Given the historical profitable operations of CA and KSB and the net profits guaranteed by the CA Vendors and KSB Vendors for the two financial years, it is expected that the Group's profitability will be improved significantly after the two acquisitions. In addition, the Directors also expect to apply the technical expertise of egg production of CA and the production of "YY SAKURA" chicken from KSB to other husbandry enterprises. Such arrangements are subject to confirmation and will be reported to Shareholders upon confirmation. It is expected that the Group will benefit further from the technical expertise of CA and KSB.

Completion of such proposed acquisitions are subject to fulfillment of certain conditions, and related details will be further disclosed in related circulars and distributed to Shareholders as soon as possible.

The establishment of wholly owned subsidiaries of the Group in Japan, Singapore, Hong Kong and PRC for the operation in feed supplements and other health food has essentially completed. In accordance with the comprehensive market developing plan of the Group for the production and operation of feed supplements and other health food, operational revenue generated from such products will contribute significantly to the income of the Group.

Segment information

The Group presented its segment information based on nature of its operations and the products it provided.

Liquidity, financial resources and capital structure

The Group generally financed its operation through internally generated cashflows and banking facilities provided by its principal bankers in the PRC. As at 31 January 2008, the aggregate bank and other borrowings were approximately HK\$14,846,000 (31 July 2007: approximately HK\$15,117,000). As at 31 January 2008, the amount of banking facilities available and utilized was approximately HK\$13,107,000 (31 July 2007: approximately HK\$15,117,000). The Group's outstanding bank and other loans bear interest at the prevailing market rate.

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 January 2008 (total borrowing, including notes payable, less cash and cash equivalents and pledged bank deposits to total assets) was approximately 29.0% (31 July 2007: in net cash position). The improvement in gearing ratio is mainly attributable to the acquisition of 70% of JBC Group.

Foreign exchange and interest rate exposure

The Group mainly earns revenue and incurs cost in Hong Kong Dollars and Renminbi. 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 January 2008, the Group pledge of the property, plant and equipment, production licensing & deposits for acquisition of property plant & equipment HK\$35,398,000 (31 July 2007: approximately HK\$20,839,000) to secure other borrowings granted to the Group.

Contingent liabilities

As at 31 January 2008, the Group did not have any significant contingent liabilities (31 July 2007: nil).

Commitments

At 31 January 2008, the Group had outstanding capital commitment of approximately HK\$8,120,000 (31 July 2007: approximately HK\$7,768,000).

Future plan for investment

Except as disclosed in the financial statements, as at 31 January 2008, the Group did not have future plan for material investment and capital assets.

Material acquisitions/disposals

Except for those set out in the paragraph of “Operation Review”, the Group had no other material acquisitions or disposals of subsidiaries and affiliated companies for the period under review.

Employee information

As at 31 January 2008, the Group had 80 employees (2007: 130) in Hong Kong, Japan, Singapore and PRC. The total remuneration to employees, including director’s emoluments amounted to approximately HK\$5,588,000 (2007: approximately HK\$983,100). 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, medical coverage to its employees in Hong Kong and the statutory central pension schemes to its employees in the PRC.

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 COMPANY

As at 31 January 2008, 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 as at 31 October 2007
Ms. Liu Yang	Through controlled corporation (Note 1)	Shares	432,000,000 Shares	31.94%
Ms. Wong Moon Ha	Through controlled corporation (Note 2)	Shares	400,000,000 Shares	29.58%
Mr. Wong Sai Wa	Directly beneficially owned	Options (Note 3)	3,200,000 options	0.24%
Mr. Kwan Kai Cheong	Directly beneficially owned	Options (Note 3)	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 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.
3. 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 January 2008, 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.

Pre-IPO Plan

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

Name or category of participant	At 1.08.2007	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	At 31.1.2008	Date of grant of share options	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 (Note a)	10.10.2001 to 22.3.2011	0.55
Mr. Kwan Kai Cheong	3,000,000	—	—	—	—	3,000,000	23.3.2001 (Note a)	10.10.2001 to 22.3.2011	0.55
	<u>6,200,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>6,200,000</u>			
Other employees									
	400,000	—	—	—	—	400,000	23.3.2001 (Note a)	10.10.2001 to 22.3.2011	0.55
	<u>6,600,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>6,600,000</u>			

Notes:

- The vesting period of the share options is from the date of the grant until the commencement of the exercise period.
- 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 of Pre-IPO Plan as at 31 January 2008, 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 period ended 31 October 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.

Share Option Scheme

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 and eligible persons, 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.

The following share options were outstanding under the Share Option Scheme during the period under review:

Name or category of participant	At 1.08.2007	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	At 31.1.2008	Date of grant of share options	Exercise period of share options	Exercise price of share options
Eligible persons	–	43,000,000	–	–	–	43,000,000	23.9.2007	23.9.2007 to 22.9.2017	0.43
Others	–	27,040,000	–	–	–	27,040,000	14.11.2007	14.11.2007 to 13.11.2017	0.59
	–	70,040,000	–	–	–	70,040,000			

The exercise of the above 70,040,000 outstanding share options as at 31 January 2008, would under the present capital structure of the Company, result in the issue of 70,040,000 additional share capitals of HK\$3,502,000 and share premium of HK\$16,340,000 (before issue expenses). During the period ended 31 January 2008, none of the eligible persons of the Company had exercised any share options and no allotment or issue of shares was made pursuant to the Share Option Scheme.

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

As at the 31 January 2008, 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 which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital:

(A) Substantial Shareholders

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 as at 31 January 2008
JBC Bio Tech	Corporation (Note 1)	Shares	432,000,000 Shares	31.94%
CPT	Corporation (Note 2)	Shares	400,000,000 Shares	29.58%
CBM	Through controlled corporation (Note 2)	Shares	400,000,000 Shares	29.58%
Ms. Wong Moon Ha	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 Ms. Wong Moon Ha as at 31 January 2008. Accordingly, Ms. Wong Moon Ha is also deemed to be interested in the aggregate of 400,000,000 Shares in which CPT is interested. Ms. Wong Moon Ha is an executive Director 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 derivatives	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	376,007,386 Shares (Note)	27.80%
Keywise Greater China Opportunities Master Fund ("Keywise")	Investment Manager	Shares	376,007,386 Shares (Note)	27.80%

Note:

Keywise is an investment fund managed by Keywise Capital Management (HK) Limited. These shares comprise (i) 153,904,000 existing shares 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 herein, as at 31 January 2008, 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 which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, nor were there any persons, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of Group or held any option in respect of such capital.

AUDIT COMMITTEE

The Company set up 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 members of audit committee are namely Mr. Chan Kin Hang and Mr. Garry Alides Willinge. The work undertaken by the audit committee is 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 of directors. The audit committee will also be responsible for reviewing and supervising the financial reporting process and internal control procedures of the Group.

Upon the resignation of Dr. Ding Hanpeng on 28 February 2008, the Company has two independent non-executive Directors and two members of audit committee which falls below the minimum number required under Rule 5.05(1) and Rule 5.28 of the GEM Listing Rules. The Company is actively identifying suitable candidate for appointment as an independent non-executive Director so as to meet the minimum number required under Rule 5.05(1) of the GEM Listing Rules and shall appoint sufficient number of independent non-executive Director and to meet the minimum number of audit committee members required under Rule 5.28 of the GEM Listing Rules within three months from 28 February 2008 as required under Rule 5.06 and Rule 5.33 of the GEM Listing Rules.

CODE ON CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the code of conduct for securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Throughout the period under the review, the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 15 of the GEM Listing Rules. The Company has applied the principles in the Code and complied with the code provisions set out in the Code for the six-months period ended 31 January 2008 except for Code Provisions A.2.1, and A.4.1. The Board will keep these matters under review on a periodical basis.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the six-months period ended 31 January 2008, 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
China Medical and Bio Science Limited
Liu Yang
Chairman

Hong Kong, 14 March 2008

As at the date of this statement, 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; three non-executive directors, namely, Mr. Kwan Kai Cheong, Dr. Tan Min and Wong See Hong; and two independent non-executive Directors, namely Mr. Chan Kin Hang and Mr. Garry Alides Willinge.

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