

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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 JANUARY 2011

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

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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 GEM (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

* For identification purposes only

HIGHLIGHTS

- The Group recorded a turnover of approximately HK\$43.10 million for the six months ended 31 January 2011.
- The profit attributed to the shareholders of the Company amounted to approximately HK\$4.65 million for the six months ended 31 January 2011.
- Earning per share amounted to approximately HK\$0.34 cents for the six months ended 31 January 2011.
- The directors do not recommend the payment of any interim dividend for the six months ended 31 January 2011.

INTERIM RESULTS (UNAUDITED)

The board of directors (the “Board”) of China Medical and Bio Science Limited (Provisional Liquidators Appointed) (the “Company”) presents the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 31 January 2011, together with the comparative unaudited figures for the corresponding period in 2010 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME/(LOSS)

For the six months ended 31 January 2011

	Note	For the three months ended 31 January		For the six months ended 31 January	
		2011	2010	2011	2010
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Turnover	3, 4	23,154	7,326	43,097	7,326
Cost of sales		(18,596)	(5,908)	(34,388)	(5,908)
Gross profit		4,558	1,418	8,709	1,418
Other revenue		23	–	24	275
Selling and distribution costs		(874)	(178)	(1,331)	(178)
General and administrative expenses		(1,627)	(298)	(2,525)	(1,158)
Restructuring costs		(162)	(563)	(882)	(3,008)
Finance costs		(80)	(13)	(125)	(736)
Loss on disposal of non-current assets held for sale		–	(124)	–	(258)
Gain on deconsolidation of subsidiaries	2c	2,387	4,310	2,387	4,310
Profit before income tax	5	4,225	4,552	6,257	665
Income tax	6	(776)	(289)	(1,652)	(289)
Profit/(loss) for the period attributable to:					
Shareholders of the Company		3,489	4,263	4,645	376
Non-Controlling interest		(40)	–	(40)	–
Other comprehensive (loss)/income for the period, net of tax					
Exchange differences on translating foreign operations and deconsolidation of subsidiaries		–	(436)	–	(436)
Total comprehensive income/(loss) for the period attributable to shareholders of the Company		3,449	3,827	4,605	(60)
Earnings/(loss) per share attributable to shareholders of the Company (in cents)	7				
Basic		0.26	0.32	0.34	0.03
Diluted		N/A	N/A	N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 January 2011

	Note	31 January 2011 HK\$'000 (Unaudited)	31 July 2010 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		288	48
		<u>288</u>	<u>48</u>
CURRENT ASSETS			
Trade receivables	9	11,335	7,188
Deposits, prepayments and other receivables		5,317	172
Cash and bank balances		7,894	4,218
		<u>24,546</u>	<u>11,578</u>
CURRENT LIABILITIES			
Bank and other borrowings		5,629	5,629
Trade payables	10	2,237	1,582
Convertible bonds		106,600	106,600
Other payables and accruals		43,977	44,222
Amounts due to deconsolidated subsidiaries	11	1,934	2,928
Amount due to the Investor		16,291	9,687
Income tax payable		3,660	2,223
		<u>180,328</u>	<u>172,871</u>
NET CURRENT LIABILITIES		<u>(155,782)</u>	<u>(161,293)</u>
NET LIABILITIES		<u>(155,494)</u>	<u>(161,245)</u>
CAPITAL AND RESERVES			
Share capital	12	67,620	67,620
Reserves		(224,220)	(228,865)
Non controlling interest		1,106	—
		<u>—</u>	<u>—</u>
CAPITAL DEFICIENCY		<u>(155,494)</u>	<u>(161,245)</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

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

The registered office of the Company is located at Ugland House, P.O. Box 309, George Town, Grand Cayman, Cayman Islands, British West Indies.

The principal place of business of the Company is at 62/F, One Island East, 18 Westlands Road, Island East, Hong Kong.

The Company's shares are listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and have been suspended for trading since 28 October 2008.

2. BASIS OF PREPARATION

(a) Hong Kong Financial Reporting Standards ("HKFRS")

These unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") and the Hong Kong Companies Ordinance.

These unaudited condensed consolidated interim financial statements should be read in conjunction with the annual financial statements of the Group for the year ended 31 July 2010. The accounting policies and method of computation used in the preparation of these unaudited condensed consolidated financial statements are consistent with those followed in the preparation of the annual financial statements of the Group for the year ended 31 July 2010.

2. BASIS OF PREPARATION (CONT'D)

(b) Adoption of going concern basis

As at 31 January 2011, the Group had net current liabilities and net liabilities of approximately HK\$155,782,000 and HK\$155,494,000 respectively. The indebtedness of the Group mainly comprised the short-term bank and other borrowings and convertible bonds, which represented a total of approximately HK\$112,229,000 of which the bank borrowings of approximately HK\$5,629,000 were overdue as at 31 January 2011. 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 unaudited condensed consolidated interim 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 as current assets.

(c) Deconsolidation of subsidiaries

On 21 December 2010, Messrs. Stephen Liu Yiu Keung and David Yen Ching Wai, both of Ernst & Young Transactions Limited, were appointed as the joint and several liquidators to the Company's three indirect wholly-owned subsidiaries, namely Asia Gain Investments Limited, Hong Kong Yang Yang Bio Products Company Limited and Hong Kong Bio Products Manufacturing Limited. As such, the financial results, assets and liabilities and cash flows of the subsidiaries have been deconsolidated from the consolidated financial statements of the Group since the dates the respective liquidators were appointed or qualifying resolution was passed.

3. SEGMENT INFORMATION

The Group is organized into two divisions which are the basis on which the Group reports its segment information.

Segment information is presented by the following segments:

- (a) the feedstock products segment comprises the feedstock business; and
- (b) the others segment comprises corporate activities and other non-feedstock business.

Since the Group's revenue from external customers and non-current assets are derived from and located in the PRC, no geographical information is disclosed.

3. SEGMENT INFORMATION (CONT'D) (to be continued)

Operating segments

The segment results for the six months ended 31 January 2011, together with the comparative figures for the corresponding period of the preceding year are as follows:

	Feed Products		Others		Consolidated	
	For the six months ended 31 January		For the six months ended 31 January		For the six months ended 31 January	
	2011	2010	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Segment revenue:						
Sales to external customers	43,097	7,326	–	–	43,097	7,326
Other revenue	–	266	20	9	20	275
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total revenue	<u>43,097</u>	<u>7,592</u>	<u>20</u>	<u>9</u>	<u>43,117</u>	<u>7,601</u>
Segment results	<u>6,499</u>	<u>5,374</u>	<u>801</u>	<u>(965)</u>	7,300	4,409
Interest income					4	–
Restructuring costs					(882)	(3,008)
Finance costs					<u>(125)</u>	<u>(736)</u>
Profit/(loss) before, income tax					6,297	665
Income tax				(289)	<u>(1,652)</u>	<u>(289)</u>
Profit/(loss) for the period					<u>4,645</u>	<u>376</u>

Under HKFRS8, segment is required to be disclosed on the basis that the Group's management regards and manages the Group, with amounts reported for each reportable segment being the measures reported to the Group's management for the purposes of assessing segment performance and making decisions about operating matters. Segments assets consists primarily of property, plants and equipment and trade receivables.

4. **TURNOVER**

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

5. **PROFIT BEFORE INCOME TAX**

The Group's profit before income tax is arrived at after charging/(crediting):

	For the six months ended 31 January	
	2011	2010
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	34,388	5,908
Depreciation of fixed assets	15	1
Interest income	<u>(4)</u>	<u>—</u>

6. **TAX**

Income tax expense for the six months ended 31 January 2011 represents provision for PRC enterprise income tax at 25% on the estimated assessable profit of a subsidiary operating in the PRC.

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 the six months ended 31 January 2011.

7. **EARNINGS/(LOSS) PER SHARE**

The calculation of basic earnings/(loss) per share attributable to shareholders of the Company is based on the profit attributable to shareholders of the Company for the six months ended 31 January 2011 of approximately HK\$4,645,000 (2010: profit of approximately HK\$376,000) and the weighted average number of shares in issue during the six months ended 31 January 2010 of 1,352,400,000 (2010: 1,352,400,000).

The calculation of basic earnings/(loss) per share attributable to shareholders of the Company for the three months ended 31 January 2011 is based on the profit attributable to shareholders of the Company of approximately HK\$3,489,000 (2010: profit of approximately HK\$4,263,000) and the weighted average number of shares in issue during the three months ended 31 January 2011 of 1,352,400,000 (2010: 1,352,400,000).

7. EARNINGS/(LOSS) PER SHARE (CONT'D)

No diluted earnings/(loss) per share is presented for the three and six months ended 31 January 2010 and 2011 as the conversion of the outstanding convertible bonds, warrants and share options during the periods have an anti-dilutive effect on the basic earnings/(loss) per share.

8. INTERIM DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 31 January 2011 (six months ended 31 January 2010: Nil).

9. TRADE RECEIVABLES

	31 January 2011 <i>HK\$'000</i> (Unaudited)	31 July 2010 <i>HK\$'000</i> (Audited)
Trade receivables	11,335	7,188
Provision for bad and doubtful debts	—	—
	<u>11,335</u>	<u>7,188</u>

The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period of one to three months for major customers. 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 end of the interim financial reporting period, based on payment due date and net of provision, is as follows:

	31 January 2011 <i>HK\$'000</i> (Unaudited)	31 July 2010 <i>HK\$'000</i> (Audited)
Within 2 months	<u>11,335</u>	<u>7,188</u>

10. TRADE PAYABLES

An aged analysis of the trade payables as at the end of interim financial reporting period, based on payment due date, is as follows:

	31 January 2011 HK\$'000 (Unaudited)	31 July 2010 HK\$'000 (Audited)
Within 3 months	953	298
6 to 12 months	—	—
Over 1 year	1,284	1,284
	<u>2,237</u>	<u>1,582</u>

11. AMOUNTS DUE TO DECONSOLIDATED SUBSIDIARIES

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

12. SHARE CAPITAL

	Number of shares		Nominal value	
	As at	As at	As at	As at
	31 January	31 July	31 January	31 July
	2011	2010	2011	2010
	'000	'000	HK\$'000	HK\$'000
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Authorised:				
Ordinary shares of HK\$0.05 each	<u>3,000,000</u>	<u>3,000,000</u>	<u>150,000</u>	<u>150,000</u>
Issued and fully paid:				
Ordinary shares of HK\$0.05 each	<u>1,352,400</u>	<u>1,352,400</u>	<u>67,620</u>	<u>67,620</u>

13. LITIGATION

A winding up petition (the “Petition”) was served on the Company on 13 May 2008 by 汕頭市欣源貿易有限公司 (Shantou Xinyuan Trading Company Limited) (the “Petitioner”). The Petitioner claimed that the Company was indebted to it in the amount of approximately RMB4,426,000 (the “Alleged Indebtedness”) pursuant to an order of the China International Economic and Trade Arbitration Commission (the “Commission”) dated 15 February 2008. The Company has made an application to the Second Immediate People’s Court of Beijing (the “Beijing Court”) to dismiss the order of the Commission on 14 April 2008, which has been accepted by the Beijing Court. As the order which sanctioned the Alleged Indebtedness is subject to further ruling of the Beijing Court, the Company intends to take vigorous action to defend the petition while at the same time continue to pursue the action to dismiss the order of the Commission.

By an order of the High Court of Hong Kong dated 8 April 2011, the hearing for the petition which was initially fixed on 12 November 2008 was further adjourned to 22 August 2011.

On 30 September 2009, the Company and another defendant were purportedly served with a writ of summons (without leave of Court). The plaintiff alleged that various officers and high ranking employees of the Company had allegedly made certain representations in respect of the Company’s financial position and business prospects to him for the purpose of soliciting him to purchase the Company’s shares in the market. It was alleged by the plaintiff that he had been induced by such alleged representations to purchase shares in the Company and had suffered serious financial losses due to a plunge in the share price of the Company. The plaintiff claimed against the Company and another defendant for damages for loss and damage suffered by him in the sum of approximately HK\$10,335,000 together with interest and costs.

As no leave was granted by the Court to the plaintiff to commence legal proceedings against the Company, the proceedings commenced by the plaintiff against the Company are considered stayed. Based on a legal advice obtained, the Company is of the view that the plaintiff’s claim is not a genuine or bona fide claim against the Company and is unmeritorious.

14. MATERIAL RELATED PARTY TRANSACTIONS

During the period, the Group incurred a cost of approximately HK\$7,006,000, determined on an arm's length basis by reference to market rates, for the supply of feedstock products from a feedstock supplier. Since the controlling shareholder of such feedstock supplier has been a substantial shareholder of the JV on 5 August 2010, the relevant transaction has been classified as a related party transaction and feedstock products amounting to approximately HK\$7,006,000 has been provided.

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

15. SUBSEQUENT EVENTS

(a) Winding-up of subsidiaries

On 9 February 2011, as part of the proposed restructuring of the Group, Glazier Limited ("Glazier"), a subsidiary of the Company, was placed into liquidation pursuant to a qualifying resolution passed by the sole member of Glazier, China Biotechnology Limited, a wholly-owned subsidiary of the Company.

(b) Restructuring

The Exclusivity Agreement has expired on 27 January 2011. The Company and the Provisional Liquidators are currently reviewing the situation with a view to continuing with the Resumption Proposal.

(c) Major Creditor

On 31 March 2011, Keywise Greater China Opportunities Master Fund ("Keywise") informed that they have disposed of their zero coupon convertible bonds with a nominal value of HK\$100,000,000 issued by the Company to Victory Unicorn Limited ("Victory Unicorn"), an unrelated third party. In this regard, the Provisional Liquidators have recognized Victory Unicorn as a creditor of the Company in place of Keywise but their claim against the Company is subject to adjudication.

Save as disclosed above, the Board is not aware of any significant events taken place subsequent to 31 January 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

WINDING-UP PETITION AND APPOINTMENT OF PROVISIONAL LIQUIDATORS

On 13 May 2008, a winding-up petition was presented and filed in the High Court (the “High Court”) of the Hong Kong Special Administrative Region (“Hong Kong”) by Shantou Xinyuan Trading Company Limited, the petitioner of the Company. On 2 December 2008, an ex-parte application was filed and served onto the Company by Keywise Greater China Opportunities Master Fund, a supporting creditor of the Company, 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 GEM Listing Rules.

By an order of the High Court dated 8 April 2011, the hearing for the petition which was initially fixed on 12 November 2008 was further adjourned to 22 August 2011.

Trading in the shares of the Company on the GEM has been suspended since 28 October 2008 and remained suspended as at the date of this announcement.

RESTRUCTURING

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

On 28 July 2009, an 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 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 was supported by the major creditors of the Company.

On 24 September 2009, a subsidiary of the Company and the Investor entered into a working capital facility agreement, pursuant to which the Investor undertook that it would deposit sufficient funds of up to HK\$9 million as working capital to meet the trading and operating expenses to maintain a viable, continuing business of the Company during the course of proposed restructuring that are incurred after the date of the Exclusivity Agreement.

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 scheme 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.

On 30 November 2009, the Company submitted the Resumption Proposal to the Stock Exchange (which was subsequently updated and submitted to the Stock Exchange on 19 May 2010). On 26 July 2010, the Company was informed by the Stock Exchange that trading in the shares of the Company will be resumed if the Company fulfills, among other things, the following conditions by 30 April 2011:

- (1) completion of the subscription of new shares and convertible bonds by the Investor, placing of new shares to independent third parties, scheme of arrangement, the capital restructuring and reorganisation and other transactions under the Resumption Proposal;

- (2) completion of formation of the JV (as defined below) to establish a manufacturing plant and commencement of production. The Company should provide a letter by a corporation licensed by the Securities and Futures Commission of Hong Kong to advise on corporate finance confirming this condition has been fulfilled;
- (3) inclusion in the circular to shareholders a statement from directors of the Company confirming working capital sufficiency for 12 months after resumption and a comfort letter from the auditors/financial adviser on the directors' statement;
- (4) inclusion in the circular to shareholders of the Company a profit forecast for each of the two years ending 31 July 2011 together with reports from the auditors and financial adviser under paragraph 29(2) of Appendix 1B of the GEM Listing Rules;
- (5) inclusion in the circular to shareholders a pro forma balance sheet upon completion of the Resumption Proposal and a comfort letter from the auditors under Rule 7.31 under the GEM Listing Rules;
- (6) publication of circular relating to the proposal in prospectus standard; and
- (7) withdrawal of the winding-up petition and discharge of the Provisional Liquidators.

The Exclusivity Agreement was nevertheless expired on 27 January 2011. The Company and the Provisional Liquidators are currently reviewing the situation with a view to continuing with the Resumption Proposal.

FINANCIAL REVIEW

The Group recorded a turnover of approximately HK\$43,097,000 for the six months ended 31 January 2011, representing an increase of approximately 4.9 times compared to approximately HK\$7,326,000 that was recorded in the same period of the preceding year. During the six months ended 31 January 2011, the Group recorded net profit after tax attributable to the Company's shareholders of approximately HK\$4,645,000, representing a substantial improvement in financial performance from a profit of approximately HK\$376,000 during the same period in the preceding year. The increase in net profit attributable to the Company's shareholders was mainly due to the improvement of its business operations, increase in turnover resulting from the continuous expansion of the Group's feedstock business, substantial reduction in finance costs and restructuring costs during the period.

SECURITIES INVESTMENT

The Group had no securities investment for the six months ended 31 January 2011.
(31 July 2010: Nil)

MATERIAL ACQUISITIONS AND DISPOSALS

Establishment of a joint venture in the People's Republic of China ("PRC")

On 16 March 2010, the Group entered into a joint venture agreement (as supplemented on June 2010, collectively refer to as the "JV Agreement") with three other joint venture partners (the "JV Partners") for the establishment of a joint venture (the "JV"), which will be principally engaged in the development and manufacturing of feedstock products in the PRC. On 3 November 2010, the Group entered into another supplemental agreement such that, among other things, one of the then JV Partners, would transfer all of its 24% equity interest in the JV to its associated company and the JV would acquire a land parcel in Fujian Province, the PRC, for the construction of the JV's manufacturing plant.

On 23 October 2010, the JV and the Investment Promotion Bureau of Wuping County Fujian Bureau entered into an acquisition agreement, pursuant to which the JV will, among others, acquire a land parcel located at the Yanqian Industrial Zone of Wuping County, Fujian Province (the "Land Parcel") with a site area of approximately 14,674 square meters at the consideration of RMB0.88 million (subject to the completion of the public tender process under the PRC relevant regulations) for the construction of the JV's manufacturing plant. As at the date of this announcement, the tender process for the Land Parcel has been completed and the construction of the JV's manufacturing plant is in progress.

Winding-up of subsidiaries

On 21 December 2010, Messrs Stephen Liu Yiu Keung and David Yen Ching Wai, both of Ernst & Young Transactions Limited, were appointed as the joint and several liquidators to the Company's three indirect wholly-owned subsidiaries, namely Asia Gain Investments Limited, Hong Kong Yang Yang Bio Products Company Limited and Hong Kong Bio Products Manufacturing Limited.

Subsequent to the reporting period, as part of the proposed restructuring of the Group, Glazier Limited ("Glazier"), a subsidiary of the Company, was placed into liquidation on 9 February 2011 pursuant to a qualifying resolution passed by the sole member of Glazier, China Biotechnology Limited, a wholly-owned subsidiary of the Company.

As such, the financial results, assets and liabilities and cash flows of the subsidiaries have been deconsolidated from the consolidated financial statements of the Group since the dates the respective liquidators were appointed or qualifying resolution was passed.

Save as disclosed from the above, the Group had no material acquisition or disposal during the six months ended 31 January 2011.

FINANCIAL RESOURCES, LIQUIDITY, CAPITAL STRUCTURE AND GEARING RATIO

As at 31 January 2011, the Group had net current liabilities of approximately HK\$155,782,000 (31 July 2010: HK\$161,293,000), which mainly arose from the substantial amount of current liabilities carried forward from prior years including convertible bonds of approximately HK\$106,600,000 and other payables and accruals of approximately HK\$44,037,000.

As at 31 January 2011, the Group's total bank and other borrowings amounted to approximately HK\$5,629,000 (31 July 2010: HK\$5,629,000), of which approximately HK\$4,775,000 (31 July 2010: HK\$4,775,000) was unsecured bank loan; and approximately HK\$854,000 (31 July 2010: HK\$854,000) was unsecured other loans. The Group's outstanding bank loan bears interest at the prevailing market rate, whilst the unsecured other loan bears a fixed interest rate.

The Group had convertible bonds of approximately HK\$106,600,000 as at 31 January 2011 (31 July 2010: HK\$106,600,000). The Group's gearing ratio, which is calculated on the basis of the Group's total borrowings less cash and cash equivalents to the total assets, as at 31 January 2011 is approximately 4.9 times (31 July 2010: 10.2 times).

The Group's operations are financed principally by revenues generated from its principal businesses and the working capital provided by the Investor from time to time. The Company and the Provisional Liquidators also closely monitor the liquidity requirements of the Group to maintain its viable and continuing business.

CHARGES ON GROUP ASSETS

Other than an amount of approximately HK\$8,142,706 due to the Investor which was secured by way of first floating charge on all properties and assets of the Company's direct wholly-owned subsidiary, Tony China Limited, the Group did not have any charges on its assets as at 31 January 2011.

CONTINGENT LIABILITIES

Details of contingent liabilities are set out in note 13 to the condensed consolidated financial statements.

CAPITAL COMMITMENT

On 16 March 2010, the Group entered into the JV Agreement with the JV Partners for the establishment of a JV. Pursuant to the JV Agreement, the registered capital of the JV will amount to RMB18 million (equivalent to approximately HK\$20.45 million), and the Group is committed to contribute RMB11.34 million (equivalent to approximately HK\$12.88 million) as the registered capital of the JV in cash, representing 63% equity interest of the JV.

OPERATION REVIEW

Since the commencement of business operation of Xiamen Dongyu, with the working capital facility provided by the Investor, the substantial experience in the feedstock industry and extensive customer contacts possessed by the management of Xiamen Dongyu, the feedstock business of the Group has been expanding rapidly, which resulted in the substantial growth of both the revenue and the net profit of the Group. In addition, Xiamen Dongyu has managed to expand its products offerings from swine feedstock additives to include fish and chicken feedstock products.

For the six months ended 31 January 2011, the Group recorded turnover and other revenue of approximately HK\$43,117,000, representing an increase of approximately 4.67 times than the amount recorded in the same period in preceding year of approximately HK\$7,601,000.

PROSPECTS

The financial position 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 the creditors of the Company and the creditors of its subsidiaries holding guarantees given by the Company will be compromised and discharged by way of the Scheme as appropriate.

In view of the performance of the operations of the Group and the improvement of its financial position, the directors of the Company are of the view that the Resumption Proposal is in the best interest of the Group and its stakeholders.

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 its business operation and maintain a high rate of expansion towards the resumption of trading in its shares.

ADDITIONAL INFORMATION REQUIRED BY THE GEM LISTING RULES

INDEPENDENT NON-EXECUTIVE DIRECTORS AND 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.

On 28 January 2011, Mr Chan Kin Hang ("Mr. Chan"), the then independent non-executive director of the Company, retired from the office by rotation and did not seek for re-election at the annual general meeting of the Company held on 28 January 2011 due to his time constraint and his intention in focusing on other business engagements. Mr. Chan confirmed he has no disagreement with the Board and there is no matter relating to his retirement that needs to be brought to the attention of the shareholders of the Company.

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

Since there are insufficient directors of the Company to be appointed as members of an audit committee, there is no audit committee and the Company's interim financial results for the six months ended 31 January 2011 have not been reviewed by any audit committee. In addition, the interim financial results have neither been reviewed by an external auditor. However, the directors of the Company will, as soon as practicable, identify suitable candidates as independent non-executive directors and establish an audit committee pursuant to the GEM Listing Rules.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the six months ended 31 January 2011, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

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 SECURITIES OF THE COMPANY

As at 31 January 2011, the interests or short positions of the directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Name of director	Capacity and nature of interest	Shares/equity derivatives	Number of shares/equity derivatives held	Percentage of the Company's issued share capital	Note
Ms. Wong Moon Ha	Through controlled corporation	Ordinary shares	400,000,000 shares	29.58%	(1)
Mr. Wong Sai Wa	Directly beneficially owned	Share options	3,200,000 share options	0.24%	(2)

Notes:

- (1) *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, an executive director of the Company.*
- (2) *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.*

Save as disclosed herein, as at 31 January 2011, none of the directors or chief executives of the Company has short positions in the shares or underlying shares of equity derivatives of the Company and no other person was individually and/or collectively entitled to exercise or control the exercise of 5% or more of the voting power at general meeting of the Company and was able, as a practical matter, to direct or influence the management of the Company.

SHARE OPTION SCHEMES

(a) Share Option Scheme

The Company had adopted the Pre-IPO Plan and a share option scheme (the “Option Scheme”), the principal terms of which were summarised in the section headed “Statutory and General Information Share Option Schemes” in Appendix 5 to the Company’s prospectus dated 28 March 2001. The Option Scheme became effective on 23 March 2001 and, unless otherwise cancelled or amended, will remain in force for ten years from that date.

By ordinary shareholders’ resolutions passed at the extraordinary general meeting held on 12 September 2007, the Company had made amendments on the Option Scheme. The exact terms of the amendments were detailed in the circular of the Company dated 27 August 2007. Save as set out in such amendment, all other provisions of the Option Scheme remained unchanged.

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

Name or category of of participant	At 1.8.2010	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	At 31.1.2011	Date of grant of share options	Exercise period of share options	Exercise price of share options <i>HK\$</i>
Consultants	43,000,000	-	-	-	-	43,000,000	23.9.2007	23.9.2007 to 22.9.2017	0.43
Consultants	27,040,000	-	-	-	-	27,040,000	14.11.2007	14.11.2007 to 13.11.2017	0.59
	<u>70,040,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>70,040,000</u>			

The exercise of the above 70,040,000 outstanding share options of the Option Scheme as at 31 January 2011 would, under the present capital structure of the Company, result in the issue of 70,040,000 additional ordinary shares of the Company and additional share capital of HK\$3,502,000 and share premium of HK\$30,941,600 (before issue expenses).

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

(b) **Pre-IPO Plan**

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

Name or category of of participant	At 1.8.2010	(Note a)				At 31.1.2011	(Note b)	(Note c)	(Note c)
		Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period		Date of grant of share options	Exercise period of share options	Exercise price of share options HK\$
Director									
Mr. Wong Sai Wa	3,200,000	-	-	-	-	3,200,000	23.3.2001	10.10.2001 to 22.3.2011	0.55
	<u>3,200,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,200,000</u>			

Notes:

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

The exercise of the above 3,200,000 outstanding share options of the Pre-IPO as at 31 January 2011 would, under the present capital structure of the Company, 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 six months ended 31 January 2011, none of the directors or employees of the Company had exercised any share options and no allotment or issue of shares was made pursuant to the Pre-IPO Plan. Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

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

As at 31 January 2011, 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:

Name	Capacity and nature of interest	Shares	Number/amount of shares/equity derivatives held (Long position)	Percentage of the Company's issued share capital	Note
JBC Bio Technology Company Limited ("JBC Bio Tech")	Corporation	Ordinary shares	432,000,000 shares	31.94%	(1)
Ms. Liu Yang	Through controlled corporation	Ordinary shares	432,000,000 shares	31.94%	(1)
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 (the former director of the Company) 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 January 2011, the directors and/or chief executives of the Company were not aware of any other person (other than directors and/or chief executives of the Company) who had an interest or short position in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

As at 31 January 2011, the directors of the Company have not yet adopted a code of conduct governing regarding directors' securities transactions for directors. However, the directors of the Company will, as soon as practicable, adopt such code of conduct on terms no less stringent than those in the required standard set out in the GEM Listing Rules 5.48 to 5.67 to be complied by all directors of the Company.

Having made specific enquiries to the directors of the Company, the Company was not aware of any noncompliance of securities transactions by directors as set out in the GEM Listing Rules for the six months ended 31 January 2011.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the six months ended 31 January 2011, 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. Non-executive directors were not appointed for a specific term but were subject to retirement by rotation at the Company’s annual general meeting in accordance with the bye-law of the Company. The directors will, as soon as practicable, appoint non-executive directors for a specific term, if appropriate. (Code Provision A.4.1);
2. Independent non-executive directors and audit committee member were not appointed. The directors will, as soon as practicable, appoint independent non-executive director(s) and establish an audit committee with specific written reference which deals clearly with its authorities and duties (Code Provision A.3); and
3. No remuneration committee was established to review the directors’ remuneration policy and other remuneration related matters. The directors will, as soon as practicable, establish a remuneration committee with specific written reference which deals clearly with its authorities and duties (Code Provision B.1.1).

SUSPENSION OF TRADING

Trading in the shares of the Company has been suspended since 9:30 a.m. on 28 October 2008 at the request of the Company and will remain suspended until further notice.

By Order of the Board
China Medical and Bio Science Limited
(Provisional Liquidators Appointed)
Wong Sai Wa
Executive Director

Hong Kong, 21 April 2011

As at the date of this announcement, the Board comprises two executive directors, namely Ms. Wong Moon Ha and Mr. Wong Sai Wa.

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.