THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **China Medical and Bio Science Limited (Provisional Liquidators Appointed)**, you should at once hand this circular, together with the enclosed proxy form, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular is for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for the shares or other securities of the Company.

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)

RESTRUCTURING OF CHINA MEDICAL AND BIO SCIENCE LIMITED (PROVISIONAL LIQUIDATORS APPOINTED) INVOLVING, INTER ALIA, PROPOSED CAPITAL RESTRUCTURING, CREDITORS' SCHEME OF ARRANGEMENT IN ACCORDANCE WITH SECTION 166 OF THE COMPANIES ORDINANCE AND SECTION 86 OF THE CAYMAN COMPANIES LAW, SUBSCRIPTION OF SUBSCRIPTION SHARES AND CONVERTIBLE NOTES, APPLICATION FOR THE WHITEWASH WAIVER, CONSENT TO THE SPECIAL DEALS AND CHANGE IN BOARD LOT SIZE

Financial Adviser to the Company

ASIAN CAPITAL
(CORPORATE FINANCE) LIMITED
卓亞(企業融資)有限公司

Asian Capital (Corporate Finance) Limited

Independent Financial Adviser to the Independent Shareholders

AmCap
Ample Capital Limited
豐盛融資有限公司

A letter from the Board is set out on pages 15 to 71 of this circular. A letter of advice from the Independent Financial Adviser to the Independent Shareholders is set out on pages 72 to 96 of this circular.

A notice convening the EGM to be held at 60/F, One Island East, 18 Westlands Road, Island East, Hong Kong at 2:30 p.m. on Monday, 26 September 2011 are set out on pages EGM-1 to EGM-8. Whether or not you intend to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time fixed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person in the EGM or any adjourned meeting should you so wish. In such event, the instrument appointing a proxy shall be deemed revoked.

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

* *For identification purpose only*

Hong Kong, 2 September 2011

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

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

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

CONTENTS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

"acting in concert"	having the meaning ascribed thereto under the Takeovers Code
"Announcement"	the announcement of the Company dated 13 July 2011 in relation to, among others, the Restructuring Agreement
"Asian Capital"	Asian Capital (Corporate Finance) Limited, a corporation licensed under the SFO to carry on types 1 (dealing in securities), 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management) regulated activities as defined under the SFO, the financial adviser to the Company
"associate(s)"	having the meaning ascribed thereto under the GEM Listing Rules
"Board"	the board of Directors
"business day"	any day (other than a Saturday or a Sunday) on which banks in Hong Kong are generally open for normal banking business
"BVI"	the British Virgin Islands
"Capital Restructuring"	the proposed capital restructuring which involves, among others, the Capital Reduction, the Capital Cancellation, the Share Consolidation, the increase in the authorised share capital of the Company and the Share Premium Reduction
"Capital Cancellation"	the proposed cancellation of the unissued share capital of the Company in its entirety immediately after the Capital Reduction becomes effective
"Capital Reduction"	the proposed reduction of the par value of each Share from HK$0.05 to HK$0.001
"Cash Settlement"	an amount of approximately HK$13.16 million, which will be used to settle the Petition Costs, the Preferential Claims, the Issuance Costs and the cost of Scheme with the balance to be allocated by the Scheme Administrators to settle claims against and liabilities of the Company with the Creditors in accordance with the Scheme
"Cayman Court"	the Grand Court of the Cayman Islands

"Cayman Companies Law"	The Companies Law (2010 Revision) of the Cayman Islands, as amended and revised from time to time
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"China" or "PRC"	the People's Republic of China, but for the purposes of this circular and for geographical reference only (unless otherwise indicated), excludes the Macau Special Administrative Region of the PRC, Hong Kong and Taiwan
"Claim(s)"	any debt, liability or obligation of the Company as at the effective date of the Scheme, whether known or unknown, whether certain or contingent, whether present, future or prospective, whether liquidated or unliquidated, whether arising at common law, in equity or by statute in Hong Kong, the Cayman Islands, the BVI, the PRC, Macau Special Administrative Region of the PRC or in any other jurisdiction or in any manner whatsoever and which includes without limitation a debt or liability to pay money or money's worth, any liability for breach of trust, any liability in contract, tort or bailment and any liability arising out of an obligation to make restitution, any liability arising out of any legal claims, whether certain or contingent together with all interest on such debt, obligation or liability
"CN Subscription"	the subscription of the Convertible Notes by independent third party(ies) procured by the Investor (failing which by the Investor)
"Company"	China Medical and Bio Science Limited (Provisional Liquidators Appointed), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the GEM
"Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended from time to time
"Completion"	the completion of the Restructuring Agreement
"concert parties"	has the meaning ascribed to the term "parties acting in concert" including those presumed to be acting in concert, in the Takeovers Code
"Conditions Precedent"	the conditions precedent of the Restructuring Agreement, as set out in paragraph headed "Conditions Precedent of the Restructuring Agreement" in the "Letter from the Board" in this circular

"connected person(s)"	has the meaning ascribed thereto under the GEM Listing Rules
"Conversion Price"	HK$0.20, subject to adjustment, being the price at which the principal amount of the Convertible Notes are converted into Conversion Shares
"Conversion Shares"	110,000,000 New Shares to be allotted and issued following the exercise by the holder(s) of the Convertible Notes of its conversion rights and at the Conversion Price
"Convertible Notes"	the convertible notes, in an aggregate principal amount of HK$22,000,000, to be issued by the Company
"Creditors"	any Person having a Claim which is not a Preferential Claim (and where the Claim is only in part a Preferential Claim, then the Person is a Creditor only to the extent of the non-preferential portion of the Claim) or which are not claims for the Petition Costs or the Directors' Remuneration
"Creditors Shares"	32,000,000 New Shares, representing approximately 10.46% of the issued share capital of the Company as enlarged by the issuance of the Subscription Shares and the Creditors Shares, to partially settle claims against and liabilities of the Company with the Creditors under the Scheme
"Debenture"	the debenture dated 5 July 2011 pursuant to which a floating charge over the assets of Tony China in favour of the Investor as the security of the Working Capital Facility was created
"Decision Letter"	the letter dated 26 July 2010 issued by the Stock Exchange in relation to the granting of in-principle approval for the Resumption
"Director(s)"	the director(s) of the Company
"Directors' Remuneration"	the directors' remuneration tentatively agreed to be paid to Ms. Wong and Mr. Wong at the respective amounts of HK$20,000 and HK$150,000 per month from 1 August 2010, which according to the board resolutions adopted by Ms. Wong and Mr. Wong on 21 April 2011 as Directors, the said Directors' Remuneration would, subject to the approval of the Independent Shareholders and only be confirmed and become payable after the Resumption

"Dongyu"	Xiamen Dongyu Trading Company Limited, an indirect wholly-owned subsidiary of the Company and incorporated as a wholly foreign owned enterprise in the PRC with limited liability
"EGM"	the extraordinary general meeting of the Company to be held at 2:30 p.m., on 26 September 2011 to consider, among others, the resolutions necessary or appropriate in relation to the Capital Restructuring, the Share Subscription, the CN Subscription, the Whitewash Waiver, the Special Deals, and the transactions contemplated thereunder
"Excluded Companies"	the following subsidiaries of the Company: (1) Asia Gain Investments Limited (In Creditors' Voluntary Liquidation); (2) Chengdu Concord Yuen Heng Industrial Company Limited（成都協和元亨實業有限公司）; (3) Chengdu Viking Yuen Heng Pharmaceutical Company Limited（成都維爾京元亨藥業有限公司）; (4) China Biotechnology Limited; (5) Glazier Limited (In Liquidation); (6) Guangdong Yang Yang Bio Products Company Limited (In Liquidation); (7) Hong Kong Bio Products Manufacturing Limited (In Creditors' Voluntary Liquidation); (8) Hong Kong Yang Yang Bio Products Company Limited (In Creditors' Voluntary Liquidation); (9) Japan Yang Yang Bio Products Company Limited (Dissolved); (10) JBC Bio Products Company Limited; (11) JBC Bio Products China Limited; (12) Jilin Yang Yang Bio Products Company Limited*（吉林洋洋生物產品有限公司）;

	(13) Qingyuan Yang Yang Biotechnology Chumu Company Limited* (清遠洋洋生物科技畜牧有限公司);
	(14) Seechain Investments Limited;
	(15) Sichuan Liheng Bio-Pharmaceutical Company Limited* (四川利亨生物藥業有限公司);
	(16) Yang Yang Bio-Products (S) PTE Limited (Dissolved); and
	(17) Zhongshan JBC Biotechnology Company Limited
"Exclusivity Agreement"	the exclusivity agreement dated 28 July 2009 entered into among the Former Investor, the Company and the Provisional Liquidators in relation to, among others, granting the exclusivity period to the Former Investor to negotiate and enter into a restructuring agreement in relation to the restructuring of the Company, which has lapsed on 27 January 2011
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or his delegate
"Former Investor"	NEUF Capital Limited, a company incorporated in the BVI with limited liability
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	Rules Governing the Listing of Securities on the GEM
"Group"	the Company and its subsidiaries
"Group Reorganisation"	the proposed reorganization of the Group's structure by ways of creditors voluntary liquidation or members voluntary liquidation or other means of disposal if appropriate
"Guarantor"	Mr. Li, as the guarantor of the Investor in respect of its obligations under the Restructuring Agreement
"Hong Kong Court"	the High Court of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC

"Independent Financial Adviser"	Ample Capital Limited, a licensed corporation to carry out Types 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management) regulated activities under the SFO, being the independent financial adviser appointed to directly advise the Independent Shareholders in respect of the Restructuring Agreement, the Share Subscription, the CN Subscription, the Whitewash Waiver and the Special Deals
"Independent Shareholders"	Shareholders other than (i) the Investor and its concert parties and (ii) those Shareholders who are interested or involved in, the Share Subscription, the CN Subscription, the Scheme, the Whitewash Waiver and the Special Deals
"independent third party(ies)"	third party(ies) independent of the Company and its connected persons as defined under the GEM Listing Rules
"Investor"	Thousand Jade International Limited, a company incorporated in the BVI with limited liability, and the sole legal and beneficial shareholder of which is Mr. Li
"Issuance Costs"	any costs and expenses incidental to the issuance, transfer and/or disposal of Creditors Shares under the terms of the Scheme
"JV Agreement"	the joint venture agreement dated 16 March 2010 (supplemented by supplemental joint venture agreements dated 30 June 2010 and 3 November 2010) entered into between Dongyu and other joint venture partners, details of which were disclosed in the circular and announcement of the Company dated 21 July 2010 and 8 November 2010 respectively
"JV Company"	Longyan Dongyu Bio-feedstock Company Limited* (龍岩市東岳生物飼料有限公司), the joint venture company with a registered capital of RMB18,000,000 set up in the PRC pursuant to the JV Agreement, 63% equity interest of which is owned by Dongyu
"Keywise"	Keywise Greater China Opportunities Master Fund, which owns 220,496,000 Shares, representing approximately 16.30% of the issued share capital of the Company
"Last Trading Day"	27 October 2008, being the last full trading day immediately before the suspension of trading in the Shares

"Land Acquisition Agreement"	the agreement dated 23 October 2010 entered into between the JV Company and the Investment Promotion Bureau of Wuping County, Fujian Province (福建省武平縣招商局), details of which were disclosed in the Company's announcement dated 8 November 2010
"Latest Practicable Date"	31 August 2011, being the latest practicable date prior to the printing of this circular for ascertaining information in this circular
"Long Stop Date"	means the date falling on the expiration of six months from the date of the Restructuring Agreement or such later date as the parties to the Restructuring Agreement may agree in writing
"Malaysian JV Party"	a company incorporated in Malaysia with limited liability, which owns 4% of the equity interest of the JV Company
"Mr. Ang"	Mr. Ang Tai Hoi
"Mr. Li"	Mr. Li Wing Chiu, the sole legal and beneficial owner and a director of the Investor and a third party independent of the Company and its connected persons
"Ms. Liu"	Ms. Liu Yang, who was a former executive Director and the chairperson of the Board, and is indirectly interested in 432,000,000 Shares, representing approximately 31.94% of the issued share capital of the Company
"Mr. Liu"	Mr. Liu Tianbing, a director of the Investor and a third party independent of the Company and its connected persons
"Ms. Su"	Ms. Su Su, a director of the Investor and a third party independent of the Company and its connected persons
"Mr. Wong"	Mr. Wong Sai Wa, an executive Director and the brother of Ms. Wong
"Ms. Wong"	Ms. Wong Moon Ha, an executive Director and an existing substantial shareholder. Ms. Wong is the sister of Mr. Wong
"New Share(s)"	ordinary share(s) of HK$0.04 each in the issued share capital of the Company upon completion of the Capital Restructuring
"Original Debenture"	the debenture created on 24 September 2009 with a floating charge of the assets of Tony China in favour of the Former Investor

"Original Working Capital Facility"	the working capital facility provided by the Former Investor pursuant to the terms of the Original Working Capital Facility Agreement, which was secured by the Original Debenture
"Original Working Capital Facility Agreement"	the working capital facility agreement entered into between Tony China and the Former Investor dated 24 September 2009 in relation to provision of the Original Working Capital Facility
"Person(s)"	an individual, partnership, company, body corporate, joint stock company, trust, unincorporated association or body of persons (including a partnership or consortium), joint venture or other entity, or a government or any political subdivision or agency thereof
"Petition"	the winding up petition presented by the Petitioner, which claimed that the Company is indebted to it in the amount of RMB4,425,882.50 pursuant to an order of the China International Economic and Trade Arbitration Commission dated 15 February 2008
"Petition Costs"	the legal costs of the Petitioner in relation to the Petition and which are to be agreed by the Scheme Administrators, and if no agreement is reached, the legal costs to be subject to taxation accordingly
"Petitioner"	Shantou Xinyuan Trading Company Limited
"PRC JV Party"	a company incorporated in the PRC with limited liability, which owns 9% of the equity interest of the JV Company
"Pre-Completion Payments"	the total amounts advanced and to be advanced by the Investor prior to Completion by way of the Working Capital Facility (together with any interests accrued thereon) and other fee contributions for the costs associated with the restructuring of the Company
"Preferential Claim(s)"	Claim(s) which would be treated as a preferential claim pursuant to Section 265 of the Companies Ordinance and/or Section 141 of the Cayman Companies Law
"Profit Estimate"	the consolidated profit estimate of the Company for the year ended 31 July 2011, an extract of which is set out in Appendix V of this circular

"Provisional Liquidators"	Mr. Stephen Liu Yiu Keung and Mr. David Yen Ching Wai, both of Ernst & Young Transactions Limited, appointed as the joint and several provisional liquidators of the Company pursuant to an order of the Hong Kong Court dated 3 December 2008, who act without personal liabilities
"Public Float"	having the meaning ascribed to it under Rule 11.23(7) of the GEM Listing Rule
"Public Shareholders"	having the meaning ascribed thereto under the GEM Listing Rules
"Relevant Period"	the period commencing from 13 January 2011, being the date falling 6 months immediately prior to the date of the Announcement, and ending on the Latest Practicable Date
"Restructuring Agreement"	the restructuring agreement dated 29 April 2011 (as supplemented by the Supplemental Restructuring Agreements) entered into among the Company, the Provisional Liquidators, the Investor and the Guarantor in relation to the restructuring of the Company
"Restructured Group"	the Group upon completion of the Group Reorganisation
"Resumption"	the resumption of trading in the shares of the Company on the GEM
"Resumption Conditions"	the various conditions imposed by the Stock Exchange and set out in the Decision Letter (or any other conditions which may be imposed by the Stock Exchange) for the purpose of allowing the Resumption
"Resumption Proposal"	the proposal submitted to the Stock Exchange on 30 November 2009 (together with various subsequent relevant submissions) by Asian Capital on behalf of the Company for the purpose of seeking the Resumption
"Scheme"	the scheme of arrangement for the Company under Section 166 of the Companies Ordinance and Section 86 of the Cayman Companies Law to be made between the Company and the Creditors, in its present form or with or subject to modification of it, any addition to it or any condition approved or imposed by the Hong Kong Court and/or the Cayman Court
"Scheme Administrators"	such persons who are appointed as scheme administrators pursuant to the terms of the Scheme

"Scheme Meeting"	the meeting of the Creditors to be convened at the direction of the Hong Kong Court and the Cayman Court for the purpose of considering and, if thought fit, approving the Scheme
"SFC"	Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$0.05 each in the issued share capital of the Company before the Capital Restructuring
"Shareholder(s)"	the holder(s) of the Share(s)
"Share Consolidation"	the proposed consolidation of every 40 issued shares of the Company with par value of HK$0.001 each immediately upon the Capital Reduction becoming effective into one New Share with par value of HK$0.04 each
"Share Premium Reduction"	the proposed reduction of the share premium account of the Company as at 31 July 2010 of HK$101,086,000, which will be applied to set off part of the accumulated losses of the Company
"Shareholder(s)"	holder(s) of the Shares of the Company
"Share Subscription"	the subscription of 240,000,000 New Shares by the Investor for the amount of HK$48 million at the Subscription Price
"Special Deals"	the proposed settlement of the indebtedness owed to Ms. Liu and the alleged claims of Mr. Ang under the Scheme (subject to adjudication and adjustment) and payments of the Directors' Remuneration to Ms. Wong and Mr. Wong, which are all deemed as special deals under Note 3 and Note 5 to Rule 25 of the Takeovers Code
"Subscription Price"	the subscription price of HK$0.20 per Subscription Share
"Subscription Shares"	240,000,000 New Shares to be allotted and issued by the Company to the Investor
"Supplemental Restructuring Agreements"	the supplemental restructuring agreements dated 1 June 2011 and 29 August 2011 entered into among the Company, the Provisional Liquidators, the Investor and the Guarantor to amend certain terms of the Restructuring Agreement
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"substantial shareholder(s)"	having the meaning ascribed thereto under the GEM Listing Rules
"Taike Biotech"	台科加丹生物科技(廈門)有限公司 (Taike Jiadan Biotechnology Company Limited*), a company incorporated in the PRC with limited liability, which owns 24% of the equity interest of the JV Company
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"Tony China"	Tony China Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company, and the immediate holding company of Dongyu
"Working Capital Facility"	the working capital facility up to HK$30 million to be provided by the Investor to the Group pursuant to the terms of the Working Capital Facility Agreement
"Working Capital Facility Agreement"	the working capital facility agreement dated 5 July 2011 entered into between Tony China and the Investor, in relation to the provision of the Working Capital Facility to the Group, which is secured by the Debenture
"Whitewash Waiver"	a waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code of the obligation on the part of the Investor and its concert parties to make a mandatory general offer under Rule 26 of the Takeovers Code for all the securities of the Company not already owned or agreed to be acquired by the Investor and its concert parties as a result of the completion of the Share Subscription
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"%"	per cent.

* *For identification purposes only*

The expected timetable set out below is tentative and for indicative purposes only, and the Company will issue further announcement(s) on a concrete timetable as and when appropriate.

Event	Expected Time and/or Date (2011)
Latest time to lodge the form of proxy for attending the EGM	2:30 p.m. on Saturday, 24 September
Scheme Meeting *(Note 1)*	10:00 a.m. on Monday, 26 September
EGM	2:30 p.m. on Monday, 26 September
Announcement of results of the EGM	On Monday, 26 September
Completion of the Group Reorganisation	On or before Friday, 30 September
Application made to the Hong Kong Court for the discharge of the Provisional Liquidators *(Note 2)*	On or before Friday, 30 September
A corporation licensed by SFC to advise on corporate finance issuing a letter to the Stock Exchange confirming completion of the formation of the JV Company to establish a manufacturing plant and commencement of production *(Note 3)*	On or before Friday, 14 October
Hong Kong Court hearing of the petition to sanction the Scheme *(Note 4)*	On Tuesday, 18 October
Cayman Court hearing of the petition to sanction the Scheme *(Note 4)*	On Tuesday, 18 October (Cayman Islands time)
Cayman Court hearing for the Capital Reduction *(Note 5)*	On or before Wednesday, 19 October (Cayman Islands time)
Court order sanctioning the Capital Reduction received and the necessary filing and registration made in the Cayman Islands *(Note 5)*	On or before Thursday, 20 October (Cayman Islands time)
Effective date of the Capital Restructuring *(Note 5)*	On or before Friday, 21 October
Closure of the register of members of the Company	On Friday, 21 October

Record date (for determining the entitlement to the New Shares)	On Friday, 21 October
All monies in relation to the Share Subscription and CN Subscription deposited into the account in favour of the Company	On Friday, 21 October
Despatch of the new share certificates for the New Shares	On Wednesday, 26 October
Payment of the Cash Settlement and the issue of Creditors Shares to the Scheme Administrators or their nominee(s)	On Wednesday, 26 October
Completion of the placing down of New Shares by the Investor to meet the Public Float requirement	On Thursday, 27 October
The Provisional Liquidators file to Hong Kong Court the affirmation for the completion of the Resumption Conditions for the discharge of the Provisional Liquidators *(Note 2)*	On or before Friday, 28 October
Completion of all the Resumption Conditions and publication of an announcement relating to the Resumption	On or before Friday, 28 October
Effective date of the Scheme	On or before Monday, 31 October
Expected date of the Resumption *(Note 6)*	Monday, 31 October
Effective date of the change in board lot size *(Note 6)*	Monday, 31 October

Notes:

1. The applications for Hong Kong Court and Cayman Court to sanction to convene the Scheme Meeting have been filed by the Provisional Liquidators and the leaves to convene the Scheme Meeting were granted by the Hong Kong Court and Cayman Court on 9 August 2011 and 26 August 2011 (Cayman Islands time) respectively.

2. The hearing of such application is solely dependent on the schedule of the Hong Kong Court which is not predictable at the time of the issue of this circular.

3. It is one of the Resumption Conditions imposed by the Stock Exchange as set out in the Decision Letter.

4. This is an estimated time. The actual date of the Hong Kong Court and Cayman Court hearing for sanction of the Scheme will depend on the availability of the Hong Kong Court and the Cayman Court, which will depend on the length or scope of the hearing for sanction.

5. This is an estimated time. The actual date of the Cayman Court hearing for sanction of the Capital Reduction and the effective date of the Capital Reduction will depend on the availability of the Cayman Court. The Capital Reduction will become effective after the Cayman Court's approval and registration of

the order of the Cayman Court confirming the Capital Reduction and the minute approved by the Cayman Court at the Registrar of Companies in the Cayman Islands. Subject to completion of the Capital Restructuring, the Company will post the new share certificates for the New Shares to the Shareholders at its expense. Certificates for the existing Shares, which are light blue in colour, will be automatically void upon the despatch of the new share certificates for the New Shares. Further announcement(s) will be made by the Company as and when appropriate in this regard.

6. Pursuant to the Decision Letter, the Stock Exchange agreed in principle that the trading in the shares of the Company will be resumed on the GEM subject to prior fulfillment of all the Resumption Conditions on or before 31 October 2011. If the Company cannot fulfill the Resumption Conditions on or before 31 October 2011, the Company will make an application to the Stock Exchange to seek an extension of time to fulfill the Resumption Conditions and the Stock Exchange may or may not grant such extension. In order to alleviate the difficulties arising from the existence of odd lots of New Shares, the Company will procure an agent to provide matching services for the sale and purchase of odd lots of the New Shares arising from the Capital Restructuring and the change in board lot size. Further announcement(s) on the fulfillment of the Resumption Conditions, the revised timetable and the matching services for the odd lots of the New Shares will be made by the Company as and when appropriate.

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)

Provisional Liquidators:
Mr. Stephen Liu Yiu Keung
Mr. David Yen Ching Wai

Executive Directors:
Mr. Wong Sai Wa
Ms. Wong Moon Ha

Registered office:
Ugland House
P.O. Box 309
George Town
Grand Cayman
Cayman Islands
British West Indies

Principal place of business in Hong Kong:
62/F., One Island East
18 Westlands Road
Island East, Hong Kong

2 September 2011

To the Shareholders

Dear Sir/Madam,

RESTRUCTURING OF CHINA MEDICAL AND BIO SCIENCE LIMITED (PROVISIONAL LIQUIDATORS APPOINTED) INVOLVING, INTER ALIA, PROPOSED CAPITAL RESTRUCTURING, CREDITORS' SCHEME OF ARRANGEMENT IN ACCORDANCE WITH SECTION 166 OF THE COMPANIES ORDINANCE AND SECTION 86 OF THE CAYMAN COMPANIES LAW, SUBSCRIPTION OF SUBSCRIPTION SHARES AND CONVERTIBLE NOTES, APPLICATION FOR THE WHITEWASH WAIVER, CONSENT TO THE SPECIAL DEALS AND CHANGE IN BOARD LOT SIZE

INTRODUCTION

Reference is made to the Announcement, in which the Company announced that, after arm's length negotiations, the Company, the Provisional Liquidators, the Investor and the Guarantor entered into the Restructuring Agreement, in relation to, among others, the Capital Restructuring, the Share Subscription, the CN Subscription, the Scheme and the Group Reorganisation.

The purpose of this circular is to provide the Shareholders with details of (i) Restructuring Agreement, which entails, among others, the Capital Restructuring, the Share Subscription, the CN Subscription, the Scheme and the Group Reorganisation; (ii) a letter of advice from the Independent Financial Adviser to the Independent Shareholders in relation to the Restructuring Agreement, the Share Subscription, the CN Subscription, the Whitewash Waiver and the Special Deals; and (iii) a notice of the EGM as set out on pages EGM-1 to EGM-8 of this circular.

RESTRUCTURING AGREEMENT

Date:

29 April 2011 (as supplemented by the Supplemental Restructuring Agreements dated 1 June 2011 and 29 August 2011)

Parties:

(i) the Company;

(ii) the Provisional Liquidators;

(iii) Thousand Jade International Limited as the Investor; and

(iv) Mr. Li as the Guarantor

The Investor represents, warrants and undertakes to the Company that neither it, its ultimate beneficial owner, nor parties acting in concert with any of them are connected with or acting in concert with any substantial shareholder, chief executive and/or Directors of the Company and of its subsidiaries and their respective associates as defined in the GEM Listing Rules.

Capital Restructuring

As at the Latest Practicable Date, the existing authorised share capital of the Company was HK$150,000,000, divided into 3,000,000,000 Shares of HK$0.05 each, of which 1,352,400,000 Shares were issued and credited as fully paid up, in the amount of HK$67,620,000.

Under the Restructuring Agreement, it is proposed that the Capital Restructuring will be put forward to the Shareholders for their approval at the EGM. The Capital Restructuring will involve, among others, the Capital Reduction, the Capital Cancellation, the Share Consolidation, the increase in the authorised share capital of the Company and the Share Premium Reduction, details of which are as follows:

Capital Reduction

The par value of every Share shall be reduced from HK$0.05 to HK$0.001 by the reduction of HK$0.049 par value for each issued Share. The credit balance arising from the Capital Reduction of approximately HK$66,267,600 will be applied in any manner as permitted by the Cayman Companies Law and other applicable laws to, including but not limited to, the setting off of part of the accumulated losses of the Company as at 31 July 2010 of approximately HK$403,581,000.

Capital Cancellation

Immediately following the Capital Reduction, the existing authorised but un-issued share capital of the Company of 2,972,952,000 Shares of par value HK$0.05 each, in the amount of HK$148,647,600 will, after the completion of the Capital Reduction, be cancelled in its entirety resulting in the authorised and issued share capital of the Company being an amount of HK$1,352,400.

Share Consolidation

Immediately after the Capital Reduction becomes effective, every 40 authorised and issued shares of HK$0.001 each will be consolidated into one New Share of HK$0.04 each. As a result, the 1,352,400,000 authorised and issued shares of the Company of HK$0.001 each will be consolidated into 33,810,000 authorised and issued New Shares of HK$0.04 each.

Increase in authorised share capital

Immediately after the Share Consolidation becomes effective, the Company proposes to increase the authorised share capital of the Company from HK$1,352,400 to HK$200,000,000 by the creation of an additional 4,966,190,000 New Shares.

Share Premium Reduction

The entire amount standing to the credit of the share premium account of the Company as at Completion, which amounted to approximately HK$101,086,000 as at 31 July 2010, will be reduced and applied to set off the accumulated losses of the Company or in a manner otherwise permitted by the Cayman Companies Law and other applicable laws.

Conditions precedent of the Capital Restructuring

The proposed Capital Restructuring is conditional upon:

(a) the passing of the necessary resolutions for: (i) the Capital Reduction; (ii) the Capital Cancellation; (iii) the Share Consolidation; (iv) the increase in authorised share capital of the Company; and (v) the Share Premium Reduction by the Shareholders at the EGM;

(b) the compliance with any conditions or directions as may be imposed by the Cayman Court;

(c) the granting of an order confirming the Capital Reduction by the Cayman Court;

(d) the filing with and registration by the Registrar of Companies in the Cayman Islands of a copy of the order of the Cayman Court confirming the Capital Reduction and a copy of the minute containing the particulars required under the Cayman Companies Law; and

(e) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the New Shares to be issued forthwith upon the Capital Restructuring becoming effective.

Effects of the Capital Restructuring

The following table sets out the effect of the Capital Restructuring on the share capital of the Company before and after completion of the Capital Restructuring:

	Before the Capital Restructuring	**After the Capital Restructuring**
Nominal value	HK$0.05	HK$0.04
Number of authorized shares	3,000,000,000	5,000,000,000
Authorised share capital	HK$150,000,000 divided into 3,000,000,000 Shares	HK$200,000,000 divided into 5,000,000,000 New Shares
Number of issued and paid-up shares	1,352,400,000	33,810,000
Issued and paid-up share capital	HK$67,620,000 divided into 1,352,400,000 Shares	HK$1,352,400 divided into 33,810,000 New Shares

Reasons for the Capital Restructuring

The Capital Reduction is necessary in order to ensure that the Company's share capital accurately reflects the Company's available assets. The net assets of the Company have been substantially depleted by audited accumulated losses of approximately HK$403,581,000 as at 31 July 2010.

The Capital Restructuring will enable the re-capitalization of the Company through the issue of New Shares. In addition, completion of the Capital Restructuring is one of the conditions precedent for the Scheme and the issue of the Subscription Shares, the Convertible Notes and the Creditors Shares, the proceeds of which will be applied to the discharge of the Company's liabilities and as general working capital for the operations of the Group. The Capital Restructuring will provide the Company with the flexibility to accommodate issues of New Shares in the future when necessary.

Accordingly, the Directors are of the view that the Capital Restructuring is in the best interests of the Company and the Shareholders as a whole.

Timing of the Capital Restructuring

The Capital Restructuring will become effective after the Cayman Court's approval and registration of the order of the Cayman Court confirming the Capital Reduction and the minute approved by the Cayman Court at the Registrar of Companies in the Cayman Islands, which is expected to be on or before 21 October 2011 as set out in the section headed "Expected Timetable" above in this circular.

Subject to completion of the Capital Restructuring, the Company will post the new share certificates for the New Shares to the Shareholders at its expense. Certificates for the existing Shares, which are light blue in colour, will be automatically void upon the despatch of the new share certificates for the New Shares. In order to alleviate the difficulties arising from the existence of odd lots of New Shares as a result of the Capital Restructuring, the Company will procure an agent to provide matching services for the sale and purchase of odd lots of New Shares.

A petition for the approval of the Capital Reduction will be made to the Cayman Court as soon as practicable after the EGM. As the actual date of the Cayman Court hearing for the sanction of the Capital Reduction and the effective date of the Capital Reduction will depend on the availability of the Cayman Court, the expected effective date of the Capital Restructuring set out above is an estimated time. The Company will notify the Shareholders of the progress of the Capital Restructuring by making further announcement(s) as and when appropriate.

Share Subscription

Under the Restructuring Agreement, the Investor agreed to subscribe for and the Company agreed to issue and allot 240,000,000 Subscription Shares at the Subscription Price of HK$0.20 per Subscription Share for a total consideration of HK$48,000,000.

Number of the Subscription Shares

The Subscription Shares represent:

(a) approximately 17.75% of the existing issued share capital of the Company;

(b) approximately 709.85% of the issued share capital of the Company upon completion of the Capital Restructuring;

(c) approximately 87.65% of the issued share capital of the Company upon completion of the Capital Restructuring as enlarged by the issue of the Subscription Shares;

(d) approximately 78.48% of the issued share capital of the Company upon completion of the Capital Restructuring as enlarged by the issue of the Subscription Shares and the Creditors Shares; and

(e) approximately 57.72% of the issued share capital of the Company upon completion of the Capital Restructuring as enlarged by the issue of the Subscription Shares, the Creditors Shares and the Conversion Shares upon full conversion of the Convertible Notes.

CN Subscription

Under the Restructuring Agreement, the Investor agreed to procure independent third part(y)ies to subscribe for (failing which the Investor will subscribe for) and the Company agreed to issue the Convertible Notes in the principal amount of HK$22,000,000 at face value.

Principal terms of the Convertible Notes

Issuer:	The Company
Aggregate principal amount:	HK$22,000,000
Interest rate:	The Convertible Notes shall not bear any interest.
Maturity Date:	The Convertible Notes shall mature on the date falling three years from the date of issue of the Convertible Notes (the "Maturity Date"). All outstanding Convertible Notes will be redeemed on the Maturity Date at their outstanding principal amount.
Early Redemption:	Subject to mutual agreement by the parties, the Convertible Notes may be early redeemed at 100% of the outstanding principal amount of the Convertible Notes (in whole or in part) at any time and from time to time at the option of either party prior to the maturity date of the Convertible Notes with written notice.

	Early redemption at the face value of the Convertible Notes at the option of the holders of the Convertible Notes if: (1) there is a change of control (as defined under the Takeovers Code) of the Company after the date of Completion; (2) the Company consolidates with or merges into or sells or transfers all or substantially all of its assets to any other person, unless the consolidation, merger, sale or transfer will not result in the other person or persons acquiring control over the Company or the successor entity; or (3) the Shares of the Company cease to be listed or admitted to trading on GEM.
Conversion Price:	HK$0.20 per Conversion Share
Conversion Period:	The conversion period of the Convertible Notes shall commence from the later of the date on which a corporation licensed or an institution registered under the SFO to carry out type 6 regulated activity (advising on corporate finance) issues a letter to the Company confirming that the JV Company has established a manufacturing plant and commenced production of its products and the date of the issue of the Convertible Notes and end on the Maturity Date, both dates inclusive (the "Conversion Period").
Conversion Right:	During the Conversion Period, the outstanding principal amount of the Convertible Notes can be converted in whole or in part(s), into Conversion Shares at the Conversion Price.
Listing:	No application will be made for the listing of the Convertible Notes on the GEM or any other stock exchange. An application will be made for the listing of and permission to deal in the Conversion Shares.

Ranking:	The Conversion Shares to be issued resulting from the exercise of the conversion rights attached to the Convertible Notes will rank pari passu in all respects with all other New Shares in issue at the date on which the conversion rights attached to the Convertible Notes are exercised.
Transferability:	The Convertible Notes may be assigned and transferred (whether in whole or in part(s)) by the noteholder serving a written notice to the Company in the prescribed form.
Adjustment to the Conversion Price:	The Conversion Price will be subject to adjustment for, among others, subdivisions, consolidations or reclassifications of New Shares, capitalization of profits or reserves, capital distributions, stock dividends, rights issues and other events which may have a diluting effect on the noteholders.
Voting:	The noteholders will not be entitled to receive notices of, attend or vote at any meetings of the Company by reason of being noteholders only.

Number of the Conversion Shares

Assuming full exercise of the conversion rights attached to the Convertible Notes, a total of 110,000,000 Conversion Shares will be allotted and issued by the Company, representing:

(a) approximately 8.13% of the existing issued share capital of the Company;

(b) approximately 325.35% of the issued share capital of the Company upon completion of the Capital Restructuring;

(c) approximately 40.17% of the issued share capital of the Company upon completion of the Capital Restructuring as enlarged by the issue of the Subscription Shares;

(d) approximately 35.97% of the issued share capital of the Company upon completion of the Capital Restructuring as enlarged by the issue of the Subscription Shares and the Creditors Shares; and

(e) approximately 26.45% of the issued share capital of the Company upon completion of the Capital Restructuring as enlarged by the issue of the Subscription Shares, the Creditors Shares and the Conversion Shares upon full conversion of the Convertible Notes.

The Subscription Price and the Conversion Price

The Subscription Price and the Conversion Price of HK$0.20 per share represent:

(a) a discount of approximately 89.58% to the theoretical closing price of HK$1.92 per share as adjusted for the effect of the Capital Restructuring based on the closing price of HK$0.048 per Share as quoted on the Stock Exchange on the Last Trading Day;

(b) a discount of approximately 89.58% to the average theoretical closing price of HK$1.92 per share as adjusted for the effect of the Capital Restructuring based on the average closing price of HK$0.048 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day;

(c) a discount of approximately 89.58% to the average theoretical closing price of HK$1.92 per share as adjusted for the effect of the Capital Restructuring based on the average closing price of HK$0.048 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day; and

(d) a premium of approximately HK$4.97 over the audited consolidated net liabilities per New Share of approximately HK$4.77 as at 31 July 2010 (based on the Company's audited consolidated net liabilities of approximately HK$161.25 million at 31 July 2010 and 33,810,000 New Shares in issue upon the Capital Restructuring becoming effective).

The Subscription Price and the Conversion Price were determined after arm's length negotiations between the Company and the Investor having regard to the fact that the Provisional Liquidators have been appointed and the long suspension of trading in the Shares on the GEM, the prospects of the business operations of the Group and the audited consolidated net liabilities per Share of approximately HK$0.12 as at 31 July 2010.

The Directors, the proposed Directors, the Investor and the Provisional Liquidators consider that the Subscription Price and the Conversion Price are fair and reasonable and the Share Subscription and the CN Subscription are in the interests of the Company and the Shareholders as a whole.

Whitewash Waiver

Immediately upon completion of the Share Subscription, the Investor and its concert parties will hold 240,000,000 New Shares, representing:

(a) approximately 87.65% of the issued share capital of the Company after the Capital Restructuring as enlarged by the issue of the Subscription Shares;

(b) approximately 78.48% of the issued share capital of the Company after the Capital Restructuring as enlarged by the issue of the Subscription Shares and the Creditors Shares; and

(c) approximately 57.72% of the issued share capital of the Company after the Capital Restructuring as enlarged by the issue of the Subscription Shares, the Creditors Shares and the Conversion Shares upon full conversion of the Convertible Notes.

Pursuant to Rule 26 of the Takeovers Code, the Investor would trigger an obligation to make a mandatory general offer for all the securities of the Company other than those already owned or agreed to be acquired by the Investor and its concert parties. In this respect, the Investor has made an application to the Executive under the Takeovers Code for, and the Executive has indicated that it will grant the Whitewash Waiver, subject to, among other things, the approval by the Independent Shareholders, who are not interested or involved in (i) the Share Subscription, (ii) the CN Subscription, (iii) the Whitewash Waiver, (iv) the Special Deals, and (v) transactions contemplated thereunder at the EGM by way of poll.

As the shareholding of the Investor exceeds 50% of the issued share capital of the Company following the completion of the Share Subscription, the Investor may increase its shareholding in the Company without incurring any further obligation to make a general offer under the Takeovers Code.

Save for the entering into the Restructuring Agreement, the Investor and its concert parties confirm that they have not dealt in the securities of the Company during the six month period prior to the entering into of the Restructuring Agreement and up to the Latest Practicable Date. The Investor and its concert parties did not hold any shares, outstanding options, derivatives, warrants or other securities convertible into shares of the Company as at the Latest Practicable Date and, save for the entering into the Restructuring Agreement, they have also undertaken not to deal in the securities of the Company before the completion of the Share Subscription.

The Investor and its concert parties and those who are interested in and/or involved in the Share Subscription, the CN Subscription and/or the Whitewash Waiver and/or the Special Deals will abstain from voting on the resolutions approving (i) the Share Subscription, (ii) the CN Subscription, (iii) the Whitewash Waiver, (iv) the Special Deals, and (v) transactions contemplated thereunder.

Scheme

As at the Latest Practicable Date, to the best knowledge of the Directors and based on the available books and records of the Company, it was estimated that the total amount of Claims against and liabilities of the Company is approximately HK$134.4 million.

Pursuant to the Restructuring Agreement, it is proposed that the Scheme be implemented. Upon the Scheme becoming effective, the Company will (i) pay a sum of up to HK$13.16 million out of the proceeds from the Share Subscription as the Cash Settlement (including the settlement of the Petition Costs, the Preferential Claims, the Issuance Costs and the cost of the Scheme); and (ii) issue a total of approximately 32,000,000 Creditors

Shares, representing approximately 10.46% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares and the Creditors Shares, to settle all the Claims against and liabilities of the Company in accordance with the terms of the Scheme.

Under the Scheme, except for the Petition Costs and the Preferential Claims, no other Claims against the Company will receive any preferential treatments. All the Creditors with Claims admitted by the Scheme Administrators under the Scheme will receive their pro rata entitlement to the Cash Settlement (after the settlement of the Petition Costs, the Preferential Claims, the Issuance Costs and the costs of the Scheme) and the Creditors Shares based on their Claims admitted by the Scheme Administrators.

The Scheme which is subject to sanction of the Hong Kong Court and the Cayman Court shall become effective and legally binding on the Company and all the Creditors, including those voting against the Scheme and those not voting, if the requisite majority (representing more than 50% in number and not less than 75% in value of the claims of Creditors who, either in person or by proxy, attend the Scheme Meeting convened with the leave of the relevant court) vote in favour of the Scheme, which the relevant courts thereafter sanction and a copy of each of the relevant court orders sanctioning the Scheme is filed with the relevant companies registrars in Hong Kong and the Cayman Islands.

Upon the payment of the Cash Settlement and the issue of the Creditors Shares to the Scheme Administrators or their nominee(s) for the benefit of the Creditors under the Scheme, all the Claims against and liabilities of the Company (excluding the Convertible Notes, the normal operating liabilities incurred during the ordinary course of business operations of the Group and the Directors' Remuneration) will be discharged and compromised in full.

Special Deals

Ms. Liu, a former executive Director and the chairman of the Company, was interested in approximately 31.94% of the issued share capital of the Company through JBC Bio Technology Limited as at the Latest Practicable Date. Based on the audited financial information of the Company for the year ended 31 July 2010, the Company owes Ms. Liu approximately HK$587,000 for her services rendered in her capacity as an executive Director and chairman of the Company. As at the Latest Practicable Date, Ms. Liu has not submitted her notice of claim to the Provisional Liquidators. The indebtedness owed by the Company to Ms. Liu will be settled under the Scheme subject to adjudication.

In September 2009, the Company and another defendant were served with a writ of summons (without leave of Hong Kong Court) by Mr. Ang as a plaintiff who purportedly has a claim against the Company and another defendant for loss and damage suffered by him in the sum of approximately HK$10,335,000 together with interest and costs. Based on the information available to the Provisional Liquidators, Mr. Ang was interested in 17,532,000 Shares, representing approximately 1.30% of the existing issued share capital of the Company as at the Latest Practicable Date. In the event that such claim against the Company is admitted by the Scheme Administrators, it will also be settled under the Scheme.

Under the Scheme, the indebtedness owed to Ms. Liu and the claim alleged by Mr. Ang, if so admitted under the Scheme, will be settled partially by the Creditors Shares and partially by the Cash Settlement which will be funded by the proceeds from the Share Subscription. Subject to adjudication and adjustment, it is estimated that approximately 139,801 Creditors Shares with the amount of approximately HK$45,553 as the Cash Settlement and approximately 2,460,904 Creditors Shares with the amount of approximately HK$801,870 as the Cash Settlement will be issued and paid by the Company to Ms. Liu and Mr. Ang respectively under the Scheme. The settlement with Ms. Liu and Mr. Ang under the Scheme will constitute the Special Deals under Note 5 to Rule 25 of the Takeovers Code and shall subject to, among others, the compliance with the requirements of the Takeovers Code.

Save for Ms. Liu and Mr. Ang, to the best knowledge and based on the books and records of the Company available to the Directors, having made all reasonable enquiries, there are no other Creditors who will be allotted the Creditors Shares or the Cash Settlement under the Scheme are also the Shareholders.

In addition, the Company has agreed to pay Ms. Wong and Mr. Wong, both of whom are Directors, the Director's Remuneration of HK$20,000 and HK$150,000 per month respectively. The monthly Directors' Remuneration was arrived at following discussions with each of Ms. Wong and Mr. Wong and with reference to their respective remuneration prior to the appointment of the Provisional Liquidators. Payments of remuneration to Ms. Wong and Mr. Wong have been suspended following appointment of the Provisional Liquidators. The Directors' Remuneration has been accrued since 1 August 2010, and it is agreed that the settlement of which is subject to the Resumption. The Directors' Remuneration incurred by the Company for services provided to the Company by each of Ms. Wong and Mr. Wong as Directors during the course of the proposed restructuring have been charged and shall be settled as operating expenses of the Company, and therefore will not be settled under the Scheme. As Directors, Ms. Wong and Mr. Wong have been involved in, among others, the reviewing and signing of the Company's financial reports, deliberating matters at the meetings of the Board, etc.. To maintain continuity in the operations of the Group and to strengthen the management of the Group, the Investor proposes that Ms. Wong and Mr. Wong will remain as Directors and continue to serve on the Board after the Resumption and Ms. Wong and Mr. Wong will be remunerated at their respective rate following the Resumption but subject to review. As at the Latest Practicable Date, Ms. Wong was interested in 400,000,000 Shares, representing approximately 29.58% of the existing issued share capital of the Company, and Mr. Wong is the brother of Ms. Wong. As the payment of the accrued portion of the Directors' Remuneration up to the Completion is subject to the Resumption, which in turn is subject to the completion of the proposed restructuring of the Company, and Ms. Wong and Mr. Wong will continue to be financially involved as Directors in the management of the Group following the Resumption, the payment of the Directors' Remuneration also constitutes the Special Deals under Note 3 to Rule 25 of the Takeovers Code, it will be subject to the compliance with the requirements of Rule 25 of the Takeovers Code.

The Company will seek the approval of the Independent Shareholders at the EGM by way of a poll to approve the Special Deals. An application for consent to the Special Deals pursuant to Note 5 and Note 3 to Rule 25 of the Takeovers Code has been made to the

Executive. The Executive has indicated that the consent will be granted and that such consent will be subject to the approval by the Independent Shareholders by way of a poll at the EGM.

As set out in the "Letter from the Independent Financial Adviser" in this circular, the Independent Financial Adviser has stated in their letter to the Independent Shareholders that the terms of the Special Deals are fair and reasonable.

Ms. Liu, Mr. Ang, Ms. Wong and Mr. Wong and their respective associates and concert parties considered to be parties interested in the Restructuring Agreement and the Special Deals (other than solely as Shareholders) are required to abstain from voting on the resolutions in relation to (i) the Share Subscription, (ii) the CN Subscription, (iii) the Whitewash Waiver, (iv) the Special Deals, and (v) the transactions contemplated thereunder at the EGM.

Status of the Subscription Shares, the Creditors Shares and the Conversion Shares

The Subscription Shares, the Creditors Shares and the Conversion Shares, which will be allotted and issued under a specific mandate to be sought from the Independent Shareholders at the EGM, will rank pari passu in all respects among themselves and with the shares of the Company in issue (after the Capital Restructuring) as at the respective dates of allotment and issue of the Subscription Shares, the Creditors Shares and the Conversion Shares, including the right to receive all future dividends and distributions which may be declared, made or paid by the Company on or after the respective dates of allotment and issue of the Subscription Shares, the Creditors Shares and the Conversion Shares.

Listing Application

Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the New Shares, the Subscription Shares, the Creditors Shares and the Conversion Shares.

Subject to the granting of the listing of, and permission to deal in, the New Shares, the Subscription Shares, the Creditors Shares and the Conversion Shares on the GEM, the New Shares, the Subscription Shares, the Creditors Shares and the Conversion Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the New Shares, the Subscription Shares, the Creditors Shares and the Conversion Shares on the GEM or under contingent situation, such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second business day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

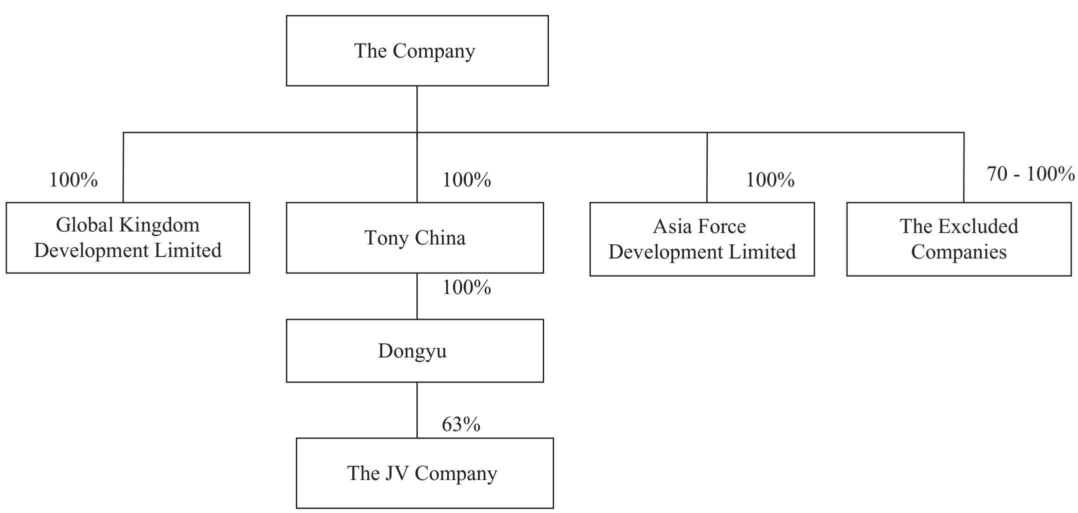
Group Reorganisation

As at the Latest Practicable Date, the Company had direct and indirect interests in twenty-two subsidiaries. As elaborated in the section headed "Business operations of the Group" below, at present, the Group's business operations are mainly carried out by Tony

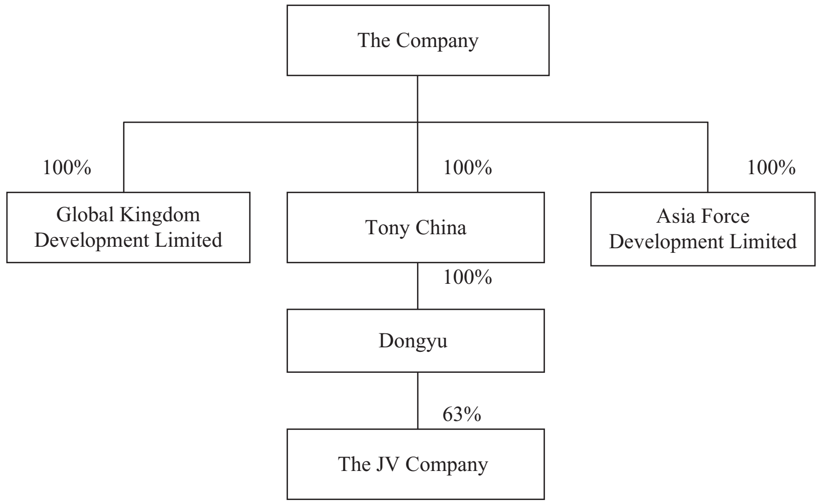
China, Dongyu and the JV Company. Based on information available to the Directors and the Provisional Liquidators, as at the Latest Practicable Date, the two subsidiaries, namely, Global Kingdom Development Limited and Asia Force Development Limited, were dormant and had no operations. As the Excluded Companies are insolvent, with several of them already in the process of being liquidated or being wound-up or dissolved, in order to streamline the organizational structure of the Group and facilitate the implementation of the Resumption Proposal and the Group's future expansion, it is proposed that the Excluded Companies be liquidated or wound-up by way of creditors' voluntary liquidation or members' voluntary liquidation or to be disposed of where appropriate. The Excluded Companies will cease to be subsidiaries or associated companies of the Company and their financial results will no longer be consolidated into the Group's financial statements in the financial years following Completion. If there are any Excluded Companies to be disposed of, the Scheme Administrators will make sure that the transferees are neither the Shareholder(s), the Director(s) nor any of their respective connected persons or associates.

Upon completion of the Group Reorganisation, which has been sanctioned by the Hong Kong Court, only five directly and indirectly owned subsidiaries of the Company will remain in the Restructured Group, namely, Tony China, Dongyu, Global Kingdom Development Limited and Asia Force Development Limited, together with the JV Company. Set out below are the Group's structure immediately before and after completion of the Group Reorganisation:

Before the Group Reorganisation:



Upon the Group Reorganisation:



Working Capital Facility

As announced by the Company on 3 August 2009, the Company, the Provisional Liquidators and the Former Investor entered into the Exclusivity Agreement. Pursuant to the Exclusivity Agreement, the Former Investor and Tony China entered into the Original Working Capital Facility Agreement, pursuant to which the Former Investor agreed to provide funds of up to HK$9 million as working capital facility of the Group during the course of the proposed restructuring. The Original Working Capital Facility is secured by the Original Debenture with a floating charge over the assets of Tony China in favour of the Former Investor. However, as further announced by the Company on 17 March 2011, by 27 January 2011, the Company, the Provisional Liquidators and the Former Investor had not been able to enter into any restructuring agreement, and the exclusivity period has subsequently expired pursuant to the terms of the Exclusivity Agreement. As at the Latest Practicable Date, Tony China has drawn down approximately HK$7.9 million (excluding accrued interest) under the Original Working Capital Facility. Upon the expiry of the Exclusivity Agreement, the Original Working Capital Facility has become due and payable.

Pursuant to the Restructuring Agreement, after obtaining the sanction of the Hong Kong Court on the execution of the Working Capital Facility Agreement and the Debenture and the approval from the Stock Exchange regarding the application for the extension of deadline for fulfillment of the Resumption Conditions, the Investor and Tony China entered into the Working Capital Facility Agreement on 5 July 2011, pursuant to which the Investor agreed to provide the Working Capital Facility up to HK$30 million for the purposes of, among others, repayment of the Original Working Capital Facility and the general working capital of the Group.

After the signing of the Restructuring Agreement, an amount of HK$15 million has been deposited into an escrow account held by an escrow agent for the benefit of the Company pending the fulfillment of the conditions for the execution of the Working Capital Facility Agreement. Pursuant to the Debenture dated 5 July 2011, a floating charge over the assets of Tony China was created in favour of the Investor, but is subordinated to the

Original Debenture. The Working Capital Facility, to the extent drawn down as at Completion, shall be applied towards offsetting the subscription monies payable by the Investor for the Share Subscription upon Completion.

Although Tony China has informed the Former Investor and its last known advisors in writing for the repayment of the Original Working Capital Facility, the Former Investor did not properly respond to Tony China. The Investor has assisted in locating the Former Investor but the Former Investor did not respond. On 30 August 2011, Tony China has sent further letters to the Former Investor and its last known advisors informing the Former Investor that an amount of HK$8,406,121.91 for the repayment of the outstanding Original Working Capital Facility together with its interest (the "Repayment Amount") has been earmarked and deposited into a separate escrow account (the "Repayment Escrow Account") and demanding the Former Investor to accept the repayment of the Original Working Capital Facility and Tony China has also requested the Former Investor to release the Original Debenture. Tony China has sent the aforesaid further letter relating to the Repayment Amount to all known addresses of the Former Investor by registered post or by courier. Although Tony China does not have any knowledge whether the Former Investor is aware of the existence of the Repayment Escrow Account, Tony China believes that the letters informing the Former Investor of the Repayment Escrow Account should have been delivered to the contact addresses of the Former Investor. Up to the Latest Practicable Date, the Company and Tony China are still waiting for the reply from the Former Investor. Following the above letters from Tony China to the Former Investor, the Investor will arrange for a letter to be sent to the Former Investor to urge it to take steps for acceptance of the repayment.

Although there is no assurance that the Former Investor will appear and accept the Repayment Amount and thus release the Original Debenture, the Company considers that it has performed its utmost to seek a release of the Original Debenture by the Former Investor. The Company has been advised by a counsel that so long as the Repayment Amount cannot be withdrawn by the Provisional Liquidators and/or Tony China at will, the Repayment Amount should constitute a valid tender to the Former Investor and the counsel is of the view that there will be sufficient protection to Tony China against the exposure to the potential claim of the Former Investor which may not be able to enforce the Original Debenture against Tony China.

Conditions Precedent of the Restructuring Agreement

Completion of the Restructuring Agreement is conditional upon the fulfillment (or valid waiver) of the following on or before the Long Stop Date:

(a) all approvals, sanctions and filing documents necessary for the purposes of making the Scheme effective having been obtained and done as the case may be and in the case of approvals not having been revoked or vitiated, including but not limited to the approval of the Scheme by the requisite majority of the Creditors at the Scheme Meeting, the sanction by the Hong Kong Court and Cayman Court of the Scheme and registration of a copy of the relevant court order sanctioning the Scheme to the Registrar of Companies in Hong Kong and the Cayman Islands;

(b) all of the resolutions in relation to (i) the Capital Restructuring, (ii) the Share Subscription, (iii) the CN Subscription, (iv) the Whitewash Waiver, (v) the Special Deals and the transactions contemplated thereunder having been passed by the Shareholders (and where required by the Independent Shareholders) by the required voting majorities at the EGM and not having been revoked or vitiated;

(c) if required, the consent or approval of all other relevant government or regulatory authorities in relation to the Scheme, the Restructuring Agreement and the Resumption Proposal (including the issue of the Subscription Shares, the Convertible Notes, the Conversion Shares and the Creditors Shares) having been obtained and not having been revoked;

(d) the granting of the Whitewash Waiver by the Executive provided that there having been no disqualifying transactions (as defined under the Takeovers Code) conditional only on the resolution approving the same and the Whitewash Waiver not having been revoked;

(e) the consent by the Executive in respect of the Special Deals conditional upon the Special Deals being approved by Independent Shareholders by way of poll at the EGM and the Independent Financial Adviser publicly states in its opinion that the terms of the Special Deals are fair and reasonable;

(f) the in-principle approval from the Stock Exchange for the listing of and permission to deal in the Subscription Shares, the Conversion Shares and the Creditors Shares having been obtained subject only to (i) the formal issue and allotment of the Subscription Shares, the Conversion Shares and the Creditors Shares; (ii) such other administrative conditions as are customarily stipulated by the Stock Exchange for resumption of trading or listing of the shares and (iii) (if applicable) restoration of the Public Float, and such approval not having been revoked; and the written confirmation from the Stock Exchange approving the resumption announcement in respect of, inter alia, the Resumption and the listing of and permission to deal in the Subscription Shares, the Conversion Shares and the Creditors Shares, having been obtained and not having been revoked;

(g) a copy, certified by a director or company secretary of the Company as being a true and complete copy, of the completed and signed formal application for listing submitted to the Stock Exchange seeking approval, inter alia, for the listing of and permission to deal in the Subscription Shares, the Conversion Shares and the Creditors Shares;

(h) a copy of the order granted by the Hong Kong Court to unconditionally or conditionally discharge the Provisional Liquidators in respect of the provisional liquidation of the Company (subject only to those conditions to the reasonable satisfaction of the Investor, such as the Completion);

(i) all Excluded Companies, subject to the requirements of the GEM Listing Rules and the Takeovers Code, having been transferred out of the Group to the Scheme Administrators or their nominee pursuant to the Scheme or having been wound up;

(j) all the Resumption Conditions attached to the Decision Letter having been fulfilled (other than those conditions relating to or in connection with Completion or restoration of the Public Float) or waived by the Stock Exchange;

(k) the Company having received the approval from the Stock Exchange for the extension of the deadline for implementation of the Resumption Conditions;

(l) the Hong Kong Court having approved the making of the Working Capital Facility by the Investor to Tony China on the terms set out in the Working Capital Facility Agreement;

(m) the Original Working Capital Facility having been settled in full and the Original Debenture having been released; and

(n) the Working Capital Facility Agreement and the Debenture becoming effective.

Subject to production of satisfactory evidence that the Investor has sufficient financial resources to make a general offer for all the Shares or New Shares (as the case may be) pursuant to the Takeovers Code, the Investor shall have the right to waive the Conditions Precedent in relation to the obtaining of the Whitewash Waiver (i.e. Conditions Precedent (d)) or the passing of the related resolution for the Whitewash Waiver (i.e. Conditions Precedent (b)(iv)) by serving a written confirmation of such waiver to all other parties to the Restructuring Agreement.

The Investor shall have the right to waive the Conditions Precedent in relation to the obtaining of the consent from the Executive to the payments of the Directors' Remuneration which constitute special deals (i.e. Condition Precedent (e)) or the passing of the related resolution for the Directors' Remuneration (i.e. Condition Precedent (b)(v)) by serving a written confirmation of such waiver to all other parties to the Restructuring Agreement. If the Independent Shareholders do not pass the resolution in relation to the Directors' Remuneration and/or the Executive does not give its consent to the Special Deals related to the Directors' Remuneration, the Company will not pay the Directors' Remuneration, and Mr. Wong and Ms. Wong will not be able to receive the Directors' Remuneration. In such circumstances, the Investor shall have the right to waive such Conditions Precedent.

Completion

If all the Conditions Precedent are fulfilled (or validly waived), Completion shall take place during normal office hours within five business days following the day on which the last of the conditions is fulfilled (or, if applicable, waived) (or such other date as may be agreed by the parties to the Restructuring Agreement in writing in order to coincide with the day of the Resumption, but such date shall in any event no later than the Long Stop Date and shall be the same as the effective date of the Scheme) at the office of the Company in Hong Kong (or such other place as the parties to the Restructuring Agreement may be agreed in writing).

CHANGE IN BOARD LOT SIZE

The existing Shares are traded in board lots of 4,000 Shares each. After the Capital Restructuring becoming effective, the New Shares will be traded in board lots of 20,000 New Shares each after the Resumption.

In order to alleviate the difficulties arising from the existence of odd lots of New Shares, the Company will procure an agent to provide matching services for the sale and purchase of odd lots of New Shares arising from the change in board lot size. Further announcement(s) will be made by the Company as and when appropriate in relation to the change in board lot size and the arrangement of the matching service.

Effect on the Shareholding Structure of the Company

The following table illustrates the effects on the shareholding structure of the Company immediately before and after the Capital Restructuring, the Share Subscriptions, the issue of the Creditors Shares and the full conversion of the Convertible Notes.

Name(s) of the Shareholder(s)	Existing		Immediately after Capital Restructuring		Upon completion of Share Subscription		Upon completion of Share Subscription and issue of Creditors Shares		Upon completion of Share Subscription, issue of Creditors Shares and Placing Down		Upon completion of the Share Subscription, issue of Creditors Shares, Placing Down and the full conversion of Convertible Notes *(Note 5)*	
	No. of Shares	*% (approx.)*	*No. of New Shares*	*% (approx.)*	*No. of New Shares*	*% (approx.)*	*No. of New Shares*	*% (approx.)*	*No. of New Shares*	*% (approx.)*	*No. of New Shares*	*% (approx.)*
The Investor and its concert parties	–	–	–	–	240,000,000	87.65	240,000,000	78.48	219,356,000	71.73	329,356,000	79.21
Creditors (Note 1)	–	–	–	–	–	–	32,000,000	10.46	32,000,000	10.46	32,000,000	7.70
Existing Shareholders:												
Ms. Liu *(Note 2)*	432,000,000	31.94	10,800,000	31.94	10,800,000	3.94	10,800,000	3.53	10,800,000	3.53	10,800,000	2.60
Ms. Wong *(Note 3)*	400,000,000	29.58	10,000,000	29.58	10,000,000	3.65	10,000,000	3.27	10,000,000	3.27	10,000,000	2.40
Keywise	220,496,000	16.30	5,512,400	16.30	5,512,400	2.01	5,512,400	1.80	5,512,400	1.80	5,512,400	1.33
Existing Public Shareholders	299,904,000	22.18	7,497,600	22.18	7,497,600	2.75	7,497,600	2.46	7,497,600	2.46	7,497,600	1.80
Subtotal	1,352,400,000	100.00	33,810,000	100.00	33,810,000	12.35	33,810,000	11.06	33,810,000	11.06	33,810,000	8.13
Public placees (Note 4)	–	–	–	–	–	–	–	–	20,644,000	6.75	20,644,000	4.96
Total	1,352,400,000	100.00	33,810,000	100.00	273,810,000	100.00	305,810,000	100.00	305,810,000	100.00	415,810,000	100.00

Notes:

1. Subject to adjudication and adjustment, the 32,000,000 Creditors Shares to be issued under the Scheme include 2,460,904 and 139,801 Creditors Share to be issued to Mr. Ang and Ms. Liu respectively under the Scheme. According to the information available to the Provisional Liquidators, it is estimated that no any single Creditor will receive more than 10% of the issued capital of the Company under the Scheme, and all the Creditors Shares to be issued under the Scheme will be considered as part of the Public Float.

2. The Shares are held by JBC Bio Technology Company Limited, which is wholly-owned by Ms. Liu, who was an executive director and chairman of the Company and resigned on 5 December 2008. Accordingly, Ms. Liu is deemed to be interested in 432,000,000 Shares held by JBC Bio Technology Company Limited.

3. The Shares are held by Concord Pharmaceutical Technology (Holdings) Limited ("CPT") which is a wholly-owned subsidiary of Concord Business Management Limited, which in turn is wholly-owned by Ms. Wong. Accordingly, Ms. Wong is deemed to be interested in 400,000,000 Shares held by CPT. As Ms. Wong is the ultimate beneficial owner of a substantial shareholder of the Company and an existing Director, she is a connected person of the Company as defined under the GEM Listing Rules, and Shares held by her will not be considered as part of the Public Float.

4. Following completion of the issue of the Subscription Shares and the Creditors Shares, Public Shareholders will be holding 65,810,000 New Shares, representing approximately 21.52% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares and the Creditors Shares, the Investor will arrange for private placement (the "Placing Down") to be effected immediately after Completion to ensure there will be sufficient Public Float of the New Shares as required by the GEM Listing Rules.

5. This column is for illustration purpose only, as the Investor undertakes that the exercise of the conversion rights attached to the Convertible Notes subscribed by the Investor and its concert parties, if any, will not result in the Investor and its concert parties holding more than 75% of the issued share capital of the Company in order to meet the Public Float requirement under the GEM Listing Rules.

6. The above table is for illustration purpose only as the actual allocation of the Creditors Shares to be issued by the Company to the Creditors will be based upon actual claims received by the Company and admitted by the Scheme Administrators under the Scheme, and will be subject to adjudication and adjustment.

FINANCIAL EFFECTS OF THE PROPOSED RESTRUCTURING

Set out below is the summary of financial positions of the Group as at 31 January 2011, 31 July 2010, 31 July 2009 and 31 July 2008:

Consolidated Balance Sheet

	As at 31 January 2011 (unaudited) *HK$'000*	**As at 31 July 2010 (audited)** *HK$'000*	**As at 31 July 2009 (audited)** *HK$'000*	**As at 31 July 2008 (restated)** *HK$'000*
Non-current assets	288	48	–	37,534
Current assets	24,546	11,578	13,052	76,086
Current liabilities	(180,328)	(172,871)	(173,644)	(91,317)
Non-current liabilities	–	–	–	(84,330)
Net current liabilities	(155,782)	(161,293)	(160,592)	(15,231)
Net liabilities	(155,494)	(161,245)	(160,592)	(62,027)

According to the audited financial information of the Group set out in Appendix I to this circular, the total assets and liabilities of the Group as at 31 July 2010 were approximately HK$11.6 million and HK$172.9 million, respectively, representing net liabilities of approximately HK$161.3 million. As at 31 January 2011, the Group had total liabilities of approximately HK$180.33 million, of which approximately (i) HK$106.6 million was related to the convertible bonds issued by the Company; (ii) HK$16.29 million was the amount due to the Former Investor and (iii) HK$57.44 million was mainly related to the payables and accruals of the Company and its subsidiaries. As at 31 January 2011, the total assets of the Group of approximately HK$24.83 million mainly comprised of trade receivables, funding provided by the Former Investor under the Exclusivity Agreement and cash arising from the distribution business of Dongyu.

Upon completion of the Group Reorganisation, the assets and liabilities of the Excluded Companies will no longer be consolidated into the financial statements of the Restructured Group. In addition, upon the payment of the Cash Settlement and the issue of the Creditors Shares to the Scheme Administrators or their nominee(s) for the benefit of the Creditors under the Scheme, all the Claims against and liabilities of the Company (excluding the Convertible Notes, the normal operating liabilities incurred during the ordinary course of business operations of the Group and the Directors' Remuneration) will be discharged and compromised in full.

As illustrated in the unaudited pro forma consolidated statement of financial position of the Group set out in Appendix III to this circular, the total assets and liabilities would have become approximately HK$61.4 million and HK$19.6 million respectively, representing net assets of approximately HK$41.8 million assuming the proposed restructuring of the Company had been completed on 31 January 2011. The total liabilities of the Company of approximately HK$19.6 million mainly includes the effects of the issue of the Convertible Notes and Directors' Remuneration accrued from 1 August 2010 to 31 January 2011.

For the year ended 31 July 2010, audited net profit after tax attributable to the Shareholders was approximately HK$200,000. The operating results of the Excluded Companies will no longer to be consolidated into the financial statements of the Group after completion of the Group Reorganisation. It is expected that the Group will be able to record an accounting gain of approximately HK$123.9 million for the year ended 31 July 2011 from the deconsolidation of certain Excluded Companies as part of the Group Reorganisation.

INTERNAL CONTROL

The Company has engaged a reporting accountant (the "Independent Accountancy Firm") to perform an independent review of the adequacy of the internal control system and financial reporting system of the Group covering the period from 1 August 2009 to 17 November 2009. The Independent Accountancy Firm has issued the internal control review report (the "Internal Control Review Report") which was included in the Resumption Proposal submitted to the Stock Exchange.

The outline of the Independent Accountancy Firm's scope of work is as follows:

(a) whether the Group has an adequate system of financial reporting; and

(b) whether the Company has an adequate system of internal control procedures to enable the Company to meet its obligations under the GEM Listing Rules.

The Internal Control Review Report is compiled under the Hong Kong Standard on Assurance Engagement 3000 on the above subject matters by reference to the criteria included in the "Internal Control and Risk Management – A Basic Framework" published by Hong Kong Institute of Certified Public Accountants.

In particular, the review concentrated on the internal control systems of the Company and Dongyu in the following areas:

(a) evaluation of the internal control manual adopted by the Company and Dongyu;

(b) study of the business activities and documentation;

(c) tests of the control procedures applied in the accumulation of accounting data and compilation of management accounts on the operations of the Company and Dongyu; and

(d) review of the status of adherence to the GEM Listing Rules.

The key recommendations in the Internal Control Review Report in respect of the internal control system are that:

(a) to compile the recording vouchers and obtain supporting business documents within five business days of completion of transactions to explain their nature and provide support to entries made in the accounting records;

(b) to review accounts payable by reference to suppliers' monthly statements to ensure correctness of recording;

(c) to update and review short-term cash flow projection on a periodic basis to monitor the Group's liquidity;

(d) to compile the lists of related parties and connected persons for proper disclosure in financial statements, announcements and other published documents;

(e) to clarify the role of the compliance officer in the internal control manual to promote timely execution of works to discharge obligations under the GEM Listing Rules; and

(f) to set up an internal audit function to review compliance with the corporate governance code.

In respect of the compliance with the GEM Listing Rules, the Independent Accountancy Firm has identified that:

(a) the Company has not conducted a review of the effectiveness of the system of internal control of the Company and its subsidiaries for the years ended 31 July 2008 and 2009;

(b) the Company has not set up an audit committee pursuant to the requirements of Rule 5.28 of the GEM Listing Rules;

(c) the Company does not have one of its executive Directors to assume the responsibility for acting as the Company's compliance officer; and

(d) the Company has not duly published its annual, interim, quarterly financial results since the year ended 31 July 2008 pursuant to the requirements of the GEM Listing Rules.

Except for those weaknesses in relation to the Group's compliance with the GEM Listing Rules mentioned above, the Independent Accountancy Firm is of the view that nothing has come to its attention that causes it to believe that the financial reporting system of the Group and the internal control procedures established by the Company in its internal control manual adopted to secure its compliance with the GEM Listing Rules are not effective and adequate.

After the issue of the Internal Control Review Report, the senior management of the Group has made progress from time to time to ensure that all of the aforementioned recommendations are being addressed and the identified remedial measures have been put in place. The Company has published all the outstanding financial results/reports pursuant to the requirements of the GEM Listing Rules.

In addition, the key weaknesses in relation to the Group's compliance with the GEM Listing Rules will also be rectified upon Completion. These include (1) reconstitution of the audit committee of the Company following the appointment of the new independent non-executive Directors; (2) assignment of an executive Director to assume the responsibility for acting as the Company's compliance officer; and (3) continuation of publishing all financial results and reports pursuant to the requirements of the GEM Listing Rules.

The Directors, the proposed Directors and the Provisional Liquidators consider that, based on the current level of the Group's operations and the results of the internal control review, the Group would have an adequate internal control system to comply with the GEM Listing Rules and other relevant rules and regulations up to the Resumption. After the Resumption, the Board will review the effectiveness and adequacy of the internal control system of the Group from time to time to ensure the Group to have an adequate internal control system to meet its obligations under the GEM Listing Rules.

AUDIT QUALIFICATIONS

As set out on pages I-9 to I-11 of this circular, the auditors of the Company have given a disclaimed opinion on the consolidated financial statements of the Company for the year ended 31 July 2010.

The audit qualifications were related to (i) the limitation of audit scope regarding the financial information of certain former subsidiaries and the Group's other payables and accruals; and (ii) the material uncertainty relating to the going concern basis of the Group.

As the auditors did not receive any replies from the creditors in respect of direct confirmations and there was no sufficient evidence provided by the Group, the auditors of the Company have given a qualified audit opinion on the completeness of the Group's other payables of approximately HK$12 million as at 31 July 2010. These payables were related to the Excluded Companies and will be excluded from the Group's consolidated financial statements after completion of the Group Reorganisation. The Group has strengthened the accounting function by hiring accounting personnel with appropriate accounting expertise and experience. It has also enhanced the internal control functions to ensure approvals from management and supporting business documents are obtained for all payments and all accounting records are properly kept. The Independent Accountancy Firm is of the view that the rectified internal control system of the Group is sufficient to prevent occurrence of similar events in the future. With these procedures in place, the Directors expect that the auditors of the Company will give an unqualified audit opinion on all the assets and liabilities of the Restructured Group, which have not given rise to any audit qualification in prior years. Following completion of the Scheme, all the Claims of the Creditors will be settled and discharged and the Company will be free of any material liabilities in each case as a matter of Hong Kong law and the Cayman Companies Law. The asset position of the Company will be strengthened following the issue and subscription of the Subscription Shares and the Convertible Notes. This will also turn the Group's net liabilities position into a net asset position after Completion.

Having considered the above, upon Completion and barring any unforeseen circumstances, the Directors, the proposed Directors and the Provisional Liquidators anticipate that the audit qualifications on the consolidated financial statements as set out in the auditor's report for the year ended 31 July 2010 will not remain for the financial years subsequent to Completion.

REASONS FOR THE ENTERING INTO OF THE RESTRUCTURING AGREEMENT

Trading in the Shares has been suspended since 28 October 2008, and the Company submitted the Resumption Proposal to the Stock Exchange with the aim to seeking the resumption of trading in the Shares on the GEM. As announced by the Company on 27 July 2010, the Stock Exchange informed the Company by way of the Decision Letter that if the Company fulfills the Resumption Conditions as set out in the Decision Letter by 30 April 2011, the trading in the Shares would be resumed.

However, as mentioned in the section headed "Working Capital Facility" above, the Provisional Liquidators and the Former Investor had not been able to enter into a restructuring agreement. The exclusivity period provided in the Exclusivity Agreement had lapsed pursuant to the terms of the Exclusivity Agreement and the Original Working Capital Facility has become due and payable. Mr. Li was one of the ultimate beneficial owners of the Former Investor and was also proposed by the Former Investor to be one of the directors of the Company upon completion of the proposed restructuring of the Company. Mr. Li has been closely involved in the proposed restructuring of the Company and he has assisted the Provisional Liquidators in the formulation and implementation of the business plan in the Resumption Proposal. He has also been actively participating in the resurrection and continuance of the Group's business operations. As set out in section headed "Background and future intentions of the Investor" below, Mr. Li is one of the directors and the sole and beneficial owner of the Investor. Following the expiry of the Exclusivity Agreement, the Investor expressed its interest in taking up the role as an investor and to continue the proposed restructuring of the Company and to fulfill the Resumption Conditions. It is willing to provide the necessary funds to repay the Original Working Capital Facility and assist the Company to obtain a release of the Original Debenture. In addition, the Investor is also willing to continue with the proposed restructuring of the Company by implementing the Resumption Proposal at not less favorable terms to the stakeholders than those offered by the Former Investor. On 29 April 2011, after arm's length negotiations, the Company, the Provisional Liquidators, the Investor and Mr. Li as the Guarantor entered into the Restructuring Agreement. On 24 May 2011, the Stock Exchange granted extension of time for fulfilling the Resumption Conditions to 31 October 2011.

Given the financial situation of the Group and the willingness of the Investor to restructure the Group, the Provisional Liquidators and the Directors consider that the entering into the Restructuring Agreement is to fulfill one of the Resumption Conditions, and it is in the interests of the Company and the Shareholders as a whole to issue the

Creditors Shares and the payment of Cash Settlement in order to discharge all liabilities of and Claims against the Company under the Scheme, and at the same time to raise funds by means of the issue of the Subscription Shares and the Convertible Notes. The Share Subscription and the CN Subscription will introduce new investors to the Company, strengthen the financial position of the Group and discharge the indebtedness of the Company. It will also provide the Group with new funds to enhance its existing business operations and flexibility to make investments in new acquisitions or business ventures when suitable opportunities arise in the future.

Having considered the factors above, the Directors, the proposed Directors, the Investor and the Provisional Liquidators consider that the terms of the Capital Restructuring, the Share Subscription and the issue of the Convertible Notes are on normal commercial terms and they are fair and reasonable to the Company and are in the interests of the Company and the Shareholders as a whole.

USE OF PROCEEDS FROM THE SHARE SUBSCRIPTION AND THE CN SUBSCRIPTION

The total gross proceeds of approximately HK$70 million (including approximately HK$48 million and HK$22 million to be raised from the Share Subscriptions and the CN Subscription respectively) will be applied as follows:

(a) approximately HK$13.16 million to settle debts owed to the Creditors with admitted claims (after deducting the Petition Costs, the Preferential Claims, the Issuance Costs and costs of the Scheme);

(b) approximately HK$13.50 million will be contributed to the JV Company by Dongyu in accordance with its equity interest holding in the JV Company; and

(c) the remaining balance of approximately HK$43.34 million to be retained as general working capital of the Restructured Group (including, among others, the payment for restructuring costs and further investment into the JV Company for its further expansion in its production scale).

Pursuant to the Restructuring Agreement, the Pre-Completion Payment will be set off against the monies payable for the Share Subscription by the Investor upon Completion.

BUSINESS OPERATIONS OF THE GROUP

Restoration of the Group's business operations

The Group was originally engaged in the development, production, sale and distribution of a range of biotechnology and pharmaceutical products, being principally infusion and injection medicine for use by domestic animals. After the disposal of certain subsidiaries in 2004 and 2005, and the completion of an acquisition of a controlling stake of a bio-feedstock supplement/additives business in January 2007, the Group's business shifted to include development and provision of feedstock products.

The audited financial results for the years ended 31 July 2008, 2009 and 2010 and unaudited financial results of the Group for 9 months ended 30 April 2011 are summarized below:

Consolidated Income Statement

	9 months period ended 30 April 2011 (unaudited) *HK$'000*	**Financial year ended 31 July 2010 (audited)** *HK$'000*	**Financial year ended 31 July 2009 (audited)** *HK$'000*	**Financial year ended 31 July 2008 (restated)** *HK$'000*
Turnover	65,266	35,285	1,965	5,981
Cost of sales	(53,337)	(28,198)	(1,465)	(3,129)
Gross profit	11,929	7,087	500	2,852
Net profit /(loss)	50,564	200	(97,643)	(154,978)

As shown in summary table above, the aggregate net loss for the two financial years ended 2009 and 2008 amounted to approximately HK$252.62 million. The net loss for the years ended 2009 and 2008 were mainly attributable to the weak performance in the Group's principal businesses, large amount of impairments on receivables, property, plant and equipment and goodwill and substantial loss in equity linked notes held by the Company.

In fact, the Group has recorded net losses since 2003. From 2004, the Group has incurred high general and administrative expenses and/or provision for bad and doubtful debts which were mainly due to the combined effects from, among others, high staff costs, depreciation, legal professional fees, business losses and miscellaneous. In addition, a substantial portion of the general & administration expenses and the provision for bad & doubtful debts were incurred by the Excluded Companies. As elaborated in the section headed "Internal Control" above, the Directors expects, upon Completion, with the improved internal control system including, among others, newly set up Board, completion of the Group Reorganisation, the re-established remuneration committee and audit committee, the above circumstances will not be repeated.

Following the acquisition of the feed supplements business in 2007, the Group's principal business shifted from the original veterinary drugs business to livestock feed business, involving the development and distribution of feed supplements and the production and operation of safety end-user food formed by the use of feed supplements/additives. As illustrated above, turnover of approximately HK$5.98 million was recorded for the year ended 31 July 2008, of which approximately HK$3.5 million was generated from distribution of feed supplements and approximately HK$2.4 million was generated from the sale of safety food. However, as most of the employees had left the Group and due to shortage of working capital, the Group was only able to record a turnover of approximately HK$1.97 million for the year ended 31 July 2009.

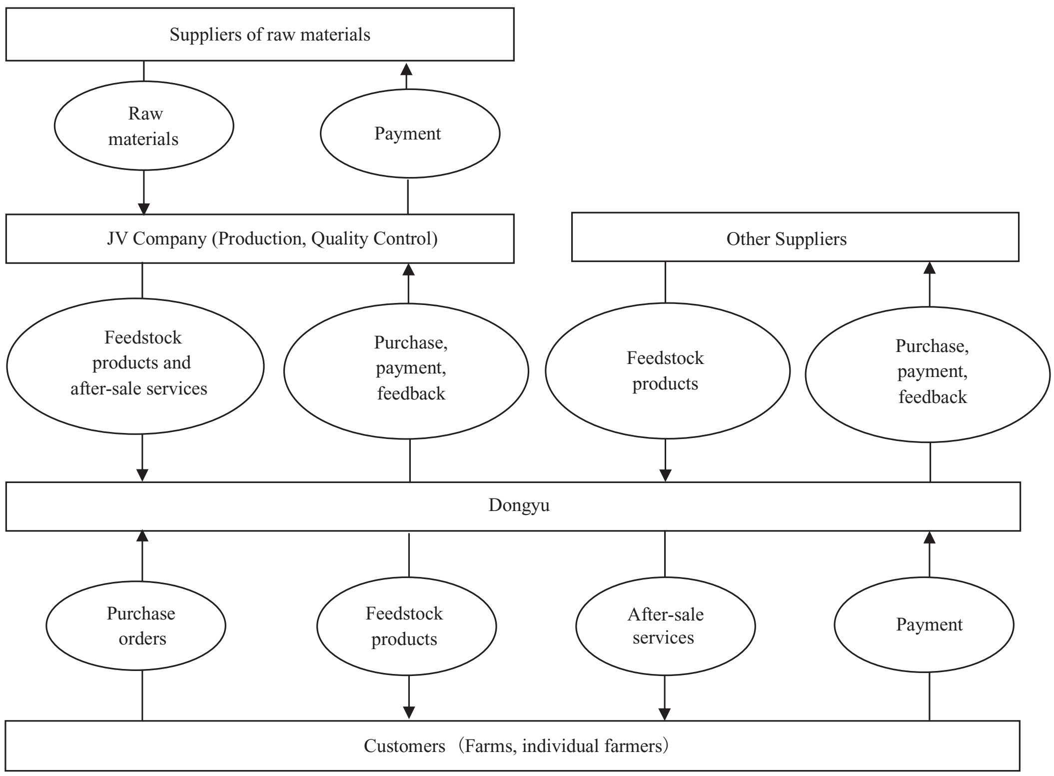
As disclosed in the announcements of the Company dated 8 December 2008 and 3 August 2009 respectively, the Provisional Liquidators were appointed on 3 December 2008 following a winding-up petition presented and filed with the Hong Kong Court by the Petitioner. After various adjournments, as announced by the Company on 19 August 2011, pursuant to an order from the Hong Kong Court dated 18 August 2011, the hearing of the Petition was adjourned to 9 January 2012.

On 28 July 2009, the Company, the Former Investor and the Provisional Liquidators entered into the Exclusivity Agreement, pursuant to which the Former Investor was granted exclusivity period of 9 months for, among others, the negotiation in good faith to enter into a formal restructuring agreement. The Former Investor also provided Original Working Capital Facility as working capital to the Group. With the Original Working Facility, the Group was able to resurrect its principal business operations in the distribution of feedstock products in November 2009. Turnover of Company for the year ended 31 July 2010 increased to approximately HK$35.29 million. In addition, the Company turned around from a loss position of approximately HK$97.64 million recorded in the previous year to a net profit after tax attributable to the Shareholders of approximately HK$200,000 for the year ended 31 July 2010.

As announced in the Company's results announcement dated 14 June 2011, the Group recorded a turnover of approximately HK$65.27 million for the 9 months ended 30 April 2011, representing an increase of approximately 2.35 times compared to approximately HK$19.48 million recorded in the same period of the preceding year. Profit attributable to the Shareholders for the 9 months ended 30 April 2011 amounted to approximately HK$50.56 million. The increases in the revenue and the net profit attributable to the Shareholders were mainly due to the continuous expansion of the Group's feedstock distribution business and the substantial gain from deconsolidation of subsidiaries as part of the Group Reorganisation.

As mentioned in section headed "Reasons for the entering into the Restructuring Agreement" above, the Former Investor and the Company had not been able to enter into a formal restructuring agreement by the expiry of the exclusivity period to implement the proposed restructuring of the Company. Subsequently, the Company, the Provisional Liquidators and the Investor entered into the Restructuring Agreement. The Investor is also willing to continue to provide necessary Working Capital Facility up to HK$30 million as the working capital of the Group by entering into the Working Capital Facility Agreement.

At present, the business operations of the Group are mainly conducted through Dongyu and the JV Company, which have obtained all necessary licenses for them to engage in the production and distribution of feedstock business in the PRC. Set out below is the simplified business flow chart of the Group.



JV Company

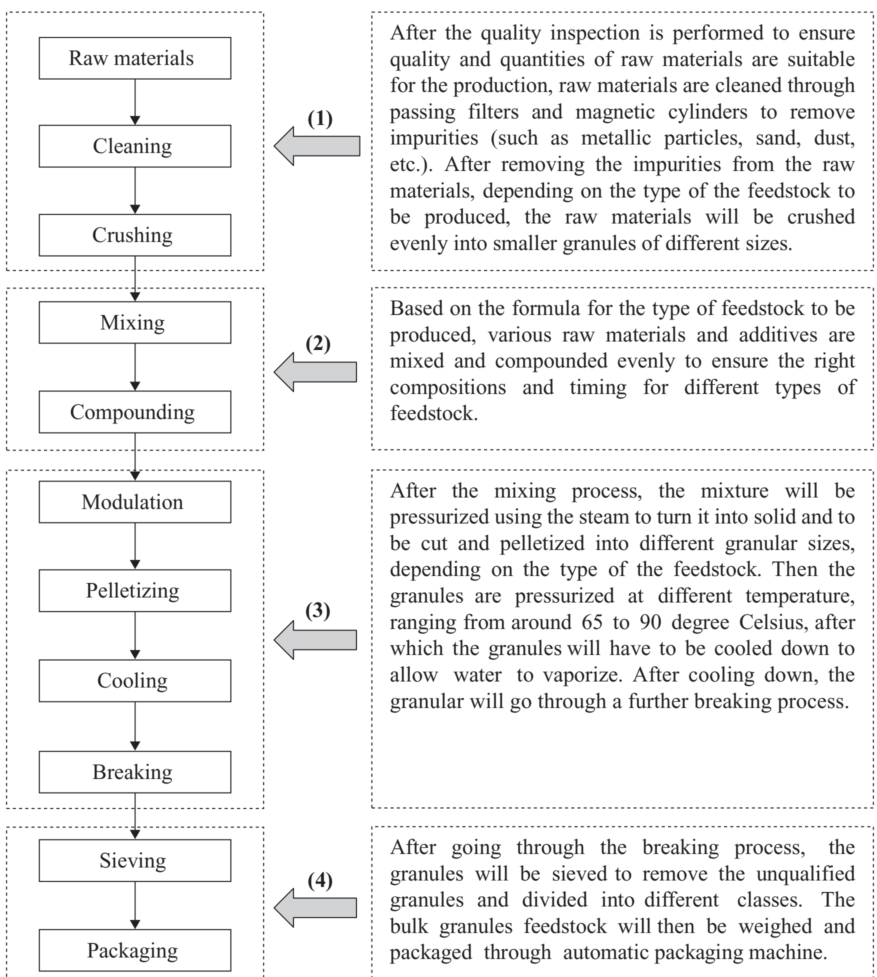
On 16 March 2010, Dongyu as a wholly-owned subsidiary of the Company entered into the JV Agreement to establish the JV Company. The establishment of the JV Company was completed in August 2010. At present, the equity interest of the JV Company is owned as to 63%, 24%, 9% and 4% by Dongyu, Taike Biotech, the PRC JV Party and the Malaysian JV Party respectively. Taike Biotech and the PRC JV Party are companies incorporated in the PRC, which are principally engaged in research and development of feedstock products; and the Malaysian JV Party is principally engaged in the agricultural business. As announced in the Company's announcement dated 8 November 2010, on 23 October 2010, the JV Company entered into the Land Acquisition Agreement to acquire a land parcel at the Yanqian Industrial Zone of Wuping County, Fujian Province, the PRC with a site area of approximately 14,674 square meters to build its own feedstock manufacturing plant.

In April 2011, the major construction work of the building to house the manufacturing plant and the installing and testing of the manufacturing equipment was completed and the JV Company has duly obtained the production licence（飼料生產企業合格證）from Fujian Agriculture Department（福建省農業廳）. At present, the JV Company has one production line with maximum production capacity of 30,000 tonnes of swine or chicken compound feedstock per annum (i.e. 2,500 tonnes per month). The JV Company has commenced production in June 2011. As at the end of June 2011, the JV Company had produced over

500 tonnes of swine compound feedstock. The production volume of the JV Company increased to approximately 1,057 tonnes for the month ended 31 July 2011 with the usage rate of the production line being approximately 42.3%. At present, the JV Company mainly produces swine compound feedstock under its own brands, namely, "Dong Lin" ("東麟") and "Hong Hai" ("弘海"). It is expected that with its own in-house manufacturing capacity through the JV Company, the Group will be in a better position to capture the growing demand for feedstock products in the PRC.

The JV Company has its own laboratory. Under the instruction of the professor from State Oceanic Administration（國家海洋局）, the technical personnel of the laboratory with veterinarian qualification develop its own feedstock formula to fit the local market demand. The laboratory also has the function of the quality control of the JV Company to make sure that raw materials and the feedstock produced by the JV Company meet the quality and safety standards in the PRC.

The feedstock production process mainly includes four stages, namely, raw materials supplying, mixing, pelletizing and packaging. Set out below is the illustration of simplified production process of the JV Company for the compound feedstock.



Products provided by the Group

The Group recommenced its feedstock business through Dongyu by the distribution of swine feedstock products in November 2009. Swine compound feedstock has been the major feedstock product provided by the Group. The Group also distribute other types of feedstock products such as swine additive premix, fish compound feedstock and chicken compound feedstock, which account for relatively small portion of products provided by the Group.

Compound feedstock is end-feedstock-product which can meet the nutrition requirements of the livestock or fish without additional additives or other nutrition materials. Compound feedstock usually comprises energy materials (55%~75%, such as corn and wheat bran), protein materials (20%~30%, such as soybean meal and rice bran), minerals (≤3.5%, such as calcium and phosphorus), amino acid synthesis, vitamin and other additives.

Additive premix is the even mixture of various kinds of additives such as vitamin, minerals, amino acid synthesis, etc. together with thinner or other carrier. Additive premix feedstock cannot feed the livestock or fish directly, and it has to further mix with protein materials and energy materials to make it become a compound feedstock. Trace elements contained in the additive premix are critical factors for the effectiveness of the compound feedstock.

Sales generated from swine compound feedstock and swine additive premix accounted for approximately 90% and approximately 10% respectively for the financial year ended 31 July 2010. Since the beginning of the financial year ended 31 July 2011, the Group via Dongyu has been gradually expanding its products range to include chicken compound feedstock and fish compound feedstock. For the 9 months ended 30 April 2011, sales generated from swine compound feedstock, swine additive premix, fish compound feedstock and chicken compound feedstock accounted for approximately 87.7%, 2.6%, 8.6% and 1.1% respectively of the total sales of the Group.

Customers of the Group

Customers of the Group are mainly farms or farmers located at the area around Longyan and Xiamen, Fujian Province. Since the Group acquired the land parcel at the end of 2010 at Wuping County, Longyan, to start to set up its manufacturing plant, the management of the Group has been strategically and gradually building or shifting its customer base to the areas close to the manufacturing facility to make its delivery more cost effective. As at the end of 31 July 2011, the Group has developed and maintained business relationship with around 70 swine farms/farmers (excluding the seven customers mentioned below), including 67 swine farms/farmers located at area around Wuping County, Longyan, and the other 3 located at area around Xiamen. Those customers are all independent third parties.

The five largest customers accounted for approximately 40.5% of the Group's turnover for the year ended 31 July 2010. With the gradual expansion of the customer base, percentage of sales to the five largest customers as a percentage of the Group's turnover decreased to approximately 27.2% and 31% respectively for the 6 months ended 31 January 2011 and the 3 months ended 30 April 2011.

In the end of 2009, Dongyu entered into seven long-term distribution contracts with seven different farms/farmers. Each of these contracts runs for two years demanding of approximately 8,280 tonnes of swine feedstock products in aggregate per annum. As at the end of June 2011, Dongyu had supplied in aggregate approximately 7,035 tonnes of swine feedstock products to those customers, and sales generated from the seven farms/farmers accounted for less than 3% of the total sales of Dongyu for the two months ended 31 July 2011. As at the Latest Practicable Date, Dongyu has ceased to distribute the swine feedstock to those seven customers pursuant to terms of those long-term contracts. However, in order to secure a stable demand for the feedstock products produced by the JV company, as at the Latest Practicable Date, Dongyu together with the JV Company has entered into twelve long-term supply contracts with twelve different farms/farmers, which are mainly located at area around Wuping County. Pursuant to those contracts, each runs for two years, Dongyu, which is backed by the JV Company, will supply those farms/farmers with the swine compound feedstock produced by the JV Company of approximately 9,150 tonnes in aggregate per annum.

As the Group intends to focus on marketing its products under its own brand names, which have relatively higher market prices compared with that of feedstock products sourced from external suppliers, the Group has shifted its focus to distribute its products under its own brand names in the areas close to its manufacturing facility. As a result, total sales generated from the seven farms/farmers accounted for a relatively small percentage of total sales of the Group. Backed by new supply contracts for the supply of the JV Company's swine compound feedstock as mentioned above, the management of the Group considers that ceasing to distribute swine feedstock sourced from external suppliers, which was one of the strategic moves taken by the Group, will not have any material impact on the business sustainability of the Group.

Suppliers of the Group

When the Group first recommenced its feedstock distribution business in November 2009, it mainly sourced the swine feedstock from three external suppliers. The largest supplier accounted for approximately 82.2% of the total Group's total purchases for the year ended 31 July 2010. As the business developed, as at the end of the 9 months ended 30 April 2011, the Group had expanded its supplier base to five major external suppliers, with the single largest supplier accounting for approximately 35.2% of the total purchases of the Group.

In November 2009, in order to secure stable supply of feedstock products, Dongyu entered into two strategic cooperation agreements with two feedstock suppliers in Longyan, Fujian Province. As at the end of July 2011, those two suppliers had supplied in aggregate approximately 20,000 tonnes of feedstock products to Dongyu. At present, the Group via the JV Company has its own production capacity with its own products brands, the management of the Group intends to strategically deploy more resources into the building and marketing the Group's own feedstock products and thus, has ceased to source products from those two suppliers after July 2011.

Sales generated from the JV Company's feedstock products accounted for approximately 28% of the total sales of the Group for the month ended 30 June 2011, and it increased to approximately 57% of Group's total sales for the one month ended 31 July 2011. As set out in section headed "Business plan and strategies of the Group" below, the management of the Group intends to cease to source feedstock products from external suppliers and focus only on the JV Company's products from September 2011, which is a more reliable source of supplies.

Credit control of the Group

As the breeding cycle of the swine is usually around six months, and the local farms/ farmers normally breed different sizes of swine to enable them to have swine for sale in every 2-month period to generate regular income, Dongyu usually grants its customers the credit period of 40 to 60 days. To better control the risks relating to the "trade receivables", prior to the commencement of the business relationship with any new customers, Dongyu would perform a preliminary study on their financial conditions and will reject customers who have bad payment records or are financially unsound. In the event that the customers' trade receivables remain outstanding for over one month, sales department of Dongyu will make phone calls and/or site visit to the customers for settlement of the outstanding payments. Furthermore, management of Dongyu normally requests its customers to make payments via bank transfer in order to minimise cash transactions between its salespeople and customers. The accounting department of Dongyu also performs bank reconciliation from time to time during the month to ensure that the trade receivables are properly settled.

The feedstock suppliers of Dongyu normally grant Dongyu a credit term of 15 days. Upon the receipt of the invoices from its suppliers, the accounting department of Dongyu will cross-check details of the invoices against the goods receipt notes and the purchase prices of the feedstock to ensure the accuracy of the payment amount. Further, the accounting department will fill in payment request forms which shall be approved by the relevant department heads and the general manager of Dongyu. Upon completion of the internal approval procedures of Dongyu, the cashier will effect the bank transfer and the relevant bank transfer slips will be filed by the accounting department for, among others, bank reconciliation purpose. In addition, the director of Dongyu regularly reviews the financial status of Dongyu to ensure that sufficient capital is in place for its daily business operations.

Inventory control of the Group

Dongyu purchases finished feedstock products from its suppliers after receiving orders from its customers, then distribute them to the clients directly, as such Dongyu has kept its inventory level low. The inventory of the JV Company mainly includes the raw materials (such as corn, bran meal, soybean meal and wheat bran, etc.) and finished feedstock products. The maximum storage capacity of the JV Company is approximately 1,200 tonnes. As the expiration period of the raw materials usually lasts around twenty days, at present, the Group usually keep the volume of the raw materials for five to ten days' production need, i.e. around 500 tonnes. Depending on the speculation on the movement of the raw materials prices, the JV Company may increase or decrease the volume of the inventory of raw materials. The expiration period of the finished feedstock products of the JV Company lasts around twenty days. However, as the fresh feedstock products are more welcomed and acceptable to the customers, the JV Company's production is based on orders received to keep minimal inventory level on its finished feedstock products.

Competitors of the Group

As mentioned in sub-section headed "Feedstock markets in the PRC and Fujian Province" below, feedstock market in the PRC (including Fujian Province) is fragmented. According to the information available from Longyan Pasturage Station Office*（龍岩市畜牧站飼料辦公室）and based on the market knowledge of the management of the Group, it is estimated that there are around 27 swine, feedstock manufacturers with total annual production volume of approximately 970,000 tonnes swine feedstock in Longyan, and the five largest feedstock manufacturers have production volume ranging from approximately 120,000 tonnes to 300,000 tonnes per annum. After due and careful analysis and based on their experience and business contacts in the industry, the senior management of Dongyu estimates that there are currently more than 800 feedstock distributors in Longyan, distributing more than 1.5 million tonnes of feedstock per annum.

All feedstock manufacturers and distributors in Longyan, Fujian Province, are potential competitors of the Group. However, given the existing operating scale of the Group, and based on their experience and market research, it is considered that at present, distributors with estimated annual sales volume ranging from approximately 4,000 tonnes to 10,000 tonnes are the major competitors of the Group.

Senior management of the Group

At present, the Group mainly conducts its business through Dongyu and the JV Company. As at the Latest Practicable Date, Dongyu had a total of 29 employees, including 4 senior management (including one director), 12 sales persons, 11 other staff engaging in logistics, accounting, administrative, quality control, technology support, sourcing and 2 consultants; while the JV Company had a total 26 employees (excluding 7 directors), including 2 senior management, 3 accounting staff, 5 production management staff, 11 production workers and 5 administrative and logistic staff.

Set out below is the biography of the senior management of the Group.

Mr. Lam Kai Kwong ("Mr. Lam") graduated from the Hong Kong Polytechnic University. Mr Lam has over 10 years' corporate management experience in the PRC, Hong Kong and Taiwan. Before joining the Group, Mr. Lam was a senior management of a bio-tech company in Fujian Province, the PRC, which is principally engaged in production and sales of bio-feedstock. Mr. Lam currently is the executive director of Dongyu and responsible for its overall management and operations. He is also one of the directors of the JV Company.

Mr. Zhang Xiaobin ("Mr. Zhang") graduated from Hua Qiao University with a bachelor degree in electric technology and has years' experience in corporate management. From September 2007 to July 2009, Mr. Zhang had worked for Xiamen Liuwei Bio-technology Company Limited*（廈門六維生物科技有限公司）as a deputy general manager. Xiamen Liuwei

Bio-technology Company Limited is mainly engaged in research and development, production and sales of feedstock and additive premix. Mr. Zhang currently is the deputy general manager of Dongyu.

Mr. Wang Zhiming ("Mr. Z.M. Wang") is an accountant in the PRC and graduated in 2007 from the Chief Financial Officer course in Xiamen University. From 1995 to 2001, Mr. Z.M. Wang worked for a state-owned food supply enterprise in Quanzhou, Fujiang Province. From 2002 to 2003, Mr. Z.M. Wang was working for Zhonglu (Fujian) Agriculture Development Company Limited* (中綠(福建)農業綜合開發有限公司) as a deputy finance manager. Mr. Z.M. Wang established Huixin Accounting Firm* (惠信代理記帳事務所) in 2003, which mainly is engaged in tax consultancy, financial consultancy and provision accounting education services. Mr. Z.M. Wang currently is the general manager of Dongyu.

Mr. Wang Bin ("Mr. Wang") graduated from Xiamen University, is a former head of the sales department of a major feedstock company in Fujian Province, the PRC. Mr. Wong is currently the sales manager of Dongyu.

Mr. Liao Zhongmin ("Mr. Liao") has years' experience in feedstock industry. Mr. Liao was a general manager of a feedstock manufacturer in the PRC before joining the Group. Mr. Liao currently is the general manager of the JV Company and responsible for its overall operations and management.

Mr. Ye Chunpeng ("Mr. Ye") has over 20 years' feedstock production technology and management experience obtained from working for a feedstock manufacturer. Mr. Ye currently is the manufacturing director of the JV Company.

Value-added services provided by the Group

The Group, by leveraging on the management's market expertise and industrial knowledge, provides after-sale services mainly to its swine feedstock customers. Such services mainly include:

(i) keeping its customers updated with the market information in the form of a monthly report (including, among others, the statistics in relation to swine in stock, monthly swine output, market conditions, wholesale prices, etc.) and advising them accordingly in respect of breeding strategies;

(ii) setting up simple, straightforward and easy-to-understand databases of the Group's customers and records on the feeding schedules of the customers where the quantities and types of swine that each of its customers breeds and the amount of feedstock used by them are recorded on a semi-monthly/monthly basis, to help the customers monitor their breeding conditions and understand their feedstock needs;

(iii) arranging regular and/or ad hoc site visits by external consultants and veterinarians depending on the customers' individual needs to monitor the customers' breeding condition, provide independent guidance to the customers on the use of the feedstock products sold by Group and help them to solve any problems encountered during the course of breeding;

(iv) promptly informing customers the information and appraisal of an epidemic situation to help the breeding farms/farmers to avoid any potential loss due to lack of information relating to latest epidemic situation;

(v) as set out in section headed "Credit control of the Group" above in this circular, providing the credit term to the Group's customers; and

(vi) to promptly follow-up on any problems raised by the end users. The salespeople of the Group make visits to their customers approximately two to four times a month so as to keep themselves updated with the customers' breeding business, conditions and requirements whereby they will advise their customers on breeding matters such as breeding plan and the amount of feedstock required. During these visits, the salespeople will gain a better insight into their customers' business and it also serves as an ongoing credit assessment. Through these customer visits, the end users, who are mostly located in rural and remote regions with limited access to market information, have the opportunity to obtain better knowledge and updated market information (in addition to the monthly reports) as well as potential improvement on their breeding methods.

As the swine compound feedstock is the major product provided by the Group, fish and chicken feedstock products account for only small portion of the Group's total sales, the Group at present only provides those swine farms and farmers with such value-added services. As evidenced by the recurring orders from customers of Dongyu and the improving financial performance of the Group, the sales strategy of provision of after-sale services of the Group has proven to be successful and well received by the Group's customers.

Competitive strengths of the Group

The management of the Group considers that the Group has the following competitive strengths:

(i) Experienced management team

As set out in section headed "Senior management of the Group" above in this circular, senior management of the Group have extensive experience in the production and sales of feedstock products in the PRC. The Company considers that senior management's business insight and customer contacts in the PRC feedstock industry can assist the Group to continue to build its customers base and sales network of the feedstock market.

(ii) Sufficient working capital

The management of the Group considers that, the Company, with additional funds injected upon the Resumption, can provide Dongyu and the JV Company, which are the major operating subsidiaries of the Company, with sufficient working capital to support its daily operation and expansion. As set out in the section headed "Credit control of the Group" above, the Group grants certain credit term to its customers, and the management of the Group considers that, compared with other local feedstock distributors and manufacturers, Dongyu and the JV Company will be in a better financial position to maintain and expand its customer base with the financial support from the Company.

(iii) Value-added services

As set out in "Value-added serviced provided by the Group" above, the Group provides value-added services to its customers. The management of the Group believes that those services, can enable the Group to establish and maintain long and close relationship with its customers, thus to enhance the long term success of the Group.

(iv) Listed company background

The management of the Group believes that Dongyu and the JV Company being the subsidiaries of a Hong Kong listed company are perceived to offer better staff welfare and incentives, have long-term commitment, and unlikely to adopt illegal practice such as mixing unexamined chemicals with feedstock, as such the listing status of the parent company makes it easier for Dongyu and the JV Company to attract and retain quality personnel and to sell the feedstock.

(v) Technology support

At present, the Group has its own laboratory to provide technology support and quality control. The Group has also engaged a professor from State Oceanic Administration and a veterinarian as consultants to provide advices to the breeding farms/farmers on breeding process and methods. This will enhance the relationship with the Group's customers, and also products developments.

(vi) Geographic advantage of the JV Company

The JV Company is located at Wuping County, Longyan, Fujian Province, which is the juncture of the borders of Fujian, Jiangxi and Guangdong Provinces. Based on the knowledge and information available to the management of the Group, there is no established scaled feedstock manufacturers in this area yet. This has provided an opportunity for the Group to market its own brand products and capture the local feedstock market shares.

Business plan and strategies of the Group

As the JV Company is located at Wuping County, Longyan, Fujian Province, the juncture of borders of Fujian, Jiangxi and Guangdong Provinces, taking advantage of the geographic location, the Group intends to, over time become one of the leading feedstock products providers in this area, which is able to give confidence to the breeders in using its feedstock products.

When the Group first recommenced its feedstock distribution business at the end of 2009, its customers mainly located at area around both Xiamen and Longyan, Fujian Province. Given the manufacturing facility of the JV Company is located at Wuping, Longyan, the management of the Group has strategically and gradually shifted its customer focus to farms or farmers in the area around Wuping County, Longyan. This will not only make the product delivery more cost effective, but also enable the management and salespeople to be closer to the Group's customers and to promptly provide value-added services to the Group's customers. As set out in the section headed "Customers of the Group" above, the Group has successfully built its customer base.

In order to achieve the business objectives, the Group will continue the strategy to emphasise the provision of after-sale services to its customers by further expanding the Group's sales team and enhance the scope of its after-sale services. The Group has started and will continue to launch marketing activities and events such as distributing the products brochure to farms/farmers, setting up the advertising walls and swine weight demonstration, etc. in local market towns to introduce and promote its own brand products. In addition, the Group intends to set up direct sale stations in areas that are in proximity to farms in order to offer more direct, prompt and comprehensive sale services to its customers. As the Group just commenced sales of the feedstocks products of the JV Company in June 2011, in order to capture market share and enhance the market recognition of the JV Company's brand products, the Group will offer free trial use and discounts to customers.

As mentioned in section headed "Suppliers of the Group" above, for the month ended 31 July 2011, the JV Company's products accounted for over half of the Group's total sales. Based on the feedback from the Group's customers since June 2011 when the Group started to distribute the JV Company's products, the management of the Group considers that the JV Company's swine feedstock has been well accepted by the customers, which is evidenced by the long term contracts entered into with some of the Group's customers. Therefore, the management of the Group intends to cease to source from the external suppliers in September 2011 and deploy all the Group's resources to marketing its own feedstock products and build its own brand names, for which the Group will benefit from better margin and enhance the Group's financial position.

It is expected that the existing production line of the JV Company can reach its full production capacity in around January 2012. To further achieve economies of scale, the Group intends to invest approximately RMB3 million to build its second production line in around February 2012. The Company anticipates that the second feedstock production line will commence production in around April 2012, by then the total production capacity of the JV Company can reach approximately 60,000 tonnes per annum, and an additional 8 first line production staff will be engaged for the increased production capacity.

Swine compound feedstock has been the major products provided by the Group. As mentioned in section headed "Products provided by the Group" above, the Group also distributes some swine additive premix, fish compound feedstock and chicken feedstock sourced from external suppliers.

Longyan is the major breeding area of Fujian Province, and at present the volume of the swine breeding stock（出欄量）and sales to other provinces（外銷量）rank first in Fujian Province. In addition, due to the continued increase in the market price of pork, the management of the Group considers that more farms and farmers will enter into the swine breeding industry and the demand of the swine compound feedstock will continue to increase. As such, the Group will continue to focus on the production and distribution of swine compound feedstock. However, the Group also intends to gradually expand its production line to include chicken compound feedstock at the end of 2011. It is expected that the chicken compound feedstock will account for approximately 2% of the total production volume by the end of 31 July 2012.

In respect of the additives premix, even it normally has relative higher profit margin than that of the compound feedstock, the demand of which is much smaller than the compound feedstock products, thus Dongyu has not been distributing the additive premix since January 2011. When the Group first recommenced its feedstock distribution business, Dongyu also distributed a small portion of fish compound feedstock sourced from external supplier. However, as widely reported by the PRC media, due to the water pollution caused by the leakage of copper acid by Zijin Group's factory in Shanghang County, Longyan, in the second half of 2010, the fish breeding industry of Longyan has been seriously affected, which in turn affected the demand of the fish feedstock. Given the market condition, Dongyu has ceased to distribute the fish compound feedstock since June 2011. The management of the Group may considers provision of fish compound feedstock in the future depending on the situation of the water pollution.

The Group also intends to strengthen its products development capability through collaboration with academic and research institutes in the feedstock industry. At present, in addition to engaging local veterinarians to enhance the Group's products development, production process, marketing and after-sale services, the Group also engaged a professor from State Oceanic Administration as the JV Company's consultant to assist the Group in the development of new feedstock products.

Leveraging on its relationship with end customers through the provision of after-sale services as mentioned in section headed "Value-added services provided by the Group" above, the Group have direct access to first-hand end-user information regarding up-to-date market trend and demand and will direct the JV Company's research and development efforts more effectively to the development of the feedstock products which suit the market, and which, in turn, will enhance the sales and competitive strength of the Group.

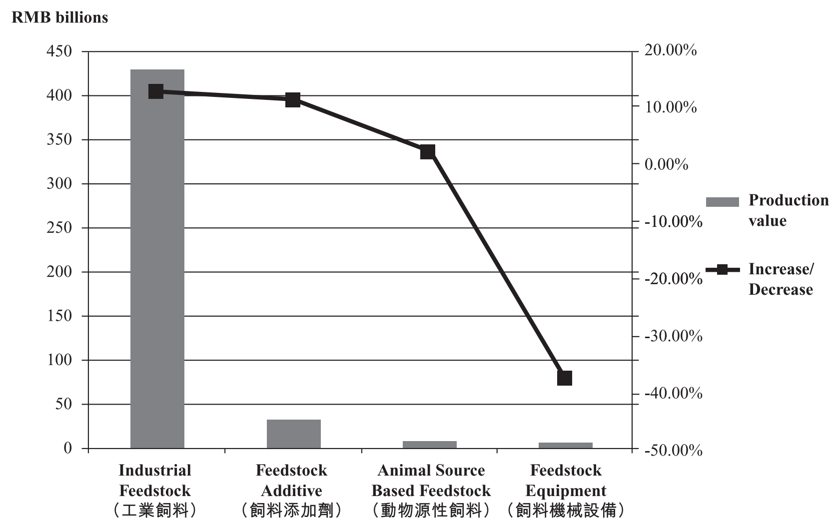
In the long run, the Group may also extend its business operations to feedstock related industries such as feedstock raw materials trading, the breeding and farming industry, meat processing industry, etc.. The management of the Group will keep seeking and appraising opportunities arising from the feedstock industry.

INDUSTRY OVERVIEW

Feedstock markets in the PRC and Fujian Province

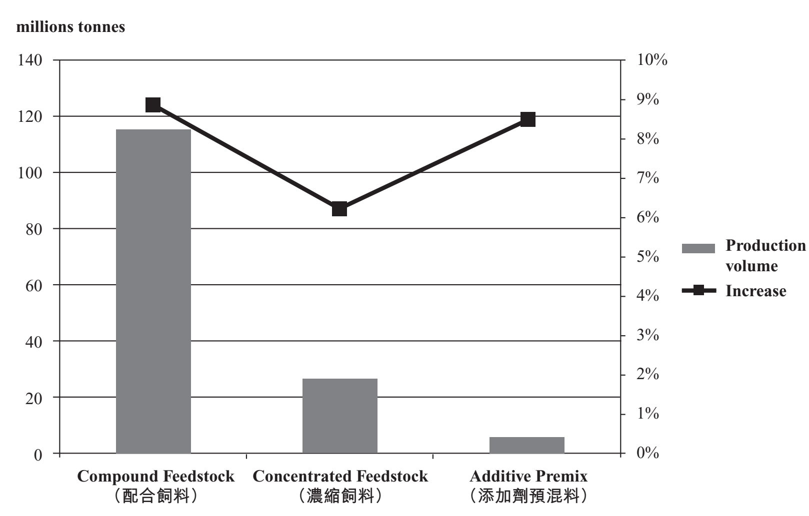
As illustrated in chart below, according to China Feedstock Industry Annual Book (2010-2011) (中國飼料行業年鑒2010-2011), the total output value of industrial feedstock and feedstock additives increased to approximately RMB426,600 million and RMB31,990 million respectively in 2009.

Feedstock production value of feedstock in the PRC



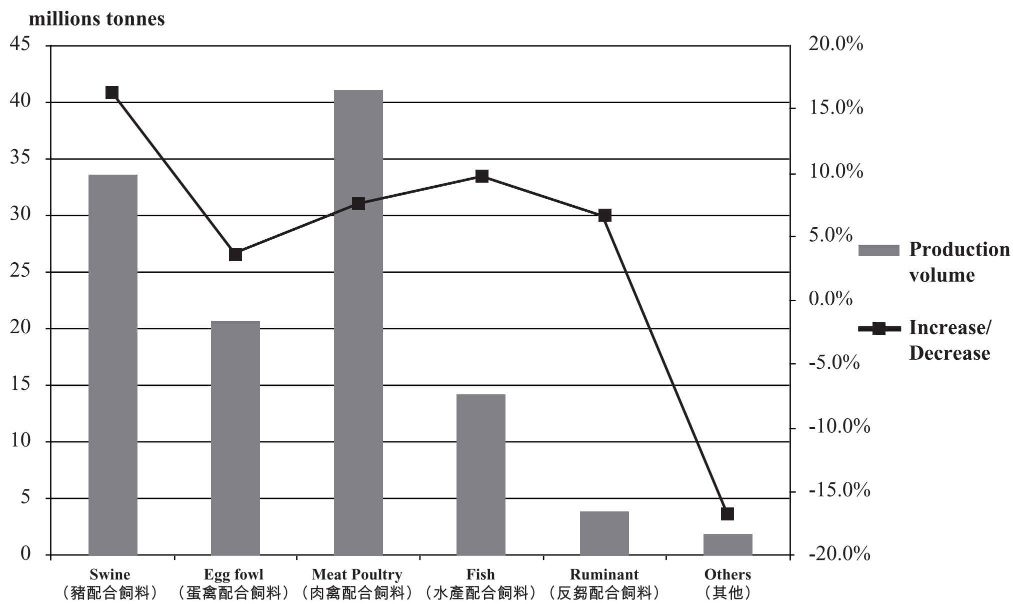
The production volume of feedstock industry also increased from approximately 6,599 tonnes in 1998 to approximately 148 million tonnes in 2009 with compound growth rate of approximately 7.6% per annum. As shown in chart below, the production volume of compound feedstock increased by approximately 8.9% on year-to-year basis to approximately 115.35 million tonnes in 2009, accounted for approximately 77.94% of the total production volume of the feedstock products in the PRC for the year ended 2009.

Production volume of feedstock in 2009 in the PRC



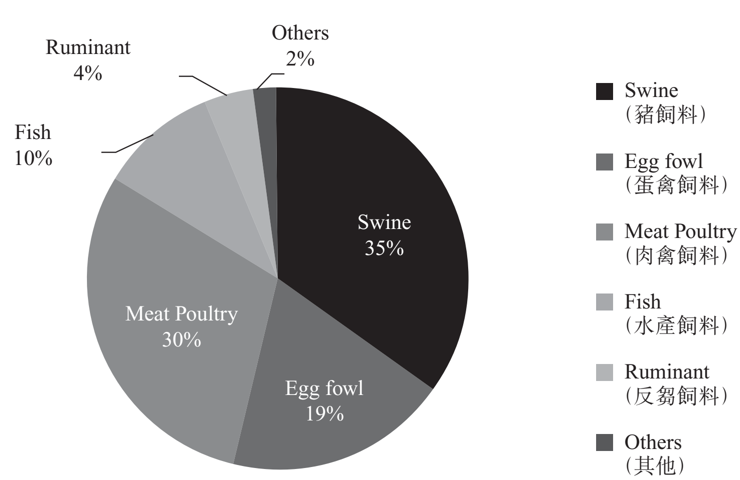
As illustrated in chart below, among the compound feedstock, the production volume of the swine compound feedstock, egg fowl related compound feedstock, fish compound feedstock reached approximately 33.63 million tonnes, 20.65 million tonnes and 14.26 million tonnes in 2009 with the corresponding increase rate being approximately 16.3%, 3.6% and 9.8% respectively.

Production volume of compound feedstock in 2009 in the PRC



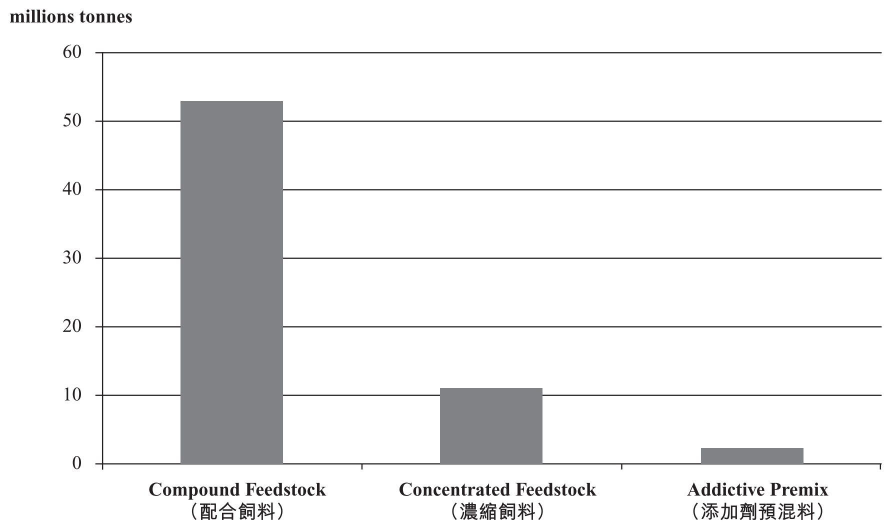
For the year ended 2009, production volume of swine feedstock products, reached approximately 52.43 million tonnes with the increase rate of approximately 14.6% compared with the preceding year. As illustrated in the pie chart below, swine feedstock products, egg fowl related feedstock products and fish feedstock products accounted for approximately 35%, 19%, and 10% of the total production volume of the feedstock products respectively in the PRC for the year ended 2009.

Production volume for different types of feedstock in 2009



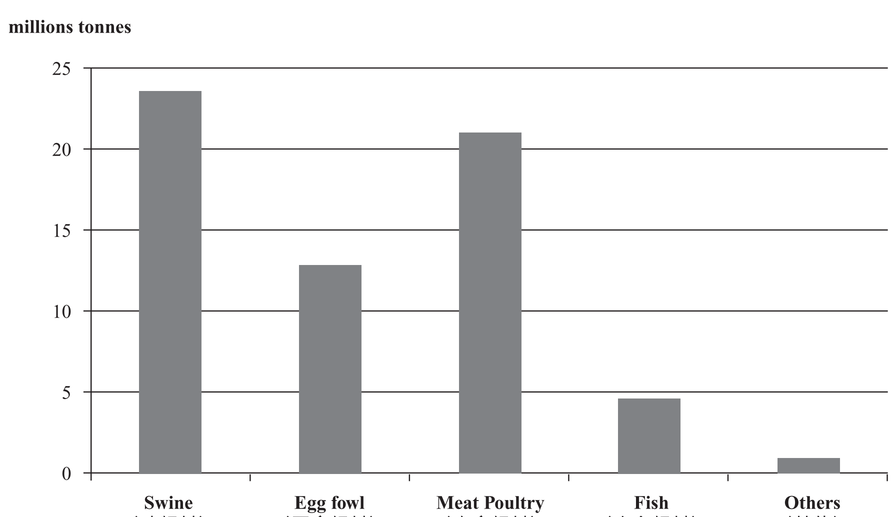
As shown the chart below, for the half year ended 30 June 2010, the total production volume of the commercial feedstock reached approximately 66.3 million tonnes, among which approximately 52.87 million tonnes are compound feedstock representing a corresponding increase of approximately 6.7%, approximately 11 million tonnes are concentrated feedstock representing a corresponding decrease of approximately 10.6% and approximately 2.43 million tonnes are additives premix representing a corresponding decrease of approximately 9.3%.

Production volume of feedstock in first half of 2010 in the PRC



The chart below shows that for the half year ended 30 June 2010, the production volume of swine feedstock products, and egg fowl related feedstock products and fish feedstock products reached approximately 23.66 million tonnes, 12.95 million tonnes and 4.63 million tonnes, representing a corresponding increase rate of approximately 18.7%, 2.7% and -25.2% respectively.

Production volume of feedstock in the first half of 2010 in the PRC



For the half year ended 30 June 2010, the average market price of major feedstock production materials (such as corn, soybean, fish power, Lysine, methionine, etc.) increased approximately 9.9% compared with the corresponding period in 2009. Based on monitoring purchase prices of 110 major sourcing enterprises, the average purchase price for corn, soybean, fish power, Lysine, methionine increased approximately 21%, 1.4%, 58.4%, 2.4% and 1.9% respectively compared with the corresponding period in 2009.

According the statistics shown in the China Feedstock Industry Annual Book (2010-2011), Guangdong Province, Shangdong Province, Henan Province, Liaoning Province and Hebei Province rank the top five provinces in the PRC in term of production volume of feedstock for the year ended 2009. In terms of the growth rate of production volume, Guizhou Province, Fujian Province and Jilin Province are the top three provinces with the increase rate of 31%, 20% and 19.3% respectively. The top three provinces with the fast growth rate in output volume of feedstock in 2009 are Guizhou province, Fujian province, and Jilin province, each of which has grown 31%, 20% and 19.3% respectively.

According to an article of Fujian Agriculture Department*（福建省農業廳）dated 29 September 2010 published on the local government's website, the total production volume of compound feedstock, concentrated feedstock and additive premix in Fujian Province reached approximately 3.929 million tonnes, 82,000 tonnes and 259,000 tonnes representing the growth rate of approximately 20.5%, 4.0% and 21.5% respectively for the year ended 2009. At the same time, the swine feedstock (including compound feedstock, concentrated feedstock and additive premix) reached approximately 1,764 million tonnes representing a corresponding growth rate of approximately 25.3% for the year ended 2009.

There have been the policies of the PRC government at the national, provincial and municipal levels to encourage the acceleration of the development of the feedstock industry including the exemption of the value-added tax on feedstock products at the national, provincial and local levels under the "Notice relating to the exemption of value-added tax on feedstock products"（財政部國家稅務總局關於飼養產品免征增值稅問題的通知）promulgated by the Ministry of Finance and the State Administration of Taxation of the PRC dated 12 July 2001. Based on such tax preferential policy, the JV Company has obtained certain tax exemption since July 2011 from the national tax department of Wuping County, Longyan, Fujian Province. In addition, under the "Measures on the promotion of sustainable and healthy development of feedstock industry"（關於促進飼料業持續健康發展若干意見）issued by the Ministry of Agriculture of the PRC dated 5 September 2002, local governments and commercial banks are encouraged to provide financial assistance to feedstock enterprises for technology advancement.

According to information published by China Feedstock Office*（全國飼料工作辦公室）on the website of China Feedstock Industry Information*（中國飼料行業信息網）dated 30 May 2011, as at the end of 2010, there were approximately 15,061 feedstock manufacturers in the PRC. Feedstock manufacturers traditionally sell feedstock products through non-exclusive local sales agents and/or small regional wholesalers to end users. According to the "11th Five-Year Plan and the Long Term Objective for 2015 for the Feedstock Industry"（《飼料工業「十五計劃」和 2015 年遠景目標規劃》）issued by Ministry of Agriculture of the PRC dated 10 December 2001, the swine feedstock market in the PRC is characterised by the phenomena of excessive market demand over supply for years and it is expected that the demand for the swine feedstock will exceed the supply by 2015. The management of the Group, based on their industry knowledge, considers that the supplier market and user market of feedstock are both fragmented with no single player is able to play a dominant role in the respective local markets, and most of the local retailers/wholesalers do not provide such wider scope after-sale services as that of the Group. In addition, these market practice and market phenomena have led to many problems such as illegal mixing unexamined chemicals or additives with feedstock products by the sales agents for higher profit margin. Furthermore, the end users (i.e. the farms/farmers), without after-sale services provided by the local sales agents to educate and assist them in the proper use of the feedstock products, tend to conclude that the products are sub-standard due to their insufficient knowledge to use the products properly thus may result in a weak business relationship among manufacturers, end users and these local sales agents. However, with the evolution and increasing development of the breeding industry, tightening of government regulations on food safety and the growing concerns of consumers over food safety and healthiness considerations (e.g. calories, fat and protein levels) and the increasing demand for quality food with better taste, there has been increasing demand for quality and licensed feedstock products and professional services and advice on the breeding process.

Major rules and regulations relating to the PRC's feedstock industry in the PRC

The feedstock industry in the PRC is mainly regulated by the Ministry of Agriculture and the State Council of the PRC which set out a number of rules and regulations to govern the production of feedstock in the PRC, including (i) the "Feedstock and Feed Additives Management Ordinance"（飼料和飼料添加劑管理條例）(the "Ordinance"), the "Management Measures on Approval of Feed Additives and Feed Additives Products"（飼料添加劑和添加劑預混合產品批准文號管理辦法）and the "Management Measures on New Feedstock and New Feed Additives"（新飼料和新飼料添加劑管理辦法）which collectively regulate the quality and components of the feedstock and feed additives products manufactured by feedstock manufacturers in the PRC; (ii) the "Usage of Drug Additives for Feedstock"（飼料藥物添加劑使用規範）for the usage of drug additives in feedstock products; and (iii) the "Management Measures on Safety and anitation of Animal Feed Products（動物源性飼料產品安全衛生管理辦法）, the "Sanitation Standards for Feedstock"（飼料衛生標準）and "Limit on Levels of Melamine in Feedstock Raw Materials and Feedstock Products"（飼料原料和飼料產品三聚氰氨限量值）.

Pursuant to the Ordinance, feedstock manufacturers are required to have (i) the relevant production and storage facilities and expertise for the production of feedstock and feed additives; (ii) the relevant quality assurance/control expertise and facilities; (iii) strict compliance with the national regulations on environmental protection and pollution prevention. These feedstock manufacturers are also required to apply for the relevant production permits from the provincial offices of the Ministry of Agriculture of the PRC. In addition, manufacturers engaged in the production of feed additives are required to apply to the Ministry of Agriculture for the production permit for feed additives manufacturing, which is granted under a stricter set of quality, safety and usage requirements.

RISKS RELATING TO THE BUSINESS OF THE GROUP

Set out below are the operational and market risks which may be faced by the Group:

(a) Potential adverse impact of the outbreak of any severe contagious diseases in the PRC, if uncontrolled, on the Group's results of operations

The outbreak of any severe contagious disease in the PRC, if uncontrolled, could adversely affect the business sentiments and environment of the livestock industry in the PRC, which in turn may lead to slower growth of the PRC feedstock industry. The spread of any severe communicable disease in the PRC may also affect the operations of the Group's customers (swine breeder and farmers). At the current stage, all of the Group's sales are derived from the domestic market of the PRC, any contraction or slowdown in the growth of the PRC livestock industry will adversely affect the Group's financial condition, results of operations and future business expansion.

In addition, if any of our employees or key management members is infected or affected by any severe communicable diseases outbreak during their contacts with the breeders and livestocks, it could adversely affect or disrupt the Group's feedstock business operations.

(b) Reliance on key personnel

The future success of the Group depends upon the continuing service of the senior management people, who have many years of ample experience in the feedstock and related products industry. Their talent, effort, experience and leadership are critical to the success of the Group's business. There is no assurance that the Group will be able to retain the proposed key executives or attract additional qualified personnel in the future.

(c) Reliance on close relationship with the Group's customers

The success of the Group relies heavily on good relationship with its customers. Short-term customers have no obligations to purchase products exclusively from Dongyu and there is no guarantee that the long-term customers will renew their long-term contracts with the Group after expiry of such long-term contracts. If the Group fails to maintain the current level of business relationship with its customers and retain them in its sales and distribution network, the sales, financial condition and operating results of the Group may be adversely affected.

(d) Change in requirements for feedstock products

The success of Group's feedstock business depends on, to a large extent, the formulae and the quality products that appeal to the mass market. However, regulations regulating the ingredients of feedstock products may change over time. If the Group is unable to source or the JV Company is unable to successfully develop products according to the changes in regulations or customers' preference, the demand for the feedstock products of the Group may decrease.

(e) Dependence of the Group's revenue on the PRC market

The Group feedstock business operation at present primarily focuses on the Fujian Province. The PRC is currently the Group's sole market for its feedstock products and its feedstock products have not been exported to other overseas markets. There is no assurance that the domestic market gap between supply and demand in the industry and the local demand for the Group's feedstock products will sustain, or that the Group can successfully expand its market to other provinces, or even overseas markets. In the event that local or domestic demand for the Group's feedstock products decreases and the Group is not able to expand its business to other markets, the Group's business, financial condition and results operations may be adversely affected.

(f) The Group's feedstock business subject to the continued growth of the livestock farmers in the PRC

The Group mainly distributes its feedstock product to farms/farmers in the PRC. If the breeding industry of the PRC slows down, especially in the key regions or cities in which the Group's end users are located, the demand for the Group's feedstock products may decrease which will adversely affect the Group's business and financial performance.

(g) Potential adverse impact of the unfavourable weather conditions and natural and man-made disasters on the raw materials of the Group's feedstock products

Agricultural products such as corn, bran meal, soybean meal and wheat bran are the major raw material components of the Group's feedstock products. The harvest of such agricultural products may be adversely affected by natural disasters including, but not limited to, drought, floods, prolonged periods of rainfall, hailstorm, windstorms, typhoons and hurricanes, fire, diseases, landslides, insect infestation, pests, volcanic or earthquakes, as well as man-made disasters such as environmental pollution, arson, accidents, civil unrest or acts of terrorism. The occurrence of any of natural or man-made disasters may diminish the supply of raw materials used for the production of the Group's feedstock and thus may result in a significant increase of the Group's cost and has an adverse affect on the Group's profitability.

(h) Risks relating to conducting operations in the PRC

The financial results, business operations, financial positions and future prospects of the Group are subject to a significant degree to the economic, political and legal developments in the PRC. Any changes in the political and economic policies/ environments of the PRC (including, but not limited to, government policies, political instability, expropriation, laws, labour activism, war, civil unrest, terrorism, and changes in interest rates, foreign exchange rates, taxation, environmental regulations and import and export duties and restrictions) may adversely affect Group's business and results of operations as well as its ability to sustain its expansion strategies and thus future growth.

BACKGROUND AND FUTURE INTENTIONS OF THE INVESTOR

Background of the Investor

The Investor is an investment holding company incorporated in the BVI with limited liability. Mr. Li is the sole and beneficial shareholder of the Investor. Mr. Li, Mr. Liu and Ms. Su are the directors of the Investor. Please refer to the sub-section headed "Proposed appointment of Directors" for the biographical details of Mr. Li. The biographical details of Mr. Liu and Ms. Su are set out below.

Mr. Liu holds a bachelor degree from Tianjin University of Commerce. Mr. Liu has many years' experience in bio-pharmaceutical industry in the PRC. He was an administration and human resources manager of Frontier Biotechnologies Co., Ltd. and Chongqing Rickon Bio-Pharmaceuticals Co., Ltd., companies which mainly engaged in pharmaceutical research and development in the PRC.

Ms. Su currently is the general manager of Xiamen Fuxia Import and Export Company Limited, a vice-general manager of Xiamen Ruiyin Investment Company Limited. She was a vice-general manager of Xiamen Putou Feedstock Company Limited, a company mainly engaged in feedstock business in the PRC.

The Investor and its concert parties together with their respective associates have confirmed to the Company that they are independent third parties and not connected persons of the Company as defined under the GEM Listing Rules, and have not dealt in the securities of the Company during the Relevant Period. The Investor and its concert parties confirm that they will not deal in any securities of the Company before the completion of the Share Subscription and the CN Subscription. In order to meet the Public Float requirement under the GEM Listing Rules, the Investor will arrange the placing of 20,644,000 Subscription Shares to be effected immediately after Completion.

Future intention of the Investor

The Investor confirms that it has no intention to change the existing principal business of the Group or sell its controlling interest in the Company for the 24 months following the Resumption.

The investor further confirms that it has no intention to dispose of or re-deploy the assets of the Group other than in the ordinary course of the business of the Group, nor does it have any intention to inject its assets into the Group for the 24 months following the Resumption; and it will continue the employment of the existing employees of the Group.

Following the Completion, the Investor will conduct a further review on the business operations and financial position of the Group for the purpose of formulating appropriate business plans and strategies in order to enhance the long-term growth potential of the Group.

Proposed appointment of the Directors

Since the suspension of trading in the Shares on 28 October 2009, three executive Directors, one non-executive Director and two independent non-executive Directors have resigned. As at the Latest Practicable Date, the Board comprised two executive Directors, namely Mr. Wong and Ms. Wong. Upon Completion, the Investor proposes to appoint three executive Directors, one non-executive Director and three independent non-executive Directors to fill in the casual vacancy or as additions to the Board. None of the proposed Directors has intention to resign from the Board shortly after the Resumption. However, subject to approval by the Shareholders at the forthcoming EGM, the appointment of each proposed Director is subject to the re-election and retirement by rotation provisions under the articles of association of the Company. Further announcements will be made in relation to the appointment of new Directors.

The biographies of the persons nominated by the Investor are set out below:

Executive Directors:

Li Wing Chiu

Mr. Li, aged 46, holds a master degree and a doctor degree in world economics from Xiamen University. He has substantial experience in corporate development and investment. Mr. Li is currently the director of City Stylish (Hong Kong) Creative Industry Group Limited which is mainly engaged in media and modern agriculture industries investment. He was a director of Xiamen Heguan Company Limited and Longyan Longteng Mining Company Limited, companies which engaged in investment in mining and agriculture related businesses. Mr. Li was the Chairman of Xiamen Association of International Business Exchanges and an officer of Shenzhen Economic Exchange Centre.

Save for his proposed directorship with the Company, Mr. Li has not previously held and is not holding any other position with any of the Company or its subsidiaries. Mr. Li was an independent non-executive director of China Renji Medical Group Limited from 1 October 2008 to 17 December 2010. Save as disclosed, Mr. Li does not hold any other directorships in any listed public companies in the last three years.

Upon completion of the Restructuring Agreement, Mr. Li will be deemed to be interested in 240,000,000 New Shares under the SFO, representing approximately 78.48% of the issued share capital of the Company as enlarged by the Subscription Shares and the Creditors Shares. As the Investor may take up the Convertible Notes. Mr. Li is also accordingly deemed to be interested in the 110,000,000 Conversion Shares that may be allotted and issued upon exercise in full of the conversion rights attached to the Conversion Notes. Save as disclosed and that both he and Mr. Liu are directors of the Investor, Mr. Li does not have any relationship with any directors, senior management, substantial Shareholders or controlling Shareholders of the Company.

The appointment of Mr. Li will be subject to the re-election and retirement by rotation provisions under the articles of association of the Company. The remuneration of Mr. Li will be determined by the remuneration committee of the Company and the Board by reference to his duties and responsibilities with the Company.

Save as disclosed above, there is no other matters in relation to the appointment of Mr. Li that need to be brought to the attention of the Shareholders nor is there any information which is required to be disclosed pursuant to Rule 17.50(2)(h) to (v) of the GEM Listing Rules.

Mr. Wang Zhiming ("Mr. Z.M. Wang")

Mr. Z.M. Wang, aged 41, is an accountant in the PRC and graduated in 2007 from the Chief Financial Officer course in Xiamen University. From 1995 to 2001, Mr. Z.M. Wang worked for a state-owned food supply enterprise in Quanzhou, Fujiang Province. From 2002 to 2003, Mr. Z.M. Wang was working for Zhonglu (Fujian) Agriculture Development Company Limited*（中綠（福建）農業綜合開發有限公司）as a deputy finance manager. Mr. Z.M. Wang established Huixin Accounting Firm*（惠信代理記帳事務所）in 2003, which mainly is engaged in tax consultancy, financial consultancy and provision accounting education services. Mr. Z.M. Wang currently is the general manager of Dongyu.

Save for his proposed directorship with the Company and being the general manager of Dongyu, Mr. Z.M. Wang has not previously held and is not holding any other position with any of the Company or its subsidiaries. Mr. Z.M. Wang does not hold any other directorships in any listed public companies in the last three years.

Mr. Z.M. Wang does not have any interests in the Shares within the meaning of Part XV of the SFO. Mr. Z.M. Wang does not have any relationship with any directors, senior management, substantial Shareholders or controlling Shareholders of the Company.

The appointment of Mr. Z.M. Wang will be subject to the re-election and retirement by rotation provisions under the articles of association of the Company. The remuneration of Mr. Z.M. Wang will be determined by the remuneration committee of the Company and the Board by reference to his duties and responsibilities with the Company.

Save as disclosed above, there is no other matters in relation to the appointment of Mr. Z.M. Wang that need to be brought to the attention of the Shareholders nor is there any information which is required to be disclosed pursuant to Rule 17.50(2)(h) to (v) of the GEM Listing Rules.

Zhang Xiaobin ("Mr. Zhang")

Mr. Zhang, aged 34, graduated from Hua Qiao University with a bachelor degree in electric technology and has years' experience in corporate management. From September 2007 to July 2009, Mr. Zhang had worked for Xiamen Liuwei Bio-technology Company Limited*（廈門六維生物科技有限公司）as a deputy general manager. Xiamen Liuwei

Bio-technology Company Limited is mainly engaged in research and development, production and sales of feedstock and additive premix. Mr. Zhang currently is the deputy general manager of Dongyu.

Save for his proposed directorship with the Company and being the deputy general manager of Dongyu, Mr. Zhang has not previously held and is not holding any other position with any of the Company or its subsidiaries. Mr. Zhang does not hold any other directorships in any listed public companies in the last three years.

Mr. Zhang does not have any interests in the shares of the Company within the meaning of Part XV of the SFO. Mr. Zhang does not have any relationship with any Directors, senior management, substantial Shareholders or controlling Shareholders of the Company.

The appointment of Mr. Zhang will be subject to the re-election and retirement by rotation provisions under the articles of association of the Company. The remuneration of Mr. Zhang will be determined by the remuneration committee of the Company and the Board by reference to his duties and responsibilities with the Company.

Save as disclosed above, there is no other matters in relation to the appointment of Mr. Zhang that need to be brought to the attention of the Shareholders nor is there any information which is required to be disclosed pursuant to Rule 17.50(2)(h) to (v) of the GEM Listing Rules.

Non-executive Director

Qiao Long ("Mr. Qiao")

Mr. Qiao, aged 42, graduated from Lanzhou University and holds a EMBA degree from Cheung Kong Graduate School of Business. Mr. Qiao is the chairman of the board of Baotou Tianlong Water Industry Company Limited*（包頭市天龍水業有限公司）, a company engages in supply and sales of water for industrial and environmental uses. He is also working as the general manager for Baotou Tianlong Investment Company Limited*（包頭市天龍水業有限公司）, a company engages in investment in real property, roads, construction and highways.

Save for his proposed directorship with the Company, Mr. Qiao has not previously held and is not holding any other position with any of the Company or its subsidiaries. Mr. Qiao does not hold any other directorships in any listed public companies in the last three years.

Mr. Qiao does not have any interests in the Shares within the meaning of Part XV of the SFO. Mr. Qiao does not have any relationship with any Directors, senior management, substantial Shareholders or controlling Shareholders of the Company.

The appointment of Mr. Qiao will be subject to the re-election and retirement by rotation provisions under the articles of association of the Company. The remuneration of Mr. Qiao will be determined by the remuneration committee of the Company and the Board by reference to his duties and responsibilities with the Company.

Save as disclosed above, there is no other matters in relation to the appointment of Mr. Qiao that need to be brought to the attention of the Shareholders nor is there any information which is required to be disclosed pursuant to Rule 17.50(2)(h) to (v) of the GEM Listing Rules.

Independent non-executive Directors

Wong Yan Ki, Angel ("Ms. Y.K. Wong")

Ms. Y.K. Wong, aged 39, holds a bachelor degree from Xiamen University and a EMBA degree from Cheung Kong Graduate School of Business. Ms. Y.K. Wong is a full member of the Society of Registered Financial Planners, a fellow member of the Institute of Financial Accountants and a full member of the Singapore Institute of Directors. Ms. Y.K. Wong has worked as a senior accountant in one of the "big" four accountant firms and has worked with a number of companies. Since August 2009, she has been the non-executive director and chairwoman of Esmart Holdings Limited, a company listed on the Singapore Stock Exchange.

Save for her proposed directorship with the Company, Ms. Y.K. Wong has not previously held and is not holding any other position with any of the Company or its subsidiaries. Save as disclosed, Ms. Y.K. Wong does not hold any other directorships in any listed public companies in the last three years.

Ms. Y.K. Wong does not have any interests in the shares of the Company within the meaning of Part XV of the SFO. Ms. Y.K. Wong does not have any relationship with any directors, senior management, substantial Shareholders or controlling Shareholders of the Company.

The appointment of Ms. Y.K. Wong will be subject to the re-election and retirement by rotation provisions under the articles of association of the Company. The remuneration of Ms. Y.K. Wong will be determined by the remuneration committee of the Company and the Board by reference to her duties and responsibilities with the Company.

Save as disclosed above, there is no other matters in relation to the appointment of Ms. Y.K. Wong that need to be brought to the attention of the Shareholders nor is there any information which is required to be disclosed pursuant to Rule 17.50(2)(h) to (v) of the GEM Listing Rules.

Liao Aimin ("Ms. Liao")

Ms. Liao, aged 44, holds a bachelor degree in laws from Xinjiang University and a master degree in economic laws from Renmin University of China. She is currently a partner of Beijing Jing Wei Law Firm (Shenzhen Office). Ms. Liao has been a lawyer in the PRC for over 20 years focusing on mergers and acquisitions, corporate restructuring, intellectual property rights and various contentious matters. Ms. Liao was a member of the supervisory board and council of the Shenzhen Lawyers Association, Ms. Liao is a fellow member of the Shenzhen Arbitration Commission.

Save for her proposed directorship with the Company, Ms. Liao has not previously held and is not holding any other position with any of the Company or its subsidiaries. Save as disclosed, Ms. Liao does not hold any other directorships in any listed public companies in the last three years.

Ms. Liao does not have any interests in the shares of the Company within the meaning of Part XV of the SFO. Ms. Liao does not have any relationship with any Directors, senior management, substantial Shareholders or controlling Shareholders of the Company.

The appointment of Ms. Liao will be subject to the re-election and retirement by rotation provisions under the articles of association of the Company. The remuneration of Ms. Liao will be determined by the remuneration committee of the Company and the Board by reference to her duties and responsibilities with the Company.

Save as disclosed above, there is no other matters in relation to the appointment of Ms. Liao that need to be brought to the attention of the Shareholders nor is there any information which is required to be disclosed pursuant to Rule 17.50(2)(h) to (v) of the GEM Listing Rules.

Li Jingxing ("Mr. J.X. Li")

Mr. J.X. Li, aged 71, graduated from Tsinghua University. He is currently a council member of the Economic Technology Cooperation Committee of the Trans-Pacific Cooperation Committee. Mr. J.X. Li has 30 years' experience in management.

Save for his proposed directorship with the Company, Mr. J.X. Li has not previously held and is not holding any other position with any of the Company or its subsidiaries. Mr. J.X. Li does not hold any other directorships in any listed public companies in the last three years.

Mr. J.X. Li does not have any interests in the shares of the Company within the meaning of Part XV of the SFO. Mr. J.X. Li does not have any relationship with any Directors, senior management, substantial Shareholders or controlling Shareholders of the Company.

The appointment of Mr. J.X. Li will be subject to the re-election and retirement by rotation provisions under the articles of association of the Company. The remuneration of Mr. J.X. Li will be determined by the remuneration committee of the Company and the Board by reference to her duties and responsibilities with the Company.

Save as disclosed above, there is no other matters in relation to the appointment of Mr. J.X. Li that need to be brought to the attention of the Shareholders nor is there any information which is required to be disclosed pursuant to Rule 17.50(2)(h) to (v) of the GEM Listing Rules.

FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST 12 MONTHS

The Company did not carry out any rights issue, open offer or other issue of equity securities for fund raising purpose or otherwise within the past 12 months immediately prior to the Latest Practicable Date.

GENERAL

The EGM will be held to consider and, if thought fit, pass the resolutions to approve, among other things, (i) the Capital Restructuring; (ii) the Share Subscription; (iii) the CN Subscription; (iv) the Whitewash Waiver; (v) the Special Deals; and (vi) the transactions contemplated thereunder and all these resolutions shall be voted by way of poll.

As far as the Company is aware, a company known to be associated with Ms. Liu has submitted a bid to participate in the proposed restructuring of the Company, and through its financial advisers, entered into active negotiations with the Provisional Liquidators. The Company however declined that proposal. In addition, Ms. Liu was interested in approximately 31.94% of the issued share capital of the Company as at Latest Practicable Date and the Company has owed Ms. Liu approximately HK$587,000 for her services rendered in her capacity as an executive Director and chairman of the Company based on the available books and records of the Company. Further, Mr. Ang was interested in approximately 1.30% of the issued share capital of the Company as at the Latest Practicable Date based on the available books and records of the Company, in the event that the Scheme Administrators admitted the alleged claim of Mr. Ang, Mr. Ang's claim will also be settled under the Scheme. Under the Scheme, the indebtedness owed to Ms. Liu and alleged claims of Mr. Ang, which is subject to adjudication, will be settled partially by the Creditors Shares and partially by the Cash Settlement which will constitute the Special Deals. Thus, Ms. Liu and Mr. Ang and their respective associates and concert parties are considered interested parties to the proposed restructuring of the Company contemplated under the Restructuring Agreement and shall, therefore, not be eligible to vote on the relevant resolutions in relation to (i) the Share Subscription, (ii) the CN Subscription, (iii) the Whitewash Waiver, (iv) the Special Deals, and (v) the transactions contemplated thereunder at the EGM.

In addition, the Company has agreed to pay Ms. Wong and Mr. Wong, both of whom are Directors, the Directors' Remuneration, which is subject to the Resumption. As at the Latest Practicable Date, Ms. Wong was interested in 400,000,000 Shares, and Mr. Wong is the brother of Ms. Wong. As the payment of the Directors' Remuneration also constitutes special deals under Note 3 to Rule 25 of the Takeovers Code, it will be subject to the compliance with the requirements of Rule 25 of the Takeovers Code. Thus, Ms. Wong and Mr. Wong and their respective associates and concert parties are considered interested parties to the proposed restructuring of the Company contemplated under the Restructuring Agreement and shall, therefore, not be eligible to vote on the relevant resolutions in relation to (i) the Share Subscription, (ii) the CN Subscription, (iii) the Whitewash Waiver, (iv) the Special Deals, and (v) the transactions contemplated thereunder at the EGM.

Save for the above, to the best knowledge of the Directors and based on the available books and records of the Company, having made all reasonable enquiries, the Directors are not aware of any other Shareholders who are required to abstain from voting on the relevant resolutions at the EGM.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon, and deposit it with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the EGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person in the EGM or any adjournment of it if you so wish.

An announcement will be made by the Company after the EGM on the results of the EGM pursuant to Rule 17.47 (5) of the GEM Listing Rules.

DECISION LETTER AND CONTINUED SUSPENSION OF TRADING IN SHARES

Trading in the Shares on the GEM has been suspended since 28 October 2008. After considering the Resumption Proposal submitted by Asian Capital on behalf of the Company, the Stock Exchange issued the Decision Letter to the Company agreeing in principle that the trading in the Shares will be resumed if the Company fulfills the following Resumption Conditions by 30 April 2011:

(a) completion of the Share Subscription and the CN Subscription, the Scheme, the Capital Restructuring and the Group Reorganisation and other transactions under the Resumption Proposal;

(b) completion of formation of the JV Company to establish a manufacturing plant and commencement of production. The Company shall provide a letter by a corporation licensed by the SFC to advise on corporate finance confirming this condition has been fulfilled;

(c) inclusion in the circular a statement from Directors confirming working capital sufficiency for 12 months after Resumption and a comfort letter from the auditors/ financial adviser on the Directors' statement;

(d) inclusion in the circular 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 GEM Listing Rules;

(e) inclusion in the circular a pro forma balance sheet upon completion of the Resumption Proposal and a comfort letter from the auditors under Rule 7.31 of the GEM Listing

(f) publication of the circular relating to the Resumption Proposal in prospectus standard; and

(g) withdrawal of the Petition and discharge of the Provisional Liquidators.

As the Company had not been able to fulfill all Resumption Conditions set out in the Decision Letter by 30 April 2011, the Company has made an application to the Stock Exchange and the Stock Exchange has granted to the Company by a letter dated 24 May 2011 an additional 6 months to fulfill the Resumption Conditions, i.e., on or before 31 October 2011.

Further announcements will be made by the Company when and as appropriate to update the Shareholders and potential investors or any development of the Company.

RECOMMENDATIONS

The Board and the Independent Financial Adviser consider that the terms of the Restructuring Agreement, the Share Subscription, the CN Subscription, the Group Reorganisation, the Whitewash Waiver and the Special Deals are fair and reasonable and the entering into of the Restructuring Agreement and the respective transactions contemplated thereunder is in the interests of the Company and the Shareholders as a whole and recommend that the Independent Shareholders vote in favour of all the resolutions to be proposed at the EGM.

INDEPENDENT FINANCIAL ADVISER

Currently, the Company has no non-executive Directors and independent non-executive Directors. As such, no independent board committee could be formed to make recommendations to the Independent Shareholders in respect of voting on the resolutions to approve Restructuring Agreement, the Whitewash Waiver, the Special Deals and the transactions contemplated thereunder by way of a poll at the EGM.

Nevertheless, Ample Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Shareholders directly as to whether the terms and conditions of the Restructuring Agreement the Whitewash Waiver, the Special Deals and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and how the Independent Shareholders should vote in respect of the above.

Your attention is drawn to their letter of advice from the Independent Financial Adviser set out on page 72 to 96 of this circular.

Shareholders should note the despatch of this circular does not indicate that the Shares will resume trading and that the listing approval will be granted. The Shares may be delisted in the event that the Company fails to satisfy all the Resumption Conditions by 31 October 2011, being the deadline stipulated by the Stock Exchange. Shareholders and investors are advised to exercise caution when dealing in the Shares.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the letter from the Independent Financial Adviser, notice of EGM and the appendices to this circular.

By Order of the Board
CHINA MEDICAL AND BIO SCIENCE LIMITED
(Provisional Liquidators Appointed)
Wong Sai Wa
Executive Director

* *For identification purpose only*

The following is the letter of advice from the Independent Financial Adviser to the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.

Ample Capital Limited
Unit A, 14th Floor
Two Chinachem Plaza
135 Des Voeux Road Central
Hong Kong

2 September 2011

To the Independent Shareholders of
China Medical and Bio Science Limited
(provisional liquidators appointed)

Dear Sirs,

RESTRUCTURING OF CHINA MEDICAL AND BIO SCIENCE LIMITED (PROVISIONAL LIQUIDATORS APPOINTED) INVOLVING, INTER ALIA, PROPOSED CAPITAL RESTRUCTURING, CREDITORS' SCHEME OF ARRANGEMENT IN ACCORDANCE WITH SECTION 166 OF THE COMPANIES ORDINANCE AND SECTION 86 OF THE CAYMAN COMPANIES LAW, SUBSCRIPTION OF SUBSCRIPTION SHARES AND CONVERTIBLE NOTES, APPLICATION FOR THE WHITEWASH WAIVER, CONSENT TO THE SPECIAL DEALS AND CHANGE IN BOARD LOT SIZE

INTRODUCTION

We refer to our engagement by the Company to advise the Independent Shareholders in respect of the Restructuring Agreement, the Whitewash Waiver and the Special Deals (collectively the "**Transactions**"), the particulars of which have been set out in a circular to the Shareholders dated 2 September 2011 (the "**Circular**") and in which this letter is reproduced. Unless the context requires otherwise, terms used in this letter shall have the same meanings as given to them in the Circular.

Ample Capital Limited has been appointed as the Independent Financial Adviser to the Independent Shareholders to give our recommendations as to whether the terms of the Transactions are fair and reasonable and advise the Independent Shareholders on how to vote at the EGM. Details of the reasons for the Transactions are set out in the section headed "Letter from the Board" in the Circular (the "**Board Letter**").

It is stated in the Board Letter that on 29 April 2011, after arm's length negotiations, the Company, the Provisional Liquidators, the Investor and the Guarantor entered into the Restructuring Agreement (as supplemented by the Supplemental Restructuring Agreements) in relation to, among others, the Capital Restructuring, the Share Subscription, the CN Subscription, the Scheme and the Group Reorganisation.

The Investor and its concert parties and those who are interested in and/or involved in the Share Subscription and/or the CN Subscription and/or the Whitewash Waiver and/or the Special Deals and transactions contemplated thereunder, will abstain from voting on the resolutions approving (i) the Share Subscription, (ii) the CN Subscription, (iii) the Whitewash Waiver, (iv) the Special Deals, and (v) transactions contemplated thereunder. Mr. Ang, Ms. Liu, Ms. Wong, and Mr. Wong and their respective associates and concert parties are considered interested parties to the proposed restructuring of the Company contemplated under the Restructuring Agreement and shall, therefore, not to be eligible to vote on the resolutions in relation to (i) the Share Subscription, (ii) the CN Subscription, (iii) the Whitewash Waiver, (iv) the Special Deals, and (v) the transactions contemplated thereunder at the EGM. Save as aforementioned, to the best knowledge of the Directors, based on the available books and records of the Company and having made all reasonable enquiries, the Directors are not aware of any other Shareholders who are required to abstain from voting on the relevant resolutions at the EGM.

Currently, the Company has no non-executive Directors and independent non-executive Directors. As such, no independent board committee could be formed to make recommendations to the Independent Shareholders in respect of voting on the resolutions to approve Restructuring Agreement, the Whitewash Waiver, the Special Deals and the transactions contemplated thereunder by way of a poll at the EGM.

Nevertheless, Ample Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Shareholders directly as to whether the terms and conditions of the Restructuring Agreement the Whitewash Waiver, the Special Deals and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and how the Independent Shareholders should vote in respect of the above.

BASIS OF ADVICE

In formulating our opinions and recommendations, we have relied on the information supplied to us by the Provisional Liquidators and the Company, the opinions expressed by, and the representations of the Directors, including those set out in the Circular. We have no reason to doubt the truth, accuracy and completeness of the information and presentation provided to us by the Directors and the Provisional Liquidators. We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion. The Directors and the Provisional Liquidators have confirmed that, to the best of their knowledge, they believe that no material fact or information has been omitted from the information supplied and that the representations made or opinions expressed have been arrived at after due and careful consideration and there are no other facts or representations the omission of which would make any statement in the Circular, including this letter, misleading.

While we have taken reasonable steps to satisfy the requirements under the GEM Listing Rules and the Takeovers Code, we have not carried out any independent verification of the information, opinions or representations given or made by or on behalf of the Company, nor have we conducted an independent investigation into the business affairs or assets and liabilities of the Group or any of the other parties involved in the Transactions.

In the event of inconsistency, the English text of this letter shall prevail over the Chinese translation of this letter.

PRINCIPAL FACTORS CONSIDERED

In arriving at our opinion in the Transactions, we have taken into consideration the following factors:

1. Background information on the Group

Since January 2007, the Group's business shifted to include development and provision of feedstock products. It is stated in the Company's annual report for the year ended 31 July 2010 (the "**Annual Report**") that on 13 May 2008, a winding-up petition was presented and filed in the High Court of 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 the Provisional Liquidators as the joint and several provisional liquidators of the Company.

As per the Board Letter, trading in the Shares on the GEM has been suspended since 28 October 2008. After considering the Resumption Proposal submitted by Asian Capital on behalf of the Company, the Stock Exchange issued the Decision Letter to the Company agreeing in principal that the trading in the Shares will be resumed if the Company fulfills certain conditions by 30 April 2011. As the Company had not been able to fulfill all Resumption Conditions set out in the Decision Letter by 30 April 2011, the Company has made an application to the Stock Exchange and the Stock Exchange has granted to the Company by a letter dated 24 May 2011 an additional 6 months to fulfill the Resumption Conditions, i.e. on or before 31 October 2011.

Certain summary financial information of the Group as extracted from the Annual Report is set out below.

	Year ended 31 July	
	2010	**2009**
	HK$'000	*HK$'000*
Revenue	35,285	1,965
Profit / (loss)	200	(97,643)
Total assets (as at period end)	11,626	13,052
Total liabilities (as at period end)	172,871	173,644
Net liabilities (as at period end)	161,245	160,592
Cash and bank balances (as at period end)	4,218	1,656

We note from the Annual Report that the Company's auditors have given a "*disclaimer of opinion: disclaimer on view given by consolidated financial statements*" and stated, among other things, "*However, in view of the extent of the material uncertainty relating to the completion of the implementation of the restructuring proposal, we disclaim our opinion in respect of the material uncertainty relating to the going concern basis.*" Please refer to the section headed "Audit Qualifications" in the Board Letter for further information. As explained in the Annual Report, the turnover of the Group for the year ended 31 July 2010 increased substantially by approximately 17 times to approximately HK$35,285,000, as compared with the turnover of approximately HK$1,965,000 recorded in the previous year. In addition, the Company turned around from a loss position of approximately HK$97,643,000 recorded in the previous year to a net profit after tax attributable to the Company's shareholders for the year ended 31 July 2010 of approximately HK$200,000. The turnaround was mainly due to the substantial increment in the Group's revenue resulting from the successful expansion of the Group's feedstock distribution business in the PRC, the gain from deconsolidation of subsidiaries and the reduction in finance costs and administrative expenses.

We also set out certain summary unaudited financial information of the Group as extracted from the Company's third quarterly report for the nine months ended 30 April 2011 (the "**Third Quarterly Report**") below.

	Nine months ended 30 April	
	2011	**2010**
	HK$'000	*HK$'000*
	(unaudited)	*(unaudited)*
Revenue	65,266	19,475
Profit attributable to owners of the Company	50,628	912

As per the Third Quarterly Report, the Group recorded a turnover of approximately HK$65,266,000 for the nine months ended 30 April 2011, representing an increase of approximately 2.35 times compared to approximately HK$19,475,000 recorded in the preceding year. During the same period, the Group recorded a net profit after tax attributable to the Company's owners of approximately HK$50,628,000 (nine months ended 30 April 2010: profit of approximately HK$912,000). The increases in the revenue and the net profit attributable to the Company's owners were mainly due to the continuous expansion of the Group's feedstock distribution business, the substantial gain from deconsolidation of subsidiaries, which were partially offset by the impairment to amount due from deconsolidated subsidiaries. We note from the Third Quarterly Report that gain from deconsolidation of subsidiaries and the impairment to amount due from deconsolidated subsidiaries during the nine months ended 30 April 2011 amounted to approximately HK$120,994,000 and HK$73,257,000 respectively. The resultant net gain recorded, which is of a non-recurrent nature, is approximately HK$47,737,000 and represents approximately 94.29% of the profit attributable to owners of the Company of approximately HK$50,628,000 recorded during the nine months ended 30 April 2011.

2. Reasons for the entering into of the Restructuring Agreement

As stated in the Board Letter, trading in the Shares has been suspended since 28 October 2008, and the Company submitted the Resumption Proposal to the Stock Exchange with the aim to seeking the resumption of trading in the Shares on the GEM. As announced on 27 July 2010, the Stock Exchange informed the Company by way of the Decision Letter that if the Company fulfills the conditions as set out in the Decision Letter by 30 April 2011, the trading in the Shares would be resumed.

However, as mentioned in the section headed "Working Capital Facility" in the Board Letter, the Provisional Liquidators and the Former Investor had not been able to enter into a restructuring agreement. The exclusivity period provided in the Exclusivity Agreement had lapsed pursuant to the terms of the Exclusivity Agreement and the Original Working Capital Facility has become due and payable. Mr. Li was one of the ultimate beneficial owners of the Former Investor and was also proposed by the Former Investor to be one of the directors of the Company upon completion of the proposed restructuring of the Company. Mr. Li has been closely involved in the proposed restructuring of the Company and he has assisted the Provisional Liquidators in the formulation and implementation of the business plan in the Resumption Proposal. He has also been actively participating in the resurrection and continuance of the Group's business operations. As set out in the section headed "Background and future intentions of the Investor" in the Board Letter, Mr. Li is one of the directors and the sole and beneficial owner of the Investor. Following the expiry of the Exclusivity Agreement, the Investor expressed its interest in taking up the role as an investor and to continue the proposed restructuring of the Company and to fulfill the Resumption Conditions. It is willing to provide the necessary funds to repay the Original Working Capital Facility and assist the Company to obtain a release of the Original Debenture. In addition, the Investor is also willing to continue with the proposed restructuring of the Company by implementing the Resumption Proposal at not less favorable terms to the stakeholders than those offered by the Former Investor. On 29 April 2011, after arm's length negotiations, the Company, the Provisional Liquidators, the Investor and Mr. Li as the Guarantor entered into the Restructuring Agreement. On 24 May 2011, the Stock Exchange has granted extension of time for fulfilling the Resumption Conditions to 31 October 2011.

Given the financial situation of the Group and the willingness of the Investor to restructure the Group, the Provisional Liquidators and the Directors consider that the entering into the Restructuring Agreement is to fulfill one of the Resumption Conditions, and it is in the interests of the Company and the Shareholders as a whole to issue the Creditors Shares and the payment of Cash Settlement in order to discharge all liabilities of and claims against the Company under the Scheme, and at the same time to raise funds by means of the issue of the Subscription Shares and the Convertible Notes. The Share Subscription and the CN Subscription will introduce new investors to the Company, strengthen the financial position of the Group and discharge the indebtedness of the Company. It will also provide the Group with new funds to enhance its existing business operations and flexibility to make investments in new acquisitions or business ventures when suitable opportunities arise in the future.

Having considered the factors, above, the Directors, the proposed Directors, the Investor and the Provisional Liquidators consider that the terms of the Capital Restructuring, the Share Subscription and the issue of the Convertible Notes are on normal commercial terms and they are fair and reasonable to the Company and are in the interest of the Company and the Shareholders as a whole.

Your attention is drawn to the section headed "Decision Letter and continued suspension of trading in the Shares" in the Board Letter. As stated therein, the Resumption is conditional upon a number of Resumption Conditions that the Company has yet to fulfill. The Independent Shareholders should note that the despatch of the Circular does not imply or otherwise indicate whether Resumption will / will not take place.

3. Capital Restructuring

It is stated in the Board Letter that as at the Latest Practicable Date, the existing authorized share capital of the Company was HK$150,000,000, divided into 3,000,000,000 Shares of HK$0.05 each, of which 1,352,400,000 Shares were issued and credited as fully paid up, in the amount of HK$67,620,000.

Under the Restructuring Agreement, it is proposed that the Capital Restructuring will be put forward to the Shareholders for the approval at the EGM. The Capital Restructuring will involve, among others, the Capital Reduction, the Capital Cancellation, the Share Consolidation, the increase in the authorized share capital of the Company and the Share Premium Reduction. Your attention is drawn to the sub-sections headed "Capital Restructuring", "Effects of the Capital Restructuring" and "Reasons for the Capital Restructuring" in the Board Letter for further information regarding the Capital Restructuring.

We note from the Board Letter that the Capital Restructuring is a condition precedent to the Restructuring Agreement and one of the Resumption Conditions to the Decision Letter. In other words, the Capital Restructuring must be implemented if the transactions contemplated under the Restructuring Agreement and the Resumption were to take place. We also note that pursuant to the Share Premium Reduction, the entire amount standing to the credit of the share premium of the Company as at Completion, which amounted to approximately HK$101,086,000 as at 31 July 2010, will be reduced and applied to set off the accumulated losses of the Company which amounted to approximately HK$403,581,000 as at 31 July 2010, or in a manner otherwise permitted by the Cayman Companies Law and other applicable laws.

Having considered the above, we are of the view that the Capital Restructuring and the amounts involved are fair and reasonable

4. The Share Subscription and the CN Subscription

4.1 The Share Subscription

It is stated in the Board Letter that under the Restructuring Agreement, the Investor agreed to subscribe for and the Company agreed to issue and allot 240,000,000 Subscription Shares at the Subscription Price of HK$0.20 per Subscription Share for a total consideration of HK$48,000,000.

The Subscription Shares represent:

(a) approximately 17.75% of the existing issued share capital of the Company;

(b) approximately 709.85% of the issued share capital of the Company upon completion of the Capital Restructuring;

(c) approximately 87.65% of the issued share capital of the Company upon completion of the Capital Restructuring as enlarged by the issue of the Subscription Shares;

(d) approximately 78.48% of the issued share capital of the Company upon completion of the Capital Restructuring as enlarged by the issue of the Subscription Shares and the Creditors Shares; and

(e) approximately 57.72% of the issue share capital of the Company upon completion of the Capital Restructuring as enlarged by the issue of the Subscription Shares, the Creditors Shares and the Conversion Shares upon full conversion of the Convertible Notes.

4.2 The CN Subscription

It is stated in the Board Letter that under the Restructuring Agreement, the Investor agreed to procure independent third party(ies) to subscribe for (failing which the Investor will subscribe for) and the Company agreed to issue the Convertible Notes in the principal amount of HK$22,000,000 at face value.

The principal terms of the Convertible Notes are as follows:

Issuer:	The Company
Aggregate principal amount:	HK$22,000,000
Interest rate:	The Convertible Notes shall not bear any interest.
Maturity Date:	The Convertible Notes shall mature on the date falling three years from the date of issue of the Convertible Notes. All outstanding Convertible Notes will be redeemed on the Maturity Date at their outstanding principal amount.
Early Redemption:	Subject to mutual agreement by the parties, the Convertible Notes may be early redeemed at 100% of the outstanding of the outstanding principal amount of the Convertible Notes (in whole or in part) at any time and from time to time at the option of either party prior to the maturity date of the Convertible Notes with written notice. Early redemption at the face value of the Convertible Notes together with any accrued interest at the option of the holders of the Convertible Notes if: (1) there is a change of control (as defined in the Takeovers Code) of the Company after the date of Completion;

(2) the Company consolidates with or merges into or sells or transfers all or substantially all of its assets to any other person, unless the consolidation, merger, sale or transfer will not result in the other person or persons acquiring control over the Company or the successor entity; or

(3) the Shares of the Company cease to be listed or admitted to trading on GEM.

Conversion Price:	HK$0.20 per Conversion Share
Conversion Period:	The conversion period of the Convertible Notes shall commence from the later of the date on which a corporation licensed or an institution registered under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) to carry on type 6 regulated activity (advising on corporate finance) issues a letter to the Company confirming that the JV Company has established a manufacturing plant and commenced production of its products and the date of issue of the Convertible Notes and end on the Maturity Date, both dates inclusive.
Conversion Right:	During the Conversion Period, the outstanding principal amount of the Convertible Notes can be converted in whole or in part(s) of their outstanding principal amount into Conversion Shares at the Conversion Price.

Assuming full exercise of the conversion rights attached to the Convertible Notes, a total of 110,000,000 Conversion Shares will be allotted and issued by the Company, representing:

(a) approximately 8.13% of the existing issued share capital of the Company;

(b) approximately 325.35% of the issued share capital of the Company upon completion of the Capital Restructuring;

(c) approximately 40.17% of the issued share capital of the Company upon completion of the Capital Restructuring as enlarged by the issue of the Subscription Shares;

(d) approximately 35.97% of the issued share capital of the Company upon completion of the Capital Restructuring as enlarged by the issue of the Subscription Shares and the Creditors Shares; and

(e) approximately 26.45% of the issued share capital of the Company upon completion of the Capital Restructuring as enlarged by the issue of the Subscription Shares, the Creditors Shares and the Conversion Shares upon full conversion of the Convertible Notes.

4.3 The Subscription Price and the Conversion Price

The Subscription Price and the Conversion Price of HK$0.20 per share represents:

(a) a discount of approximately 89.58% to the theoretical closing price of HK$1.92 per share as adjusted for the effect of the Capital Restructuring based on the closing price of HK$0.048 per Share as quoted on the Stock Exchange on the Last Trading Day (i.e. 27 October 2008);

(b) a discount of approximately 89.58% to the average theoretical closing price of HK$1.92 per share as adjusted for the effect of the Capital Restructuring based on the average closing price of HK$0.048 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day;

(c) a discount of approximately 89.58% to the average theoretical closing price of HK$1.92 per share as adjusted for the effect of the Capital Restructuring based on the average closing price of HK$0.048 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day; and

(d) a premium of approximately HK$4.97 over the audited consolidated net liabilities per New Share of approximately HK$4.77 as at 31 July 2010 (based on the Company's audited consolidated net liabilities of approximately HK$161.25 million at 31 July 2010 and 33,810,000 New Shares in issue upon the Capital Restructuring becoming effective).

The Subscription Price and the Conversion Price were determined after arm's length negotiations between the Company and the Investor having regard to the fact that the Provisional Liquidators have been appointed and the long suspension of trading in the Shares on the GEM, the prospects of the business operations of the Group and the audited consolidated net liabilities per Share of approximately HK$0.12 as at 31 July 2010.

The Directors, the proposed Directors, the Investor and the Provisional Liquidators consider that the Subscription Price and the Conversion Price are fair and reasonable and the Share Subscription and the CN Subscription are in the interests of the Company and the Shareholders as a whole.

Since the underlying value of a company's shares is reflected by its net assets or liabilities per share, we are of the view that the Company's audited consolidated net liabilities per New Share of approximately HK$4.77 fairly reflects the underlying value per New Share, which can therefore be adopted as a comparative benchmark to the Subscription Price and the Conversion Price. Having noted that the Subscription Price and the Conversion Price of HK$0.20 per share represents a massive premium of approximately HK$4.97 to the Company's consolidated net liabilities per New Share of approximately HK$4.77, we have identified 2 Hong Kong listed companies engaged in similar business (the "**Industry Comparable(s)**") for an analysis to assess the fairness and reasonableness of the Subscription Price and the Conversion Price. We are not aware of the existence of an exhaustive list containing all of the Hong Kong listed companies engaged in similar business as the Company, and the Industry Comparables include all of the Hong Kong listed companies engaged in similar principal business as identified by us in our research on a best effort basis. We have adopted an analysis on the price-to-earnings ratio ("**P/E**") which is a commonly adopted benchmark in the valuation of companies. In our decision of adopting the analysis on the Industry Comparables, we have also considered the inclusion of an analysis on the subscription price and/or conversion price of other long suspended companies which have resumed trading on the Stock Exchange. But having considered that each of these resumed long suspended companies would have different circumstances including but not limited to industry, reason for long suspension, duration of long suspension, operating results, etc., we are of the view that the analysis on the Industry Comparables is more meaningful than an analysis of other resumed long suspended companies for the purpose of ascertaining the fairness and reasonableness of the Subscription Price and the Conversion Price. Our analysis on the Industry Comparables is set out below for your perusal.

Name of company (stock code)	**Principal business**	**Market capitalization/ valuation[1]**	**Net profit[2]**	**P/E**
		HK$'000	*HK$'000*	*times*
C. P. Pokphand Co. Ltd. (43)	Operation of feed mills for the production and sale of feed products, manufacture and sale of chlortetracyline products, motorcycles and automobile accessories and trading of machinery	15,587,349	1,036,152[3]	15.04
Great China Holdings Limited (141)	Trading of animal feed (including fishmeal and tapioca chips) and property investment	235,516	117,237	2.01
			Average:	*8.53*
The Company (8120)	**Development and provision of feedstock products**	**6,762**	**200**	**33.81**

Source: http://www.hkexnews.hk/

Notes:

1. For the Industry Comparables, the market capitalization was calculated based on their respective closing price per share on 29 April 2011, i.e. the date of the Restructuring Agreement. For the Company, its valuation was calculated based on the Subscription Price and Conversion Price of HK$0.20 per share and 33,810,000 New Shares in issue immediately after the Capital Reorganization.

2. The net profit attributable to shareholders is derived from the latest published annual report.

3. This figure was, for illustrative purpose only, converted at a rate of US$1 = HK$7.8.

As demonstrated by the analysis presented above, the P/E of the Industry Comparables depicts a low of approximately 2.01 times and a high of approximately 15.04 times, with the average figure being approximately 8.53

times. The P/E of the Company as calculated with reference to the Subscription Price and Conversion Price is approximately 33.81 times, a figure which is above the high end of the Industry Comparables' P/E and is significantly above the average P/E of the Industry Comparables, representing a premium of approximately 296.37% which illustrates that the valuation of the Company as represented by the Subscription Price and Conversion Price of HK$0.20 per share is significantly above the Company's industry peers.

4.4 Interest rate

We note that as at the Latest Practicable Date, the HK$ best lending rate of the Hongkong and Shanghai Banking Corporation Limited is 5% per annum (the "**Best Lending Rate**"). Since the Best Lending Rate represents the fair cost of capital at which companies may obtain bank loans, the nil interest of the Convertible Notes is favorable to the Company as it enables the Company to obtain debt capital at almost no cost (save for the costs associated with the issue of the Convertible Notes).

4.5 Other financing alternatives

In assessing the appropriateness of the Share Subscription and the CN Subscription, we have also compared them with other financing alternatives including bank borrowings and other types of equity financing such as rights issue or open offer.

As discussed in section 1 of this letter, the Company had net liabilities of approximately HK$161,245,000 as at 31 July 2010, and the Provisional Liquidators were appointed on 3 December 2008 following a winding-up petition presented and filed in the High Court of Hong Kong on 13 May 2008. Furthermore, the Company has turned around from a loss position of approximately HK$97,643,000 recorded in the year ended 31 July 2009 to a net profit after tax attributable to the Company's shareholders of approximately HK$200,000 during the year ended 31 July 2010. Having considered the aforementioned circumstances, it may be difficult for the Group to secure meaningful bank financing on terms that are favorable to the Group. Furthermore, any bank financing would inevitably incur recurring interest expenses over the entire term of the loan. As stated in section 4.4 above, the Best Lending Rate is 5% per annum as at the Latest Practicable Date. As such, in the unlikely event that bank financing can indeed be secured by the Group, the interest rate would be significantly higher than the nil interest of the Convertible Notes. Lastly, the principal amount of any bank financing would require repayment at the end of its term. The Convertible Notes on the other hand would not create any financial burden on the Company if it is converted in full.

For other forms of equity financing such as rights issue or open offer, many uncertainties appear to exist. For instance, Shareholders' reception of a rights issue or open offer, two fund raising exercises where participating Shareholders have to bear a financial burden, would be uncertain given with the pro-longed suspension of trading in the Shares on the GEM since 28 October 2008 and the current situation which the Company is in as previously discussed. Due to such circumstances, it may be difficult for the Group to secure underwriting arrangement for these other types of equity financing.

4.6 Conclusion regarding the Share Subscription and the CN Subscription

Having considered the aforementioned factors, we are of the view that the Share Subscription and the CN Subscription are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

5. The Scheme

The Board Letter states that as at the Latest Practicable Date, to the best knowledge of the Provisional Liquidators and based on the available books and records of the Company, it was estimated that the total amount of claims against the liabilities of the Company is approximately HK$134.4 million.

Pursuant to the Restructuring Agreement, it is proposed that the Scheme be implemented. Upon the Scheme becoming effective, the Company will (i) pay a sum of up to HK$13.16 million out of proceeds from the Share Subscription as the Cash Settlement (including the settlement of the Petition Costs, the Preferential Claims, the Issuance Costs and the cost of the Scheme); and (ii) issue a total of approximately 32,000,000 Creditors Shares, representing approximately 10.46% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares and the Creditors Shares, to settle all the Claims against and liabilities of the Company in accordance with the terms of the Scheme.

Under the Scheme, except for the Petition Costs and the Preferential Claims, no other Claims against the Company will receive any preferential treatments. All the Creditors with Claims admitted by the Scheme Administrators under the Scheme will receive their pro rata entitlement to the Cash Settlement (after the settlement of the Petition Costs, the Preferential Claims, the Issuance Costs and the costs of the Scheme) and the Creditors Shares based on their Claims admitted by the Scheme Administrators.

The Scheme which is subject to sanction of the Hong Kong Court and the Cayman Court shall become effective and legally binding on the Company and all the Creditors, including those voting against the Scheme and those not voting, if the requisite majority (representing more than 50% in number and not less than 75% in value of the claims of Creditors who, either in person or by proxy, attend the Scheme Meeting convened with the leave of the relevant court) vote in favour of the Scheme, which the relevant courts thereafter sanction and a copy of each of the relevant court orders sanctioning the Scheme is filed with the relevant companies registrars in Hong Kong and the Cayman Islands.

Upon the payment of the Cash Settlement and the issue of the Creditors Shares to the Scheme Administrators or their nominee(s) for the benefit of the Creditors under the Scheme, all the Claims against and liabilities of the Company (excluding the

Convertible Notes, the normal operating liabilities incurred during the ordinary course of business operations of the Group and the Directors' Remuneration) will be discharged and compromised in full.

The value relinquished by the Company in the implementation of the Scheme principally include (i) the Cash Settlement of up to HK$13.16 million (subject to costs and expenses); and (ii) the 32,000,000 Creditor Shares, the estimated value of which is approximately HK$61,440,000 (if valued at the theoretical closing price of HK$1.92 per share as adjusted for the effect of the Capital Restructuring based on the closing price of HK$0.048 per Share as quoted on the Stock Exchange on the Last Trading Day). Should we add these two monetary values together, the aggregate value relinquished by the Company in the implementation of the Schemes would be approximately HK$74.60 million (the "**Relinquished Value**"). We note that the Last Trading Day was 27 October 2008 which was approximately 2 years and 10 months ago from the Latest Practicable Date, and the then theoretical closing price per New Share may not fairly reflect the New Share's present value. We note that the Company suffered various negative developments from the Last Trading Date up to the Latest Practicable Date such as (i) trading in the Shares on the GEM entered into pro-longed suspension; and (ii) the Company had unaudited consolidated net assets of approximately HK$84,838,000 as at 31 January 2008 (derived from the Company's interim report for the six months ended 31 January 2008 which was then the most recently published net assets of the Company prior to the Last Trading Day) which subsequently deteriorated to consolidated net liabilities of approximately HK$161,245,000 as at 31 July 2010. In addition, we note that the Subscription Price and the Conversion Price which represent more recent valuation of the Company arrived at after arm's length negotiations between the Company and the Investor is only HK$0.20 per New Share. Having considered the above, we believe that any reasonable adjustment to the theoretical price per New Share of HK$1.92 would only be a downward one, therefore making the Relinquished Value an inflated one. As the Scheme would only be considered to be fair and reasonable if the Claims match or exceed the Relinquished Value, an inflated Relinquished Value would only make it a higher benchmark for the Claims to match.

Since the amount of Claims in the amount of approximately HK$134.4 million which would be discharged and compromised in full pursuant to the Scheme is substantially higher than the Relinquished Value, we consider that the Scheme is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

6. Whitewash Waiver

As stated in the Board Letter, immediately upon completion of the Share Subscription, the Investor and its concert parties will hold 240,000,000 New Shares, representing:

(a) approximately 87.65% of the issued share capital of the Company after the Capital Restructuring as enlarged by the issue of the Subscription Shares;

(b) approximately 78.48% of the issued share capital of the Company after the Capital Restructuring as enlarged by the issue of the Subscription Shares and the Creditors Shares; and

(c) approximately 57.72% of the issued share capital of the Company after the Capital Restructuring as enlarged by the issue of the Subscription Shares, the Creditors Shares and the Conversion Shares upon full conversion of the Convertible Notes.

Pursuant to Rule 26 of the Takeovers Code, the Investor and its concert parties would trigger and obligation to make a mandatory general offer for all the securities of the Company other than those already owned or agreed to be acquired by the Investor and its concert parties. In this respect, the Investor has made an application to the Executive under the Takeovers Code for, and the Executive has indicated that it will grant the Whitewash Waiver, subject to, among other things, its approval by the Independent Shareholders who are not interested or involved in (i) the Share Subscription, (ii) the CN Subscription, (iii) the Whitewash Waiver, (iv) the Special Deals, and (v) transactions contemplated thereunder, at the EGM by way of poll.

As the shareholding of the Investor exceeds 50% of the issued share capital of the Company following the completion of the Share Subscription, the investor may increase its shareholding in the Company without incurring any further obligation to make a general offer under the Takeovers Code.

The Investor and its concert parties and those who are interested in and/or involved in the Share Subscription and/or the CN Subscription and/or the Whitewash Waiver and/or the Special Deals will abstain from voting on the resolutions approving (i) the Share Subscription, (ii) the CN Subscription, (iii) the Whitewash Waiver, (iv) the Special Deals, and (v) transactions contemplated thereunder.

We note from the Board Letter that Completion is conditional upon, amongst others, (i) the approval of the Whitewash Waiver by the Independent Shareholders; and (ii) the granting of the Whitewash Waiver by the Executive. Furthermore, we note from the Board Letter that subject to production of satisfactory evidence that the Investor has sufficient financial resources to make a general offer for all the Shares or New Shares (as the case may be) pursuant to the Takeovers Code, the Investor shall have the right to waive the Conditions Precedent in relation to the obtaining of the Whitewash Waiver. In the absence of such evidence on the Investor's financial resources and in the event that the Whitewash Waiver is not granted by the Executive, the Conditions Precedent cannot be fulfilled (or validly waived) in full and Completion will not take place. Under such circumstance, the transactions contemplated under the Restructuring Agreement cannot proceed which would also have a detrimental effect on the implementation of the Scheme and the Resumption Proposal.

Having considered the above, we are of the view that the approval of the Whitewash Waiver by the Independent Shareholders, which is a Conditions Precedent, is in the interest of the Company and the Shareholders as a whole as it would allow the Restructuring Agreement and the transactions contemplated thereunder to proceed as proposed.

7. Special Deals

7.1 Settlement of indebtedness owed to Ms. Liu and Mr. Ang pursuant to the Scheme

As per the Board Letter, Ms. Liu, a former executive director and chairman of the Company, was interested in approximately 31.94% of the issued share capital of the Company through JBC Bio Technology Limited as at the Latest Practicable Date. Based on the audited financial information of the Company' for the year ended 31 July 2010, the Company owes Ms. Liu approximately HK$587,000 (the "**Ms. Liu Claim**") for her services rendered in her capacity as an executive director and chairman of the Company. As at the Latest Practicable Date, Ms. Liu has not submitted her notice of claim to the Provisional Liquidators. The indebtedness owed by the Company to Ms. Liu will be settled under the Scheme subject to adjudication.

In September 2009, the Company and another defendant were purportedly served with a writ of summons (without leave of Hong Kong Court) by Mr. Ang as a plaintiff who purportedly has a claim against the Company and another defendant for loss and damage suffered by him in the sum of approximately HK$10,335,000 together with interest and cost (the "**Mr. Ang Claim**"). Based on the information available to the Provisional Liquidators, Mr. Ang is interested in 17,532,000 Shares, representing approximately 1.30% of the existing issued share capital of the Company as at the Latest Practicable Date. In the event that such claim against the Company is admitted by the Scheme Administrators, it will also be settled under the Scheme.

Under the Scheme, the indebtedness owed to Ms. Liu and the claim alleged by Mr. Ang, if so admitted under the Scheme, will be settled partially by the Creditors Shares and partially by the Cash Settlement which will be funded by the proceeds from the Share Subscription. Subject to adjudication and adjustment, it is estimated that approximately 139,801 Creditors Shares with the amount of approximately HK$45,553 as the Cash Settlement and approximately 2,460,904 Creditors Shares with the amount of HK$801,870 as the Cash Settlement will be issued and paid by the Company to Ms. Liu and Mr. Ang respectively under the Scheme. The settlement with Ms. Liu and Mr. Ang under the Scheme will constitute the Special Deals under Note 5 to Rule 25 of the Takeovers Code and shall subject to, among others, the compliance with the requirements of the Takeovers Code.

As advised by the Company, the amount of the Ms. Liu Claim is based on the amount of indebtedness due by the Company as shown in its books and records. With regards to the Mr. Ang Claim, we have been advised by the Company that this claim is disputed by the Company and further information is set out under note 31(b) to the Annual Report. We have been further advised that the Mr. Ang Claim is subject to the notice of claim filed by Mr. Ang and the adjudication process by the Scheme Administrators (to be sanctioned by the Hong Kong Court) under the Scheme.

We set out below the estimated monetary value of settlements to Ms. Liu and Mr. Ang calculated on the basis of HK$1.92 per Creditors Share (i.e. the theoretical closing price per New Share as adjusted for the effect of the Capital Restructuring based on the closing price of HK$0.048 per Share as quoted on the Stock Exchange on the Last Trading Day). As mentioned in section 5 of this letter, the then theoretical closing price per New Share may not fairly reflect the New Share's present value, therefore inflating the Ms. Liu Settlement and the Mr. Ang Settlement (as defined below). But applying the same reasoning, the proposed settlement of the indebtedness owed to Ms. Liu and the alleged claims of Mr. Ang under the Scheme would only be considered to be fair and reasonable if the Ms. Liu Claim and the Mr. Ang Claim match or exceed the Ms. Liu Settlement and Mr. Ang Settlement (as defined below). Accordingly, the inflated Ms. Liu Settlement and Mr. Ang Settlement (as defined below) represent higher benchmarks for the Ms. Liu Claim and Mr. Ang Claim to match respectively.

*Estimated monetary value of settlement to Ms. Liu (the "**Ms. Liu Settlement**")*

	HK$
139,801 Creditors Shares	268,418
Cash Settlement	45,553
Total	313,971

*Estimated monetary value of settlement to Mr. Ang (the "**Mr. Ang Settlement**")*

	HK$
2,460,904 Creditors Shares	4,724,936
Cash Settlement	801,870
Total	5,526,806

As illustrated above, (i) the Ms. Liu Settlement of HK$313,971 represents an approximately 46.51% discount to the Ms. Liu Claim of approximately HK$587,000; and (ii) the Mr. Ang Settlement of HK$5,526,806 represents an approximately 46.52% discount to the Mr. Ang Claim of approximately HK$10,335,000. Having considered the above, we are of the view that the settlement of the indebtedness owed to Ms. Liu and Mr. Ang pursuant to the Scheme (the admittance of which is subject to the notice of claim filed by Mr. Ang and the adjudication process by the Scheme Administrators), which constitutes the Special Deals under Note 5 to Rule 25 of the Takeovers Code, is fair and reasonable.

7.2 The Directors' Remuneration

It is stated in the Board Letter that the Company has agreed to pay Ms. Wong and Mr. Wong, both of whom are Directors, director's remuneration of HK$20,000 and HK$150,000 per month respectively. The monthly Directors' Remuneration was arrived at after discussions with each of Ms. Wong and Mr. Wong and with reference to their remuneration prior to the appointment of the Provisional Liquidators. Payments of remuneration to Ms. Wong and Mr. Wong have been suspended following appointment of the Provisional Liquidators. The Directors' Remuneration has been accrued since 1 August 2010, and it is agreed that the settlement of which is subject to the Resumption. The Directors' Remuneration incurred by the Company for services provided to the Company by each of Ms. Wong and Mr. Wong as Directors during the course of the proposed restructuring have been charged and shall be settled as operating expenses of the Company, and therefore will not be settled under the Scheme. As Directors, Ms. Wong and Mr. Wong have involved in, among others, the reviewing and signing of the Company's financial reports, deliberating matters at the meetings of the Board, etc.. To maintain continuity in the operations of the Group and to strengthen the management of the Group, the Investor proposes that Ms. Wong and Mr. Wong will remain as Directors and continue to serve on the Board after the Resumption and Ms. Wong and Mr. Wong will be remunerated at their respective rate following the Resumption but subject to review. As at the Latest Practicable Date, Ms. Wong was interested in 400,000,000 Shares, representing approximately 29.58% of the existing issued share capital of the Company, and Mr. Wong is the brother of Ms. Wong. As the payment of the accrued portion of the Directors' Remuneration up to the Completion is subject to Resumption, which in turn is subject to the completion of the proposed restructuring of the Company, and Ms. Wong and Mr. Wong will continue to be financially involved as Directors in the management of the Group following the Resumption, the payment of the Directors' Remuneration also constitutes the Special Deals under Note 3 to Rule 25 of the Takeovers Code, it will be subject to the compliance with the requirements of Rule 25 of the Takeovers Code.

We note from the "Corporate Governance Report" set out in the Annual Report that the Company has not established a remuneration committee to review the Directors' remuneration policy and other remuneration related matters. Accordingly, it appears that the Directors' Remuneration has not been reviewed by a remuneration committee since no such committee exists in the Company. As previously discussed, the Provisional Liquidators were appointed on 3 December 2008, i.e. during the year ended 31 July 2009. Set out below is a table illustrating the aggregate emoluments paid to Mr. Wong and Ms. Wong for each of the 3 years ended 31 July 2008, 2009 and 2010 as extracted from note 12 to the Company's annual report for the year ended 31 July 2008 and note 11 to the Annual Report.

	Year ended 31 July		
	2008	**2009**	**2010**
	HK$	*HK$*	*HK$*
Mr. Wong			
– on an annual basis	2,080,000	300,000	–
– on a monthly basis	173,333	25,000	–
Ms. Wong			
– on an annual basis	309,000	40,000	–
– on a monthly basis	25,750	3,333	–

In view that Mr. Wong and Ms. Wong received nil remuneration during the year ended 31 July 2010, we consider it appropriate to adjust the Directors' Remuneration (the "**Adjusted Directors' Remuneration**") on the assumptions that (i) Mr. Wong and Ms. Wong would receive the Directors' Remuneration during the 15-month period which commenced on 1 August 2010 and ending on 31 October 2011 (i.e. the extended deadline for fulfillment of the Resumption Conditions); (ii) Mr. Wong and Ms. Wong would receive aggregate Directors' Remuneration of HK$2,250,000 and HK$300,000 respectively during the aforementioned 15-month period; and (iii) to compensate for nil remuneration received during the year ended 31 July 2010, this period should be included for the purpose of calculating the Adjusted Directors' Remuneration therefore making the relevant period 27 months. The calculation for the Adjusted Directors' Remuneration is set out below.

	Actual received in the year ended 31 July 2010	**Actual receivable in the year ended 31 July 2011**	**Actual receivable in the three months ending 31 October 2011**	**Total receivable during the 27-month period**	**Adjusted Directors' Remuneration (on a monthly basis)**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Mr. Wong	–	1,800,000	450,000	2,250,000	83,333
Ms. Wong	–	240,000	60,000	300,000	11,111

As illustrated above, the Adjusted Directors' Remuneration for Mr. Wong and Ms. Wong are approximately HK$83,333 and HK$11,111 respectively per month. We understand that the monthly Directors' Remuneration was arrived at after discussions with each of Ms. Wong and Mr. Wong and with reference to their remuneration prior to the appointment of the Provisional Liquidators i.e. 3

December 2008 which should be reflected more exactly by the remuneration level for the year ended 31 July 2008. We note that the Adjusted Directors' Remuneration represents discounts of approximately 51.92% and 56.85% to Mr. Wong and Ms. Wong's monthly remuneration for the year ended 31 July 2008 respectively.

Regarding the performance of Mr. Wong and Ms. Wong as executive Directors and their contribution to the result of the Group, we note that (i) as per the Third Quarterly Report, the Company's turnover for the nine months ended 30 April 2011 was approximately HK$65,266,000 (which translates into HK$87,021,000 on an annualized basis) shows a remarkable improvement over the Company's turnover of approximately HK$35,285,000 recorded during the year ended 31 July 2010; and (ii) the Company turned around a loss of approximately HK$97,643,000 recorded during the year ended 31 July 2009 into a profit of approximately HK$200,000 for the year ended 31 July 2010. In that connection, we believe it is in the interest of the Company and the Shareholders to pay the executive Directors a remuneration acceptable to the executive Directors so as to provide them with an appropriate level of incentive to continue the current momentum in improving the Company's financial performance.

As mentioned earlier, the Directors' Remuneration is payable to Ms. Wong and Mr. Wong up to the Resumption. Furthermore, Ms. Wong and Mr. Wong will remain as Directors and continue to serve on the Board after the Resumption and Ms. Wong and Mr. Wong will be remunerated at their respective rate following the Resumption but subject to review. Accordingly, any remuneration to be payable to Ms. Wong and Mr. Wong after the Resumption (the "**Post Resumption Remuneration**") is beyond the scope of the Directors' Remuneration. However, we understand that the Post Resumption Remuneration will be treated in the same manner as the other proposed Directors, i.e. determined after the Resumption by the remuneration committee of the Company (to be established) and the Board with reference to the proposed Directors' duties and responsibility within the Company.

Having considered the above factors, we are of the view that the Directors' Remuneration, which constitutes the Special Deals under Note 3 to Rule 25 of the Takeovers Code, is fair and reasonable.

8. Dilution to the shareholding of the existing Shareholders

Your attention is drawn to the section headed "Effect on the Shareholding Structure of the Company" set out in the Board Letter. We note that the shareholding of the existing public Shareholders would reduce from approximately 22.18% to approximately 1.80% upon completion of the Share Subscription, issue of Creditors Shares, Placing Down and full conversion of Convertible Notes, representing a substantial dilution of approximately 91.88%.

As discussed previously, winding-up petitions have been filed against the Company and the Provisional Liquidators were appointed on 3 December 2008. Furthermore, the Company had consolidated net liabilities of approximately HK$161,245,000 as at 31 July 2010. We believe that it is in the best interest of the existing Shareholders that the proposed restructuring of the Company, namely the Capital Restructuring, the Share Subscription, the CN Subscription, the Scheme, the issue of the Creditors Shares, etc., is implemented in its entirety so as to avoid the Company being wound-up, a situation where the Creditors would have precedence over the Shareholders in claims over the Company's assets. Furthermore, we note that in order for trading of the Shares to resume on the GEM, the Resumption Conditions set out in the Decision Letter which include (amongst others) completion of the Share Subscription, the CN Subscription, the Scheme, the Capital Restructuring and the Group Reorganization and other transactions under the Resumption Proposal, must be fulfilled. As advised by the Provisional Liquidators, the transactions contemplated under the Restructuring Agreement and the implementation of the Scheme make up the only viable plan as at the Latest Practicable Date that would fulfill the Resumption Conditions. With no other viable alternatives in place, we are of the view that the substantial dilution to the shareholding of the existing Shareholders could not have been less if the Resumption were to take place.

We note that the transactions contemplated under the Restructuring Agreement do not involve a pre-emptive issue where existing Shareholders can participate. As discussed in section 4.5 of this letter, Shareholders' reception of a pre-emptive issue such as rights issue or open offer, two fund raising exercises where participating Shareholders have to bear a financial burden, would be uncertain given with the pro-longed suspension of trading in the Shares on the GEM since 28 October 2008 and the current situation which the Company is in as previously discussed. In particular, the Independent Shareholders should note that the Company has audited consolidated net liabilities per New Share of approximately HK$4.77. That would imply that if the Company were to conduct a pre-emptive issue to raise fund at, for example, the Subscription Price and the Conversion Price, existing Shareholders would have to pay HK$0.20 per New Share whose underlying value is net liabilities of HK$4.77 to participate in such pre-emptive issue. We believe subscribing (by cash) for shares whose underlying value is net liabilities would likely be considered as undesirable from the perspective of the existing Shareholders.

Having considered the aforementioned factors, we consider that the dilution of the existing Shareholders' shareholding in the Company upon completion of the proposed restructuring is acceptable.

9. Financial effects

9.1 Net assets

As per the section headed "Unaudited pro forma statement of financial position of the Group" set out in Appendix III to the Circular (the "**Pro Forma Financial Information**"), the Group had unaudited net liabilities of approximately

HK$155,494,000 as at 31 January 2011. Upon making the pro forma adjustments arising out of the proposed restructuring of the Company, the Restructured Group would have unaudited pro forma net assets of approximately HK$41,801,000.

9.2 Gearing

According to the Pro Forma Financial Information, the Group had unaudited total debts of approximately HK$130,454,000 (comprising of (i) bank and other borrowings of approximately HK$5,629,000; (ii) convertible bonds of approximately HK$106,600,000; (iii) amounts due to deconsolidated subsidiaries of approximately HK$1,934,000; and (iv) amount due to the Former Investor of approximately HK$16,291,000) and unaudited total assets of approximately HK$24,834,000, translating into a gearing ratio (total debts / total assets x 100%) of approximately 525.30%. After the pro forma adjustments made for the proposed restructuring of the Company, the Restructured Group would have unaudited pro forma total debts of approximately HK$14,465,000 (comprising of 3 years Convertible Notes of approximately HK$14,465,000) and unaudited pro forma total assets of approximately HK$61,372,000 which result in a gear ratio of approximately 23.57%.

9.3 Liquidity

Based on the Pro Forma Financial Information, the Group had unaudited current assets and current liabilities of approximately HK$24,546,000 and HK$180,328,000 respectively as at 31 January 2011. This translates into a current ratio (current assets / current liabilities) of approximately 0.14 times. After pro forma adjustments, the Restructured Group would have unaudited pro forma current assets and current liabilities of approximately HK$61,084,000 and HK$5,106,000 respectively, translating into a current ratio of approximately 11.96 times.

It should be noted that the aforementioned analysis is for illustrative purpose only and does not purport to represent how the financial position of the Group will be upon completion of the Transactions.

CONCLUSION

Having considered the above principal factors, in particular:

(i) on 3 December 2008, the High Court appointed the Provisional Liquidators as the joint and several provisional liquidators of the Company and trading in the Shares on the GEM has been suspended since 28 October 2008;

(ii) the Subscription Price and Conversion Price of HK$0.20 per share represents a premium of approximately HK$4.97 over the audited consolidated net liabilities per New Share of approximately HK$4.77 as at 31 July 2010;

(iii) The P/E of the Company as calculated with reference to the Subscription Price and Conversion Price is approximately 33.81 times, a figure which is above the high end of the Industry Comparables' P/E and is significantly above the average P/E of the Industry Comparables, representing a premium of approximately 296.37% which illustrates that valuation of the Company as represented by the Subscription Price and Conversion Price of HK$0.20 per share is significantly above the Company's industry peers;

(iv) the nil interest of the Convertible Notes is favorable to the Company as it enables the Company to obtain debt capital at almost no cost (save for the costs associated with the issue of the Convertible Notes);

(v) Having considered the factors discussed in section 4 of this letter, we are of the view that the Share Subscription and the CN Subscription are fair and reasonable and in the interest of the Company and the Shareholders as a whole;

(vi) since the amount of Claims in the amount of approximately HK$134.4 million which would be discharged and compromised in full pursuant to the Scheme is substantially higher than the Relinquished Value, we consider that the Scheme is fair and reasonable and in the interest of the Company and the Shareholders as a whole;

(vii) having considered the factors discussed in section 6 of this letter, we are of the view that the approval of the Whitewash Waiver by the Independent Shareholders, which is a Conditions Precedent, is in the interest of the Company and the Shareholders as a whole as it would allow the Restructuring Agreement and the transactions contemplated thereunder to proceed as proposed;

(viii) since the Ms. Liu Settlement of HK$313,971 represents an approximately 46.51% discount to the Ms. Liu Claim of approximately HK$587,000 and the Mr. Ang Settlement of HK$5,526,806 represents an approximately 46.52% discount to the Mr. Ang Claim of approximately HK$10,335,000, the settlement of the indebtedness owed to Ms. Liu and Mr. Ang pursuant to the Scheme (the admittance of which is subject to the notice of claim filed by Mr. Ang and the adjudication process by the Scheme Administrators), which constitutes the Special Deals under Note 5 to Rule 25 of the Takeovers Code, is fair and reasonable;

(ix) the Adjusted Directors' Remuneration represents discounts of approximately 51.92% and 56.85% to Mr. Wong and Ms. Wong's monthly remuneration for the year ended 31 July 2008 respectively, and having considered the other factors discussed in section 7.2 of this letter, we are of the view that the Directors' Remuneration, which constitutes the Special Deals under Note 3 to Rule 25 of the Takeovers Code, is fair and reasonable; and

(x) having considered the factors discussed in section 8 of this letter, we consider that the dilution of the existing Shareholders' shareholding in the Company upon completion of the proposed restructuring is acceptable, we are of the opinion that the terms of the Restructuring Agreement (including the Share Subscription and the CN Subscription), the Whitewash Waiver and the Special Deals are fair and reasonable and in the interest of the Company and the Shareholders as a whole. Accordingly, we would recommend the Independent Shareholders to vote in favor of the ordinary resolution(s) to approve the Transactions at the EGM.

Yours faithfully,
For and on behalf of
Ample Capital Limited
H. W. Tang
President

Yours faithfully,
For and on behalf of
Ample Capital Limited
Kevin So
Vice President

1. SUMMARY OF FINANCIAL INFORMATION (TO BE CONFIRMED BY PKF)

The following is a summary of the consolidated financial information of the Group for the three years ended 31 July 2010, details of which were extracted from the annual reports of the Company for each of the years ended 31 July 2010, 2009 and 2008. The financial statements for the years ended 31 July 2010, 2009 and 2008 were audited by PKF Hong Kong. For each of the three years ended 31 July 2010, there was no exceptional or extraordinary item and no dividend was declared or paid. Disclaimers of opinion were issued by the auditors of the Company in relation to each of the financial years ended 31 July 2010, 2009 and 2008.

	Year ended 31 July			For the six months ended 31 January
Results of the Group	**2010**	**2009**	**2008**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(unaudited)
Turnover	35,285	1,965	5,981	43,097
Cost of sales	(28,198)	(1,465)	(3,129)	(34,388)
Gross Profit	7,087	500	2,852	8,709
Other revenue	278	3,755	15,984	24
Selling and distribution costs	(821)	(1,491)	(1,292)	(1,331)
General and administrative expenses	(6,723)	(28,982)	(87,567)	(3,407)
Write-down of inventories	–	(7,954)	(952)	–
Provision for bad and doubtful debts	–	(559)	(15,477)	–
Loss on disposal of financial assets at fair value through profit or loss	–	(14,610)	–	–
Net unrealised fair value loss on financial assets at fair value through profit or loss	–	–	(33,844)	–
Profit/(Loss) from operations	(179)	(49,341)	(120,296)	3,995
Finance costs	(1,347)	(32,985)	(11,106)	(125)
Gain on deconsolidation of subsidiaries	3,187	9,497	–	2,387
Impairment on				
– Amount due from deconsolidated subsidiaries	–	(23,403)	–	–
– Property, plant and equipment	–	(1,411)	(184)	–
– Goodwill	–	–	(23,392)	–
Profit / (Loss) before tax	1,661	(97,643)	(154,978)	6,257
Tax	(1,461)	–	–	(1,652)
Profit/(Loss) for the year	200	(97,643)	(154,978)	4,605
Equity holders of the Company	200	(97,643)	(154,978)	4,645

Results of the Group	Year ended 31 July 2010	2009	2008	For the six months ended 31 January 2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(unaudited)
Minority interests	–	–	–	(40)
Profit/(Loss) for the year	200	(97,643)	(154,978)	4,605
Earnings/(Loss) per share				
Basic (HK cents per share)	0.01	(7.22)	(11.46)	0.34
Diluted (HK cents per share)	N/A	N/A	N/A	N/A

FINANCIAL POSITION OF THE GROUP

	As at 31 July 2010	2009	2008	For the six months ended 31 January 2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(unaudited)
Non-current assets	48	–	37,534	288
Current assets	11,578	13,052	76,086	24,546
Current liabilities	172,871	173,644	91,317	180,328
Net current liabilities	(161,293)	(160,592)	(15,231)	(155,782)
Total assets less current liabilities	(161,245)	(160,592)	22,303	(155,494)
Non-current liabilities	–	–	84,330	–
Net liabilities	(161,245)	(160,592)	(62,027)	(155,494)

2. AUDITOR'S REPORT FOR THE YEAR ENDED 31 JULY 2008

PKF

26/F, Citicorp Centre
18 Whitfield Road
Causeway Bay
Hong Kong

TO THE SHAREHOLDERS OF
CHINA MEDICAL AND BIO SCIENCE LIMITED
(Provisional Liquidators Appointed) (Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Medical and Bio Science Limited (Provisional Liquidators Appointed) (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 26 to 90, which comprise the consolidated balance sheet as at 31 July 2008, the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Except for the limitation in the scope of our work as explained below, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

However, because of the matters described in the basis for disclaimer of opinion paragraph, we were not able to obtain appropriate audit evidence to provide a basis for an audit opinion.

LIMITATION OF AUDIT SCOPE

1. Included in the Group's other payables and accruals of HK$50,762,000 were recorded payables of HK$12,507,000 of which no replies to our satisfaction on the direct confirmations from the creditors were received as at the date of this report and there was no sufficient evidence. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves on the completeness of these payables stated in the consolidated balance sheet as at 31 July 2008.

2. Included in the Group's general and administrative expenses of HK$85,951,000 were legal and professional fee, and research and development expenses of HK$5,781,000 and HK$3,529,000 respectively. No sufficient evidence has been obtained by us and we were unable to satisfy ourselves that these recorded expenses were free from material misstatements.

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

BASIS FOR DISCLAIMER OF OPINION

MATERIAL UNCERTAINTY RELATING TO THE GOING CONCERN BASIS

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

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

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

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

PKF
Certified Public Accountants

Hong Kong

8 January 2010

3. AUDITOR'S REPORT FOR THE YEAR ENDED 31 JULY 2009

PKF

26/F, Citicorp Centre
18 Whitfield Road
Causeway Bay
Hong Kong

TO THE SHAREHOLDERS OF
CHINA MEDICAL AND BIO SCIENCE LIMITED
(Provisional Liquidators Appointed) (Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Medical and Bio Science Limited (Provisional Liquidators Appointed) (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 27 to 86, which comprise the consolidated balance sheet as at 31 July 2009, the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Except for the limitation in the scope of our work as explained below, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

However, because of the matters described in the basis for disclaimer of opinion paragraph, we were not able to obtain appropriate audit evidence to provide a basis for an audit opinion.

LIMITATION OF AUDIT SCOPE

1. The accounting books and records of the Company's wholly-owned subsidiaries, Yang Yang Bio– Products (S) (PTE.) LTD. and Japan Yang Yang Bio Products Company Limited (collectively, the "Deconsolidated Subsidiaries"), deconsolidated from the Company's consolidated financial statements during the year have not been made available to us for our audit.

   As a result of the lack of accounting books and records of the Deconsolidated Subsidiaries for our inspection, we were unable to ascertain whether there is any misstatement in the gain on deconsolidation of subsidiaries of HK$9,497,000 included in the consolidated income statement. Similarly, we are unable to satisfy ourselves that the disclosures which have incorporated amounts in relation to the Deconsolidated Subsidiaries as included in the consolidated cash flow statement and notes to the financial statements are fairly stated.

2. Included in the Group's other payables and accruals of HK$46,091,000 were recorded payables of HK$15,572,000 of which no replies to our satisfaction on the direct confirmations from the creditors were received as at the date of this report and there was no sufficient evidence. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves on the completeness of these payables stated in the consolidated balance sheet as at 31 July 2009.

Any adjustments that might have been found to be necessary in respect of the matters set out in points (1) and (2) above may have a consequential and significant effect on the aforementioned items and the Group's loss for the year ended 31 July 2009 and the related disclosures in the consolidated financial statements.

BASIS FOR DISCLAIMER OF OPINION

MATERIAL UNCERTAINTY RELATING TO THE GOING CONCERN BASIS

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

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

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

Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs regarding the material uncertainty relating to the going concern basis as described above, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the state of affairs of the Group as at 31 July 2009 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PKF
Certified Public Accountants

Hong Kong

8 January 2010

4. AUDITOR'S REPORT FOR THE YEAR ENDED 31 JULY 2010

PKF

26/F, Citicorp Centre
18 Whitfield Road
Causeway Bay
Hong Kong

TO THE SHAREHOLDERS OF
CHINA MEDICAL AND BIO SCIENCE LIMITED
(Provisional Liquidators Appointed) (Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Medical and Bio Science Limited (Provisional Liquidators Appointed) and its subsidiaries (collectively, the "Group") as set out on pages 29 to 80, which comprise the consolidated statement of financial position as at 31 July 2010, and the consolidated statement of comprehensive loss, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Except for the limitation in the scope of our work as explained below, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

LIMITATION OF AUDIT SCOPE

1. The accounting books and records of the Company's former wholly-owned subsidiaries, Guangdong Yang Yang Bio Products Company Limited, Qingyuan Yang Yang Biotechnology Chumu Company Limited and Jilin Yang Yang Bio Products Company Limited (collectively, the "Deconsolidated Subsidiaries"), deconsolidated from the Company's consolidated financial statements during the year have not been made available to us for our audit.

   As a result of the lack of the accounting books and records of the Deconsolidated Subsidiaries for our inspection, we were unable to ascertain whether there is any misstatement in the gain on deconsolidation of subsidiaries of approximately HK$3,187,000 included in the consolidated statement of comprehensive loss. Similarly, we are unable to satisfy ourselves that the disclosures which have incorporated amounts in relation to the Deconsolidated Subsidiaries as included in the consolidated statement of cash flows and notes to the financial statements are fairly stated.

2. Included in the Group's other payables and accruals of HK$44,222,000 were recorded payables of approximately HK$12,000,000 of which no replies to our satisfaction on the direct confirmations from the creditors were received as at the date of this report and there was no sufficient evidence. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves on the completeness of these payables stated in the consolidated statement of financial position as at 31 July 2010.

Any adjustments that might have been found to be necessary in respect of the matters set out in points (1) and (2) above may have a consequential and significant effect on the aforementioned items and the Group's profit for the year ended 31 July 2010 and the related disclosures in the consolidated financial statements.

Since we were unable to obtain sufficient evidence concerning the financial information of all subsidiaries deconsolidated during the year ended 31 July 2009 and concerning the Group's recorded payables of approximately HK$15,572,000 as at 31 July 2009, we were unable to satisfy ourselves that the gain on deconsolidation of subsidiaries of approximately HK$9,497,000 included in the Group's consolidated statement of comprehensive loss for the year ended 31 July 2009 and the aforementioned payables included in the Group's consolidated statement of financial position as at 31 July 2009 were free from material misstatement. Similarly, we were unable to satisfy ourselves that the disclosures relating to the gain on deconsolidation of subsidiaries and the recorded payables are free from material misstatement.

BASIS FOR DISCLAIMER OF OPINION

MATERIAL UNCERTAINTY RELATING TO THE GOING CONCERN BASIS

In forming our opinion, we have considered the adequacy of the disclosure made in note 2 to the consolidated financial statements which explains that on 28 July 2009, an exclusivity agreement was entered into among an investor, the Company and the Provisional Liquidators to grant the investor exclusivity for the preparation of a resumption proposal and negotiation in good faith of legally binding agreements for the implementation of the Company's restructuring proposal and resumption proposal, and the in-principle approval granted by The Stock Exchange of Hong Kong Limited to resume the trading in the shares of the Company on 26 July 2010.

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

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

Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs relating to the going concern basis as described above, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the state of affairs of the Group as at 31 July 2010 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PKF
Certified Public Accountants

Hong Kong, 22 October 2010

5. AUDITED FINANCIAL INFORMATION FOR THE YEAR ENDED 31 JULY 2010

Consolidated Statement of Comprehensive Income
For the year ended 31 July 2010
(Amounts expressed in Hong Kong dollars)

	Note	**2010** *HK$'000*	**2009** *HK$'000*
Turnover	*8*	35,285	1,965
Cost of sales		(28,198)	(1,465)
Gross profit		7,087	500
Other revenue	*8*	278	3,755
Selling and distribution costs		(821)	(1,491)
General and administrative expenses		(2,436)	(27,081)
Restructuring costs		(4,287)	(1,901)
Write-down of inventories		–	(7,954)
Provision for bad and doubtful debts		–	(559)
Loss on disposal of financial assets at fair value through profit or loss		–	(14,610)
Loss from operating activities	*9*	(179)	(49,341)
Finance costs	*10*	(1,347)	(32,985)
Gain on deconsolidation of subsidiaries	*29*	3,187	9,497
Impairment on			
– Amounts due from deconsolidated subsidiaries		–	(23,403)
– Property, plant and equipment		–	(1,411)
Profit/(loss) before tax		1,661	(97,643)
Tax	*13(a)*	(1,461)	–
Profit/(loss) for the year	*14*	200	(97,643)
Other comprehensive (loss)/income for the year			
– Release of exchange fluctuation reserve upon deconsolidation of subsidiaries		(484)	(2,253)
– Exchange differences arising on translation of financial statements of overseas subsidiaries		(369)	1,331
Total comprehensive loss for the year		(653)	(98,565)
Earnings/(loss) per share	*15*		
Basic (HK cents)		0.01	(7.22)
Diluted		N/A	N/A

Consolidated Statement of Financial Position
As at 31 July 2010
(Amounts expressed in Hong Kong dollars)

	Note	**2010** *HK$'000*	**2009** *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*16*	48	–
Leasehold land	*17*	–	–
Intangible assets	*18*	–	–
Goodwill	*19*	–	–
		48	–
CURRENT ASSETS			
Trade receivables	*20*	7,188	–
Deposits, prepayments and other receivables	*21*	172	162
Cash and bank balances		4,218	1,656
		11,578	1,818
Non-current assets held for sales	*22*	–	11,234
		11,578	13,052
DEDUCT:			
CURRENT LIABILITIES			
Bank and other borrowings	*23*	5,629	5,018
Trade payables	*24*	1,582	1,352
Convertible bonds	*25*	106,600	106,600
Amounts due to deconsolidated subsidiaries	*26*	2,928	3,972
Other payables and accruals		44,222	46,091
Amount due to the Investor	*27*	9,687	–
Income tax payable		2,223	1,093
		172,871	164,126
Liabilities directly associated with non-current assets held for sales	*22*	–	9,518
		172,871	173,644
NET CURRENT LIABILITIES		(161,293)	(160,592)
NET LIABILITIES		(161,245)	(160,592)

	Note	**2010** *HK$'000*	**2009** *HK$'000*
REPRESENTING:			
CAPITAL AND RESERVES			
Share capital	*28(a)*	67,620	67,620
Reserves		(228,865)	(228,212)
CAPITAL DEFICIENCY		(161,245)	(160,592)

Consolidated Statement of Changes In Equity
For the year ended 31 July 2010
(Amounts expressed in Hong Kong dollars)

	Share capital	Share premium	Capital reserve	Share option reserve	Convertible bond equity reserve	Warrants reserve	Exchange fluctuation reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 August 2008	67,620	101,086	27,104	14,364	29,634	4,807	(504)	(306,138)	(62,027)
Total comprehensive loss for the year	–	–	–	–	–	–	(922)	(97,643)	(98,565)
At 31 July 2009 and at 1 August 2009	67,620	101,086	27,104	14,364	29,634	4,807	(1,426)	(403,781)	(160,592)
Total comprehensive loss for the year	–	–	–	–	–	–	(853)	200	(653)
At 31 July 2010	67,620	101,086	27,104	14,364	29,634	4,807	(2,279)	(403,581)	(161,245)

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

Consolidated Statement of Cash Flows
For the year ended 31 July 2010
(Amounts expressed in Hong Kong dollars)

	Note	**2010** *HK$'000*	**2009** *HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		1,661	(97,643)
Adjustments for:			
Interest expenses and finance lease charges		1,347	26,385
Redemption premium of convertible bonds		–	6,600
Interest income		(5)	(78)
Depreciation and amortisation of leasehold		6	787
Loss on disposal of financial assets at fair value through profit or loss		–	14,610
Loss on disposal of property, plant and equipment, leasehold land and non-current assets held for sales		258	7,349
Provision for bad and doubtful debts		–	559
Write-down of inventories		–	7,954
Gain on deconsolidation of subsidiaries		(3,187)	(9,497)
Impairment on amounts due from deconsolidated subsidiaries		–	23,403
Impairment on property, plant and equipment		–	1,411
Profit/(loss) before working capital changes		80	(18,160)
Decrease in inventories		–	101
Increase in trade receivables		(7,133)	(602)
Increase in deposits,prepayments and other receivables		(11)	(3,907)
Increase in trade payables		198	69
(Decrease)/increase in other payables and accruals		(469)	4,436
Cash used in operations		(7,335)	(18,063)
Interest received		5	78
Interest paid		–	(190)
Tax paid		(351)	–
NET CASH USED IN OPERATING ACTIVITIES		(7,681)	(18,175)

	Note	2010 HK$'000	2009 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(54)	(20)
Deconsolidation of subsidiaries	29	(64)	(633)
Proceeds from disposal of non-current assets held for sales and property, plant and equipment		741	5,343
Proceeds from disposal of financial assets at fair value through profit or loss		–	36,037
NET CASH FROM INVESTING ACTIVITIES		623	40,727
CASH FLOWS FROM FINANCING ACTIVITIES			
Advances from the Investor		9,612	–
Repayment of bank loans		–	(139)
Principal repayment of finance lease obligations		–	(42)
Repayment of other loans		–	(32,889)
NET CASH FROM/(USED IN) FINANCING ACTIVITIES		9,612	(33,070)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		2,554	(10,518)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		8	(323)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		1,656	12,497
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		4,218	1,656
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		4,218	1,656

Notes to Financial Statements

For the year ended 31 July 2010

1. CORPORATE INFORMATION

China Medical and Bio Science Limited (Provisional Liquidators Appointed) (the "Company") and its subsidiaries (collectively the "Group") are principally engaged in feedstock business, mainly involving in 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) Winding-up petition and appointment of the provisional liquidators

On 13 May 2008, a winding-up petition was presented and filed in the High Court of the Hong Kong Special Administrative Region (the "High Court") by Shantou Xinyuan Trading Company Limited, the petitioner of the Company. On 2 December 2008, an ex-parte application was filed and served onto the Company by Keywise Greater China Opportunities Master Fund, a supporting creditor of the Company, for the appointment of provisional liquidators of the Company. On 3 December 2008, the High Court appointed Messrs. Stephen Liu Yiu Keung and David Yen Ching Wai, both of Ernst & Young Transactions Limited, as the joint and several provisional liquidators (the "Provisional Liquidators") of the Company.

Pursuant to an order of the High Court, the Provisional Liquidators would, inter alia, take into their custody and protect all the assets of the Group and manage the Group until such times as further order is made. The Provisional Liquidators are independent third parties not connected with the Company or any of the directors, chief executive and substantial shareholders of the Company or its subsidiaries or their respective associates as defined in the Rules Governing the Listing of Securities on the GEM (the "GEM Listing Rules").

By an order of the High Court of Hong Kong dated 8 October 2010, the hearing for the petition which was initially fixed on 12 November 2008 was further adjourned to 11 April 2011.

(b) Proposed restructuring of the Group

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

On 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 also accepted by the Provisional Liquidators, and in principle, supported by the major creditors of the Company as it was considered to be for the best interest of the Company and its stakeholders.

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

The Financial Adviser submitted the Resumption Proposal on behalf of the Company to the Stock Exchange on 30 November 2009. An updated Resumption Proposal was further submitted to the Stock Exchange on 19 May 2010.

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 "Scheme"), as appropriate; and

(iii) resumption of trading in the shares of the Company upon completion of the proposed restructuring subject to the restoration of sufficient public float.

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

On 26 July 2010, the Stock Exchange had granted a conditional approval to the Company to resume the trading in the shares of the Company subject to the Company fulfills the stipulated conditions by 30 April 2011. The Company, Provisional Liquidators and the Investor are now taking appropriate steps to implement the transactions contemplated in the Resumption Proposal and fulfill the conditions set by the Stock Exchange.

(c) Adoption of going concern basis

As at 31 July 2010, the Group had net current liabilities and net liabilities of approximately HK$161,293,000 and HK$161,245,000 respectively. The indebtedness of the Group mainly comprised of bank and other borrowings, convertible bonds and amount due to the Investor, which represented a total of approximately HK$121,916,000, of which bank loans of approximately HK$4,775,000 were overdue as at 31 July 2010. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

These consolidated financial statements have been prepared on a going concern basis on the basis that the proposed restructuring of the Company will be successfully completed, and that, following the restructuring, the Group will continue 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 reclassify the non-current assets as current assets, to adjust the value of the Group's assets to their recoverable amounts and to provide for any further liabilities which might arise.

(d) Compliance with Hong Kong Financial Reporting Standards

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which also includes Hong Kong Accounting Standards ("HKAS") and

Interpretations approved by the HKICPA, and are prepared under the historical cost convention. These consolidated financial statements also comply with the applicable disclosures required by the GEM Listing Rules and by the Hong Kong Companies Ordinance.

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

(e) Deconsolidation of subsidiaries

(i) On 17 November 2009, the liquidation of Guangdong Yang Yang Bio Products Company Limited ("Guangdong Yang Yang"), an indirect wholly-owned subsidiary of the Company, was approved by the Bureau of Foreign Trade and Economic Cooperation of Guangzhou Municipality of the People's Republic of China (the "PRC"). Since then, the Group lost control on Guangdong Yang Yang and its two subsidiaries, namely Qingyuan Yang Yang Biotechnology Chumu Company Limited and Jilin Yang Yang Bio Products Company Limited (together with Guangdong Yang Yang, the "Excluded Subsidiaries"). As such, the financial results, assets and liabilities and cash flows of the Excluded Subsidiaries were deconsolidated from the consolidated financial statements of the Group since the date of loss of control of these subsidiaries.

(ii) On 27 March 2009, the Company's wholly-owned subsidiary, Yang Yang Bio-Products (S)(PTE.) LTD. ("Singapore Yang Yang"), passed a resolution in writing pursuant to an article of association of Singapore Yang Yang that Singapore Yang Yang would be wound up voluntarily and a creditors' meeting would be convened.

The creditors' meeting was convened on 27 April 2009 for the purpose of the presentation of a Statement of Affairs of Singapore Yang Yang, the appointment of liquidator and the establishment of Committee of Inspection. The liquidator was subsequently appointed on 27 April 2009. The management considered that the Group's control over Singapore Yang Yang has been lost. Accordingly, the results, assets and liabilities of Singapore Yang Yang were not included into the consolidated financial statements of the Group with effect from 27 April 2009.

(iii) On 26 August 2009, a liquidator was appointed to the Company's wholly-owned subsidiary, Japan Yang Yang Bio Products Company Limited ("Japan Yang Yang"). The management considered that control over Japan Yang Yang had already been lost as at 31 July 2009 and the liquidator was appointed shortly after 31 July 2009. Accordingly, Japan Yang Yang was since excluded from the consolidated financial statements of the Group for the year ended 31 July 2009.

In the opinion of the management, the consolidated financial statements for the years ended 31 July 2010 and 2009 prepared on the aforementioned basis present more fairly the results and state of affairs of the Group as a whole in light of the aforesaid liquidation against the subsidiaries.

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

(a) Initial application of HKFRSs

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

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs

HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 3	Business Combinations
HKFRS 8	Operating Segments
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners
HK(IFRIC)-Int 18	Transfers of Assets from Customers
Amendments to HKAS 32 and HKAS 1	Puttable Financial Instruments and Obligations Arising on Liquidation
Amendments to HKAS 27	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
Amendments to HKAS 39	Eligible Hedged Items
Amendments to HKFRS 2	Share-based payment – Vesting Conditions and Cancellations
Amendments to HKFRS 7	Improving Disclosures about Financial Instruments
Amendments to HK-Int 4	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases
HKFRSs	Improvements to HKFRSs (2008)
HKFRSs	Improvements to HKFRSs (2009) – amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16

The initial application of these HKFRSs does not necessitate material changes in the Group's accounting policies or retrospective adjustments of the comparatives presented, except the following:

(i) HKAS 1 (Revised) requires the presentation of a new "statement of comprehensive income" and disclosure of the components of "other comprehensive income", including but not limited to "reclassification adjustments". Comparative information is reclassified to conform to the new presentation.

(ii) HKFRS 8 requires segment disclosure to be based on the way that the Group's management regards and manages the Group, with the 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. This contrasts with the presentation of segment information in prior years which was based on a dis-aggregation of the Group's financial statements into segments based on the related products and services. The adoption of HKFRS 8 resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's management, and has resulted in certain segments aggregated and presented as one segment. Corresponding amounts have been provided on a consistent basis with the revised segment information.

(b) HKFRSs in issue but not yet effective

The following HKFRSs in issue at 31 July 2010 have not been applied in the preparation of the Group's financial statements for the year then ended since they were not yet effective for annual periods beginning on 1 August 2009:

HKAS 24 (Revised)	Related Party Disclosures[4]
HKFRS 9	Financial Instruments[6]
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments[3]
Amendments to HKAS 32	Classification of Rights Issues[2]

Amendments to HKAS 2	Group Cash-settled Share-based Payment Transactions[1]
Amendments to HK(IFRIC)-Int 14	Prepayments of a Minimum Funding Requirement[5]
Improvements to HKFRSs 2009	Other than amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16[1]
Improvements to HKFRSs 2010[2]	

1 Effective for financial period commencing on or after 1 January 2010

2 Effective for financial period commencing on or after 1 February 2010

3 Effective for financial period commencing on or after 1 July 2010

4 Effective for financial period commencing on or after 1 July 2010 and 1 January 2011, as appropriate

5 Effective for financial period commencing on or after 1 January 2011

6 Effectivefor financial period commencing on or after 1 January 2013

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 July 2010. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intra-company transactions and balances within the Group are eliminated on consolidation.

(b) Property, plant and equipment

Property, plant and equipment, other than freehold land, are stated at cost less aggregate depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of that asset.

Other than freehold land, depreciation is calculated to write off the cost of property, plant and equipment over their estimated useful lives on a straight-line basis at the following annual rates:

Buildings	Over the term of lease or 5%
Leasehold improvements	5%
Plant and machinery	10%
Furniture, fixtures and office equipment	15-20%
Motor vehicles	20-25 %
Computer equipment	20%

The assets' useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment, representing the difference between the net sales proceeds and the carrying amounts of the relevant assets, is recognised in profit or loss.

Freehold land is stated at cost less any impairment losses and is not amortised.

(c) Leasehold land

Up-front payments to acquire leasehold land are amortised over the term of the leases on a straight-line basis.

(d) Subsidiaries

A subsidiary is an entity over which the Company has control either directly or indirectly. Control is the power to govern the financial and operating policies of a company so as to obtain benefits from its activities.

(e) Goodwill

Goodwill represents the excess of the cost of an acquisition over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities at the date of acquisition.

Goodwill is carried at cost less accumulated impairment losses and is subject to annual impairment review or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired.

Any impairment loss for goodwill is recognised directly in profit or loss and is not reversed in subsequent periods.

On disposal of a subsidiary, any attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal recognised in profit or loss.

(f) Intangible assets

Intangible assets are stated at cost less aggregate amortisation and impairment losses.

Amortisation is calculated to write off the costs of intangible assets over their estimated useful lives on a straight-line basis at the following annual rates:

Technical know-how	Over the terms of the joint venture or 7 years, whichever is shorter
Production licenses	Over the terms of the joint venture or 5 years, whichever is shorter

(g) Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in profit or loss.

(h) Revenue recognition

Revenue from the sales of goods is recognised when the significant risks and rewards of ownership of goods have been transferred to the buyer.

Interest income is recognised as it accrues using the effective interest method.

(i) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to prepare for their intended use, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use. The capitalisation rate is based on the actual cost of the related borrowings.

All other borrowing costs are charged to profit or loss in the period in which they are incurred.

(j) Impairment of assets

The carrying amounts of the Group's assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

(k) Payables

Payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

(l) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method.

(m) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(n) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the periods of the respective leases.

(o) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the market exchange rates ruling at the end of the reporting period. Differences on foreign currency translation are dealt with in profit or loss.

The consolidated financial statements are prepared by using the net investment method such that the statement of financial position of the Company's overseas subsidiaries are translated into Hong Kong dollars at the market exchange rate ruling at the end of the reporting period, while their profit or loss are translated at the average exchange rate for the year. Any exchange differences arising on such translation are dealt with in the exchange fluctuation reserve. Such translation differences are recognised in profit or loss for the year in which the foreign operation is disposed of.

(p) Employee benefits

Salaries, annual bonuses, annual leave entitlements and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group.

Obligations for contributions to retirement plans, including contributions payable under the Hong Kong Mandatory Provident Fund Schemes Ordinance and the People's Republic of China ("PRC") central pension scheme, are recognised as an expense in profit or loss as incurred.

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

The fair value of share options granted to employees measured at the grant date and adjusted for the estimated number of shares that will eventually be vested is recognised as an employee cost on a straight-line basis over the vesting period, with a corresponding increase in a capital reserve.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share option reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the share option reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share option reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits/accumulated losses).

(q) Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income and expense that are taxable or deductible in other years, and it further excludes items that are never taxable and deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in profit or loss, except when it relates to items charged or credited directly to equity or other comprehensive income, in which case the deferred tax is also dealt with in equity or other comprehensive income respectively.

(r) Related parties

An individual is related to the Group if the individual (i) has, directly or indirectly, control or joint control or significant influence over the Group, or (ii) is a member of the key management personnel of the Group, or (iii) is a close member of the family of the individuals in (i) or (ii).

An entity is related to the Group if the entity (i) has, directly or indirectly, control or joint control or significant influence over the Group, or (ii) is controlled by or under common control with the Group, or (iii) is an associate or a jointly controlled entity of the Group, or (iv) is controlled, jointly-controlled or significantly influenced by an individual related to the Group.

A post-employment benefit plan for the benefit of the employees of the Group or employees of an entity related to the Group is also a related party.

(s) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(t) Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the statement of financial position net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs.

The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

(u) Cash equivalents

Cash equivalents are short-term, highly liquid investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

5. CRITICAL JUDGMENT AND KEY ESTIMATES

Estimates and judgments used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The key assumptions concerning the future and the accounting estimates that have a significant effect on the carrying value of assets and liabilities in the statement of financial position and profit or loss items are discussed below:

(a) Going concern basis

The consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the Group being able to achieve a successful restructuring and continue its business. Details are explained in note 2(c) to the financial statements.

(b) Income tax

As at 31 July 2010, no deferred tax asset had been recognised in respect of the unutilised tax losses of approximately HK$44,116,000 (2009: HK$59,893,000) due to the unpredictability of future taxable profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profit or taxable temporary differences will be available in the future. In cases where the actual future profits generated are more than expected, a material recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a recognition takes place.

(c) Equity settled share-based transactions, convertible bonds and warrants

The binomial option-pricing model was applied to estimate the fair value of share options granted by the Company and the warrants detachable from the convertible bonds issued by the Company respectively. The fair value of the liability component of the Company's convertible bonds is estimated using an equivalent market interest rate for a similar bond without a conversion option.

The binomial option-pricing model requires the input of highly subjective assumptions, including the volatility of share price. The determination of the fair value of the liability component of the convertible bonds requires management's estimation. The changes in input assumptions and management's estimation can materially affect the fair value estimate.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. These risks are limited by the Group's financial management policies and practices described below:

(a) Credit risk

The Group's credit risk is primarily attributable to its receivables and deposits. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Regular review and follow up actions are carried out on overdue amounts to minimise the Group's exposure to credit risk. An aging analysis of the debtors is prepared on a regular basis and is closely monitored to minimise any credit risk associated with these debtors. The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial assets in the consolidated statement of financial position after deducting any impairment allowance. The Group does not provide any guarantee which would expose the Group to credit risk. Further quantitative disclosures in respect of the Group's exposure to credit risk arising from receivables and deposits are set out in notes 20 and 21 to the financial statements.

(b) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and long term.

The following table details the contractual maturities as at 31 July 2010 of the Group's non-derivative financial liabilities which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

		2010			2009	
	Carrying amount	Total contractual undiscounted cash flows	Due within 1 year or on demand	Carrying amount	Total contractual undiscounted cash flows	Due within 1 year or on demand
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Bank and other borrowings	5,629	6,234	6,234	5,018	5,407	5,407
Trade payables	1,582	1,582	1,582	1,352	1,352	1,352
Convertible bonds	106,600	106,600	106,600	106,600	106,600	106,600
Amounts due to deconsolidated subsidiaries	2,928	2,928	2,928	3,972	3,972	3,972
Other payables and accruals	44,222	44,222	44,222	46,091	46,091	46,091
Amount due to the Investor	9,687	9,828	9,828	–	–	–
	170,648	171,394	171,394	163,033	163,422	163,422

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in market interest rates. The Group manages interest rate risk, when it is considered significant, by entering into appropriate swap contracts.

The Group's interest rate risk arises primarily from cash at banks, bank and other borrowings and amount due to the Investor.

(i) Interest rate profile

The following table details the interest rate profile of the Group's interest-bearing financial instruments as at 31 July 2010:

	2010		2009	
	Effective interest rate p.a.		**Effective interest rate p.a.**	
	%	*HK$'000*	*%*	*HK$'000*
Fixed rate liabilities:				
Other loans	24	(854)	24	(682)
Amount due to the Investor	5	(2,813)	–	–
Variable rate assets/ (liabilities):				
Cash at banks	0.36	1,794	0.36	44
Bank loans	8.97	(4,775)	8.97	(4,336)
Liabilities directly associated with non-current assets classified as held for sales	–	–	6	(9,518)

(ii) Sensitivity analysis

As at 31 July 2010, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit for the year and increase/decrease the Group's accumulated losses by approximately HK$66,000 (2009: loss for the year and accumulated losses increase/decrease by HK$145,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting period. The analysis is performed on the same basis for 2009.

(d) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group considers hedging significant currency risk should the need arise.

The Group has minimal exposure to foreign currency risk as most of its business transactions, and recognised financial assets and liabilities are dominated in the functional currency of the group entities to which they relate.

(e) Fair value

All significant financial assets and liabilities are carried at amounts not materially different from their fair values as at 31 July 2010 and 2009.

7. SEGMENTS AND ENTITY-WIDE INFORMATION

Reportable segments

For management purposes, the Group is organised into two divisions which are the basis on which the Group reports its segment information.

Segment information is presented by the following segments:

– the feedstock products segment comprises the feedstock business; and

– the other segment comprises corporate activities and other non-feedstock businesses.

For the purposes of assessing segment performance and allocating resources between segments, the Group's management monitors the results, assets and liabilities attributable to each reportable segment on the following basis:

(1) Segment assets consist primarily of property, plant and equipment and trade receivables. Segment liabilities comprise operating liabilities and mainly exclude items such as borrowings and income tax payable.

(2) Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets and liabilities are determined before inter-segment transactions and balances and after transactions and balances between group entities within a single segment.

(3) Segment capital expenditure is the total cost incurred during the year to acquire segment assets (both tangible and intangible) that are expected to be used for more than one year.

(4) Unallocated items comprise non-current assets held for sales, bank and other borrowings, convertibles bonds, amount due to the Investor, income tax payable and liabilities associated with non-current assets held for sales.

Segment information about the aforementioned businesses is set out as follows:

	Feedstock products		**Other**		**Consolidated**	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:						
Sales to external customers	35,285	819	–	1,146	35,285	1,965
Other revenue	266	200	7	3,477	273	3,677
Total revenue	35,551	1,019	7	4,623	35,558	5,642
Segment results	4,977	(14,784)	2,313	(23,237)	7,290	(38,021)

	Feedstock products 2010 HK$'000	Feedstock products 2009 HK$'000	Other 2010 HK$'000	Other 2009 HK$'000	Consolidated 2010 HK$'000	Consolidated 2009 HK$'000
Interest income					5	78
Restructuring costs					(4,287)	(1,901)
Finance costs					(1,347)	(32,985)
Impairment on						
– Amounts due from deconsolidated subsidiaries					–	(23,403)
– Property, plant and equipment					–	(1,411)
Profit/(loss) before tax					1,661	(97,643)
Tax	(1,461)	–	–	–	(1,461)	–
Profit/(loss) for the year					200	(97,643)
ASSETS						
Segment assets	9,213	1,777	5,737	20,099	14,950	21,876
Elimination of inter-segment receivable					(3,324)	(20,058)
					11,626	1,818
Unallocated assets						
– Non-current assets held for sales					–	11,234
Consolidated total assets					11,626	13,052
LIABILITIES						
Segment liabilities	4,957	21,438	47,099	50,035	52,056	71,473
Elimination of inter-segment payable					(3,324)	(20,058)
					48,732	51,415
Unallocated liabilities						
– Bank and other borrowings					5,629	5,018
– Convertible bonds					106,600	106,600
– Amount due to the Investor					9,687	–
– Income tax payable					2,223	1,093
– Liabilities directly associated with non-current assets held for sales					–	9,518
Consolidated total liabilities					172,871	173,644
OTHER INFORMATION						
Capital expenditure	54	20	–	–	54	20
Depreciation and amortisation	6	500	–	287	6	787

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

Entity-wide information

For the year ended 31 July 2010, revenues from one customer had contributed to more than 10% of the Group's revenue amounting to approximately HK$6,733,000 is from segment of bio-feedstock business.

8. TURNOVER AND OTHER REVENUE

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

An analysis of the Group's turnover and other revenue is as follows:

	2010	**2009**
	HK$'000	*HK$'000*
Turnover		
Sale of feedstock products	35,285	819
Sale of safe food	–	1,146
	35,285	1,965
Other revenue		
Interest income	5	78
Forfeiture of non-refundable advances from a potential investor	–	3,442
Sundry income	273	235
	278	3,755
Total revenue	35,563	5,720

9. LOSS FROM OPERATING ACTIVITIES

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

	2010	**2009**
	HK$'000	*HK$'000*
Amortisation of leasehold land	–	113
Auditors' remuneration	335	300
Depreciation	6	674
Sales proceeds	(10,976)	(5,343)
Less: Net book value	11,234	12,692
Loss on disposal of property, plant and equipment, leasehold land and non-current assets held for sales	258	7,349
Minimum operating lease payments for land and buildings	565	1,600
Staff costs (including directors' emoluments in note 11)		
Salaries, wages and other allowances	1,016	5,582
Pension scheme contributions	35	178
	1,051	5,760

10. FINANCE COSTS

	2010 HK$'000	2009 HK$'000
Interest on convertible bonds	–	25,839
Redemption premium of convertible bonds	–	6,600
Finance lease charges	–	7
Interest on bank loans wholly repayable within five years	1,108	357
Interest on advances from the Investor	75	–
Interest on other loans	164	182
	1,347	32,985

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

	Fees		Salaries, allowances and benefit-in-kinds		Total	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
Executive directors						
Ms. Liu Yang *(Note (i))*	–	1,147	–	–	–	1,147
Mr. Liu Dong Hui *(Note (i))*	–	80	–	–	–	80
Mr. Fang Ming *(Note (i))*	–	171	–	–	–	171
Ms. Wong Moon Ha	–	40	–	–	–	40
Mr. Wong Sai Wa	–	300	–	–	–	300
	–	1,738	–	–	–	1,738
Non-executive director						
Mr. Tan Min *(Note (ii))*	–	–	–	–	–	–
Independent non-executive directors						
Mr. Garry Alides Willinge *(Note (iii))*	–	28	–	–	–	28
Mr. Chan Kin Hang	–	41	–	–	–	41
Mr. Chen Zhu Ming *(Note (iv))*	–	41	–	–	–	41
	–	110	–	–	–	110
	–	1,848	–	–	–	1,848

Notes:

(i) Resigned as an executive director on 5 December 2008.

(ii) Resigned as a non-executive director on 6 December 2008.

(iii) Resigned as an independent non-executive director on 24 October 2008.

(iv) Resigned as an independent non-executive director on 6 December 2008.

For the year ended 31 July 2009, apart from the directors' fees, there were no other emoluments payable to the independent non-executive directors.

No emoluments were paid by the Group to the directors, either as an inducement upon joining or to join the Group, or as compensation for loss of office.

During the year, there were no share options granted to the directors in respect of their services to the Group.

(b) Five highest paid individuals

Details of the remuneration of the five (2009: two) highest paid non-director employees, each of whose remuneration is below HK$1,000,000, are as follows:

	2010	**2009**
	HK$'000	*HK$'000*
Salaries and allowances	619	1,683
Pension scheme contributions	17	20
	636	1,703

The five highest paid individuals during the year ended 31 July 2009 included three directors, details of whose remuneration are set out in note 11(a) to the financial statements.

No emoluments were paid by the Group to any of the five highest paid individuals, either as inducement upon joining or to join the Group, or as compensation for loss of office.

12. PENSION SCHEME

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all its eligible employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Company's PRC subsidiaries are required to participate in a central pension scheme operated by the local municipal government. The PRC subsidiaries are required to contribute a percentage of its payroll costs to the central pension scheme. The central pension scheme is responsible for the entire pension obligations payable to all retired employees and the Group has no further obligations for the pension payments on post-retirement benefits beyond the annual contributions.

During the year, the Group made pension contributions of approximately HK$35,000 (2009: HK$178,000).

13. TAX

(a) No provision for Hong Kong profits tax has been made as the Group did not have any estimated assessable profits arising in Hong Kong for both years.

The provision for PRC enterprise income tax is calculated at 25% on the estimated assessable profit of a subsidiary operating in the PRC in accordance with the relevant income tax rules and regulations of the PRC for the year. No provision for income taxes in the PRC and other jurisdictions has been made in preceding year as the Group did not have any assessable profits arising in these jurisdictions.

Tax expense for the year can be reconciled as follows:

	2010	2009
	HK$'000	*HK$'000*
Profit/(loss) before tax	1,661	(97,643)
Tax effect at the PRC statutory income tax rate of 25% (2009: Hong Kong profits tax rate of 16.5%)	415	(16,111)
Tax effect of non-deductible expenses	1,918	16,075
Tax effect of tax exempt revenue	(865)	(9)
Tax effect of unrecognised general provision for bad and doubtful debts	–	92
Tax effect of unrecognised impairment of assets	–	(47)
Others	(7)	–
Tax expense	1,461	–

(b) The components of unrecognised deductible temporary differences as at 31 July 2010 are as follows:

	2010	2009
	HK$'000	*HK$'000*
Unutilised tax losses	44,116	59,893
Provision for bad and doubtful debts	–	38,887
	44,116	98,780

As at 31 July 2009, the unrecognised unutilised tax losses included in aggregate losses of HK$5,241,000 attributable from Guangdong Yang Yang and its subsidiaries. The unrecognised provision for bad and doubtful debts also included in aggregate provision of HK$4,099,000 attributable from these subsidiaries. These temporary differences were not included in the current year's unrecognised temporary differences as Guangdong Yang Yang and its subsidiaries were deconsolidated during the year (Note 2(e)(i)).

The unutilised tax losses of approximately HK$44,116,000 (2009: HK$59,893,000) accumulated in the PRC subsidiaries would expire in five years from the respective year of loss.

During the year, the provision for bad and doubtful debts of HK$34,788,000 had been written back as the related receivables were considered uncollectible and written off.

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

14. PROFIT/(LOSS) FOR THE YEAR

Profit/(loss) for the year includes a loss of HK$5,259,000 (2009: HK$41,257,000) which has been dealt with in the financial statements of the Company.

15. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share attributable to shareholders of the Company is based on the profit for the year of approximately HK$200,000 (2009: loss of HK$97,643,000) and the weighted average number of 1,352,400,000 (2009: 1,352,400,000) ordinary shares in issue during the year.

No diluted earnings/(loss) per share is presented for the years ended 31 July 2010 and 2009 as the conversion of the outstanding convertible bonds, warrants and share options during the years had an anti-dilutive effect on the basic earnings/(loss) per share.

16. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and building	Leasehold buildings held under medium term lease in Hong Kong	Leasehold improvements	Plant and machinery	Furniture, fixtures and office equipment	Motor vehicles	Computer equipment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost:								
At 1 August 2008	3,466	4,098	1,349	11,429	1,666	4,368	452	26,828
Exchange adjustments	440	–	38	294	149	55	2	978
Additions	–	–	–	–	20	–	–	20
Disposals	–	–	(995)	(6,699)	(488)	(1,112)	(306)	(9,600)
Deconsolidation of subsidiaries	(3,906)	–	(392)	(5,024)	(1,347)	(3,311)	(148)	(14,128)
Transfer to non-current assets held for sales *(Note 22)*	–	(4,098)	–	–	–	–	–	(4,098)
At 31 July 2009	–	–	–	–	–	–	–	–
Aggregate depreciation:								
At 1 August 2008	33	72	69	1,008	191	715	95	2,183
Exchange adjustments	4	–	–	18	10	25	1	58
Charge for the year	–	51	153	51	157	211	51	674
Written back on disposals	–	–	(216)	(407)	(268)	(305)	(121)	(1,317)
Deconsolidation of subsidiaries	(37)	–	(6)	(670)	(90)	(646)	(26)	(1,475)
Transfer to non-current assets held for sales *(Note 22)*	–	(123)	–	–	–	–	–	(123)
At 31 July 2009	–	–	–	–	–	–	–	–
Impairment:								
At 1 August 2008	–	–	–	276	13	3	3	295
Exchange adjustments	–	–	–	(2)	(1)	–	–	(3)
Charge for the year	–	1,411	–	–	–	–	–	1,411
Written back on disposals	–	–	–	(274)	(12)	(3)	(3)	(292)
Transfer to non-current assets held for sales *(Note 22)*	–	(1,411)	–	–	–	–	–	(1,411)
At 31 July 2009	–	–	–	–	–	–	–	–
Net book value:								
At 31 July 2009	–	–	–	–	–	–	–	–

	Furniture, fixtures and office equipment
	HK$'000
Cost:	
At 1 August 2009	–
Additions	54
At 31 July 2010	54
Aggregate depreciation:	
At 1 August 2009	–
Charge for the year	6
At 31 July 2010	6
Net book value:	
At 31 July 2010	48

17. LEASEHOLD LAND

	2010	2009
	HK$'000	*HK$'000*
Net book value at beginning of the year	–	13,518
Exchange difference	–	(34)
Amortisation for the year	–	(113)
Disposals	–	(4,701)
Transfer to non-current assets held for sales *(Note 22)*	–	(8,670)
Net book value at end of the year	–	–

18. INTANGIBLE ASSETS

	Technical know-how *HK$'000*	Production licenses *HK$'000*	Total *HK$'000*
Cost:			
At 1 August 2008	14,141	8,410	22,551
Exchange adjustments	(101)	(60)	(161)
At 31 July 2009	14,040	8,350	22,390
Aggregate amortisation:			
At 1 August 2008	14,141	3,514	17,655
Exchange adjustments	(101)	(25)	(126)
At 31 July 2009	14,040	3,489	17,529
Impairment:			
At 1 August 2008	–	4,896	4,896
Exchange adjustments	–	(35)	(35)
At 31 July 2009	–	4,861	4,861
Net book value:			
At 31 July 2009	–	–	–
Cost:			
At 1 August 2009	14,040	8,350	22,390
Exchange adjustments	150	89	239
Written off	(14,190)	(8,439)	(22,629)
At 31 July 2010	–	–	–
Aggregate amortisation:			
At 1 August 2009	14,040	3,489	17,529
Exchange adjustments	150	37	187
Written off	(14,190)	(3,526)	(17,716)
At 31 July 2010	–	–	–
Impairment:			
At 1 August 2009	–	4,861	4,861
Exchange adjustments	–	52	52
Written off	–	(4,913)	(4,913)
At 31 July 2010	–	–	–
Net book value:			
At 31 July 2010	–	–	–

19. GOODWILL

	HK$'000
Cost:	
At 1 August 2008, 31 July 2009 and 31 July 2010	26,701
Impairment:	
At 1 August 2008, 31 July 2009 and 31 July 2010	26,701
Net book value:	
At 31 July 2010 and 31 July 2009	–

The goodwill is identified to the cash-generating units of veterinary drugs business in the PRC. The directors are of the opinion that the recoverable amount of the goodwill is less than the carrying amount in the consolidated statement of financial position. Accordingly, full impairment has been made.

20. TRADE RECEIVABLES

	2010	**2009**
	HK$'000	*HK$'000*
Trade receivables	7,188	28,279
Provision for bad and doubtful debts	–	(28,279)
	7,188	–

The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period up to 60 days 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 31 July 2010, based on payment due date and net of provision, is as follows:

	2010	**2009**
	HK$'000	*HK$'000*
Within 2 months	7,188	–

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

	2010	**2009**
	HK$'000	*HK$'000*
At beginning of the year	28,279	28,169
Provided for the year	–	110
Uncollectible amount written off	(28,279)	–
At end of the year	–	28,279

21. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2010	**2009**
	HK$'000	*HK$'000*
Deposits and other receivables	172	17,844
Provision for bad and doubtful debts	–	(17,682)
	172	162

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

	2010	**2009**
	HK$'000	*HK$'000*
At beginning of the year	17,682	17,233
Provided for the year	–	449
Uncollectible amount written off	(17,682)	–
At end of the year	–	17,682

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

On 15 January 2009, Bank of China (Hong Kong) Limited ("BOCHK") issued a demand letter to China Biotechnology Limited ("CBT"), a wholly-owned subsidiary of the Company, demanding the outstanding mortgage loans repayment. On 26 February 2009, the Provisional Liquidators surrendered the vacant possession of the leasehold buildings (Note 16) and leasehold land (Note 17) (collectively the "Mortgaged Properties") to BOCHK. Accordingly, these Mortgaged Properties and the corresponding mortgage loans were classified respectively as non-current assets held for sales and liabilities directly associated with non-current assets held for sales.

The carrying amounts of the Mortgaged Properties and mortgaged loans as at 31 July 2009, which have been presented respectively under current assets and current liabilities in the consolidated statement of financial position, are as follows:

	HK$'000
Non-current assets held for sales	
– Leasehold buildings	2,564
– Leasehold land	8,670
	11,234
Liabilities directly associated with non-current assets held for sales	
– Bank loans	9,518

During the year, the Mortgaged Properties were disposed of at a consideration of approximately HK$10,976,000 and the corresponding mortgage loans were fully settled.

23. BANK AND OTHER BORROWINGS

	2010	2009
	HK$'000	*HK$'000*
Unsecured bank loans	4,775	4,336
Unsecured other loans	854	682
	5,629	5,018

Notes:

(a) The Group's borrowings are denominated in the functional currency of the group entities to which they relate.

(b) The bank loans carry variable interest rate at 8.97% (2009: 8.97%) per annum and the other loans carry fixed interest rate of 24% (2009: 24%) per annum.

(c) The other loans are due to a family member of a former senior management personnel of the Group.

24. TRADE PAYABLES

An aged analysis of the trade payables as at 31 July 2010, based on payment due date, is as follows:

	2010	2009
	HK$'000	*HK$'000*
Within 3 months	298	–
6 to 12 months	–	61
Over 1 year	1,284	1,291
	1,582	1,352

25. CONVERTIBLE BONDS

On 2 November 2007, the Company issued zero coupon convertible bonds with a nominal value of HK$100,000,000 (the "Convertible Bonds") and nil-paid warrant (the "Nil-paid warrant") to a substantial shareholder. The Convertible Bonds are convertible at the option of the bondholder into ordinary shares of the Company at a conversion price of HK$0.66 per share (the "Conversion Price"), subject to adjustment, on or before 2 November 2010 (the "Maturity Date").

Unless previously converted, redeemed or cancelled in accordance with the terms of the Convertible Bonds, the Company is required to redeem each Convertible Bond at 106.6% of its principal amount on the Maturity Date.

The Nil-paid warrant, which was granted for no consideration and detachable from the Convertible Bonds, carried the right to subscribe for up to 70,588,235 shares of the Company at an exercise price of HK$0.85 per share on or before Maturity Date.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The fair value of the Nil-paid warrant was calculated using the binomial option-pricing model, which is assigned as equity component and is included in shareholders' equity. The residual amount is assigned as the Convertible Bonds' equity component and is included in shareholders' equity.

The Convertible Bonds and the Nil-paid warrants have been split as to the liability and equity components as follows:

	Liability component of convertible bonds *HK$'000*	Equity component of convertible bonds *HK$'000*	Equity component of warrants *HK$'000*	Total *HK$'000*
At 1 August 2008	74,161	29,634	4,807	108,602
Finance costs	32,439	–	–	32,439
At 31 July 2009 and 31 July 2010	106,600	29,634	4,807	141,041

As at 31 July 2009, the Company's shares had been suspended for trading more than 90 consecutive trading days. The Convertible Bonds were reclassified as current liabilities and the 6.6% premium over the principal amount of the Convertible Bonds was accounted for during the year ended 31 July 2009 as the holder of the Convertible Bonds has the legal right to immediately redeem the Convertible Bonds in accordance with the terms and conditions of the Convertible Bonds.

None of the Convertible Bonds and the Nil-paid warrants were converted, exercised, redeemed or cancelled during the years ended 31 July 2009 and 2010.

26. AMOUNTS DUE TO DECONSOLIDATED SUBSIDIARIES

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

27. AMOUNT DUE TO THE INVESTOR

The amount is due to the Investor. An amount of approximately HK$6,874,000 is interest-free and unsecured. If the legally binding agreement for the implementation of the Group's restructuring proposal and Resumption Proposal (the "Formal Agreement") proceeds with completion, the amount shall not be transferred or dealt with under any arrangement used to implement the Restructuring Proposal or any restructuring and will remain as a debt owed by the Group to the Investor, and upon the completion of the Formal Agreement, the Group shall apply the same towards the payment of the subscription money payable by the Investor for subscription of the shares of the Group under the Formal Agreement. The remaining amount of approximately HK$2,813,000 carries interest at 5% per annum, is secured by way of first floating charge on all properties and assets of the Company's direct wholly-owned subsidiary, Tony China Limited ("Tony China"), and repayable on the Maturity Date as defined below or within 5 business days after a demand is made by the Investor.

Maturity Date represents the earliest of, (i) the date on which the completion of the Resumption Proposal has failed to take place; (ii) the date on which the Investor notifies the Group that it will not execute the Formal Agreement provided that the Investor shall not give such notification to the Group within 6 months from the date of the Exclusivity Agreement; and (iii) the expiry date of a period of 6 months from the date of granting of the in-principle approval of the Resumption Proposal by the Stock Exchange.

The properties and assets of Tony China comprise mainly cash at banks and the investment in its wholly-owned subsidiary, Xiamen Dongyu Trading Company Limited ("Dongyu"). Details of the assets of Tony China and Dongyu included in the Group's consolidated statement of financial position as at 31 July 2010 are as follows:

	HK$'000
Property, plant and equipment	48
Trade receivables	7,188
Deposits, prepayments and other receivables	11
Cash and bank balances	1,773
	9,020

28. SHARE CAPITAL

(a) Shares

	2010 *HK$'000*	**2009** *HK$'000*
Authorised:		
3,000,000,000 ordinary shares of HK$0.05 each	150,000	150,000
Issued and fully paid:		
1,352,400,000 ordinary shares of HK$0.05 each	67,620	67,620

(b) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

29. DECONSOLIDATION OF SUBSIDIARIES

As disclosed in note 2(e)(i) to the financial statements, the management considered that the control over the Excluded Subsidiaries has been lost due to the approval of liquidation of these subsidiaries by the relevant government bureau.

As disclosed in notes 2(e)(ii) and 2(e)(iii) to the financial statements, the management considered that the control over Singapore Yang Yang and Japan Yang Yang has been lost due to the appointment of liquidators of these subsidiaries.

For the purpose of appropriate presentation and in order to allow the public to evaluate the performance of the Group, the aforementioned subsidiaries were excluded from the Group's consolidation with effect from the respective date of the approval of liquidation or appointment of the liquidator.

The details of gain on deconsolidation of subsidiaries are as follows:

	2010	2009
	HK$'000	*HK$'000*
Net liabilities deconsolidated:		
Property, plant and equipment	–	(12,653)
Trade receivable	–	(727)
Inventories	–	(1,127)
Deposit, prepayments and other receivables	–	(2,414)
Cash and bank balances	(64)	(633)
Amount due from the Group	(1,934)	(3,972)
Other payables and accruals	4,701	4,382
Finance lease obligations	–	985
Amount due to the Group	–	23,403
Net liabilities	2,703	7,244
Release of exchange fluctuation reserve	484	2,253
Gain on deconsolidation of subsidiaries	3,187	9,497

30. SHARE OPTION SCHEME

(a) Share Option Scheme

The Company had adopted a share option scheme (the "Scheme"), the principal terms of which were summarised in the section headed "Statutory and General Information Share Option Scheme" in Appendix 5 to the Company's prospectus dated 28 March 2001. The 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 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 Scheme remained unchanged.

The following share options were granted and outstanding under the Scheme during the current and prior years:

For the years ended 31 July 2009 and 2010

				Number of shares to be subscribed for under the share options		
Name or category of participant	Date of grant	Exercise period of share options	Exercise price	Outstanding at beginning of the year	Exercised/ lapsed/ cancelled during the year	Outstanding at end of the year
			HK$			
Consultants	23.9.2007	23.9.2007 to 22.9.2017	0.43	43,000,000	–	43,000,000
Consultants	14.11.2007	14.11.2007 to 13.11.2017	0.59	27,040,000	–	27,040,000
				70,040,000	–	70,040,000

No option was granted under the Scheme during the years ended 31 July 2009 and 2010.

The subscription price of a share in respect of any particular option granted under the Scheme shall be such price as the board of directors in its absolute discretion shall determine, save that such price will not be less than the highest of (i) the closing price of the Company's shares on the GEM as stated in the Stock Exchange's daily quotation sheet on the date of grant of the options; (ii) the average of the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of the options; and (iii) the nominal value of the share.

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The fair value of the share options granted is measured using the binomial option-pricing model, the assumptions of which are set out below:–

Fair value at measurement date	HK$0.16 – HK$0.26
Share price	HK$0.39 – HK$0.59
Exercise price	HK$0.43 and HK$0.59
Expected volatility	44% – 44.18%
Interest rate	3.567% – 4.425%
Expected dividends yield	0%

The expected volatility was based on the historical volatility. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

The exercise of the above 70,040,000 outstanding share options as at 31 July 2010 would, under the present capital structure of the Company, would 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 Share Option Scheme

The terms of the Company's Pre-IPO Share Option Scheme (the "Pre-IPO Plan") adopted by the Company on 23 March 2001 are substantially the same as those under the Scheme except that:

(i) the subscription price is HK$0.55 per share; and

(ii) save for the options which have been granted under the Pre-IPO Plan (see below), no further options will be offered or granted under the Pre-IPO Plan as the right to do so was terminated upon the listing of the Company's shares on the GEM on 10 April 2001.

The movements in share options under the Pre-IPO Plan during the current and prior years are as follows:

For the years ended 31 July 2009 and 2010

				Number of shares to be subscribed for under the share options		
Name or category of participant	**Date of grant** *(Note 1)*	**Exercise period of share options**	**Exercise price** *(Note 2)* *HK$*	**Outstanding at beginning of the year**	**Exercised/ lapsed/ cancelled during the year**	**Outstanding at end of the year**
Director						
Mr. Wong Sai Wa	23.3.2001	10.10.2001 to 22.3.2011	0.55	3,200,000	–	3,200,000

Notes:

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

(2) 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 as at 31 July 2010 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 of HK$160,000 and share premium of HK$1,600,000 (before issue expenses). Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

31. LITIGATION

(a) 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 October 2010, the hearing for the petition which was initially fixed on 12 November 2008 was further adjourned to 11 April 2011.

(b) 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.

32. CAPITAL COMMITMENTS

On 16 March 2010, the Group entered into the joint venture agreement (as supplemented on 30 June 2010, collectively referred 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.

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 will contribute RMB11.34 million (equivalent to approximately HK$12.88 million) in cash, representing 63% equity interest of the JV. The JV Partners will complete their contribution to the JV's registered capital of RMB 18 million within one year upon the formal establishment of the JV. The JV was incorporated in the PRC in August 2010.

33. SIGNIFICANT SUBSEQUENT EVENTS

The winding-up petition filed by the Petitioner which was originally scheduled to be heard on 12 November 2008 was further adjourned to 11 April 2011. Details of the background information in relation to the winding-up petition are set out in note 31(a) to the financial statements.

34. DETAILS OF SUBSIDIARIES

(a) Particulars of the subsidiaries as at 31 July 2010 are as follows:–

Name	Place of incorporation/ establishment and operations	Nominal value of issued ordinary shares/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Directly	Indirectly	
China Biotechnology Limited	Cayman Islands	US$3	100.00	–	Investment holding
Glazier Limited	British Virgin Islands	US$2	–	100.00	Investment holding
Seechain Investments Limited	British Virgin Islands	US$1	–	100.00	Investment holding
Chengdu Concord Yuen Heng Industrial Company Limited #	PRC	US$10,399,000	–	100.00	Dormant
Chengdu Viking Yuen Heng Pharmaceutical Company Limited *	PRC	RMB18,000,000	–	91.00	Dormant
四川利亨生物藥業有限公司 *	PRC	RMB3,096,800	–	72.80	Dormant

Name	Place of incorporation/ establishment and operations	Nominal value of issued ordinary shares/ registered share capital	Percentage of equity attributable to the Company Directly	Indirectly	Principal activities
JBC Bio Products Company Limited	British Virgin Islands	US$100	70.00	–	Dormant
JBC Bio Products China Limited	British Virgin Islands	US$100	–	70.00	Dormant
Zhongshan JBC Bio-Technology Company Limited #	PRC	US$576,566	–	70.00	Dormant
Asia Gain Investment Limited	Hong Kong	HK$1	–	100.00	Dormant
Hong Kong Bio Products Manufacturing Limited	Hong Kong	HK$10,000	–	100.00	Dormant
Global Kingdom Development Limited	British Virgin Islands	US$1	100.00	–	Dormant
Asia Force Development Limited	British Virgin Islands	US$1	100.00	–	Dormant
Hong Kong Yang Yang Bio Products Company Limited	Hong Kong	HK$1	–	100.00	Dormant
Tony China Limited	Hong Kong	HK$1	–	100.00	Investment holding
Xiamen Dongyu Trading Company Limited #	PRC	USD1,000,000	–	100.00	Trading and distribution of animal feed supplements

Wholly-foreign-owned enterprise

* Sino-foreign joint venture enterprise

(b) As at 31 July 2010, the Group had not yet contributed the outstanding capital of Chengdu Concord Yuen Heng Industrial Co. Ltd. of US$8,839,000. These contributions were due during the year. The Group is considering the options available in respect of the contribution of the outstanding capital.

(c) As at 31 July 2010, the Group had not yet contributed the outstanding capital of Dongyu of US$640,000. These contributions are due for payment before 22 March 2012.

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2010	2009
	HK$'000	*HK$'000*
NON-CURRENT ASSETS		
Interests in subsidiaries	10	–
CURRENT ASSETS		
Deposits, prepayments and other debtors	17	–
Cash and cash equivalents	2,366	1,511
	2,383	1,511
CURRENT LIABILITIES		
Other payables and accruals	14,518	15,193
Amount due to a director	38	38
Amount due to the Investor	6,798	–
Convertible bonds	106,600	106,600
	127,954	121,831
NET CURRENT LIABILITIES	(125,571)	(120,320)
TOTAL ASSETS LESS CURRENT LIABILITIES	(125,561)	(120,320)
NON-CURRENT LIABILITIES		
Amounts due to subsidiaries	1,366	1,348
NET LIABILITIES	(126,927)	(121,668)
REPRESENTING:		
CAPITAL AND RESERVES		
Share capital	67,620	67,620
Reserves	(194,547)	(189,288)
CAPITAL DEFICIENCIES	(126,927)	(121,668)

6. UNAUDITED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 31 JANUARY 2011

Condensed Consolidated Statement of Comprehensive Income/(Loss)
For the six months ended 31 January 2011

		For the three months ended 31 January		For the six months ended 31 January	
		2011	2010	2011	2010
	Note	*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)	–
		3,449	4,263	4,605	376
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
		288	48
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
		24,546	11,578
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
		180,328	172,871
NET CURRENT LIABILITIES		(155,782)	(161,293)
NET LIABILITIES		(155,494)	(161,245)
CAPITAL AND RESERVES			
Share capital	12	67,620	67,620
Reserves		(224,220)	(228,865)
Non-controlling interest		1,106	–
CAPITAL DEFICIENCY		(155,494)	(161,245)

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 January 2011

	Attributable to shareholders of the Company								
	Share capital *HK$'000*	Share premium *HK$'000*	Capital reserve *HK$'000*	Share option reserve *HK$'000*	Convertible bond equity reserve *HK$'000*	Warrants reserve *HK$'000*	Exchange fluctuation reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
As at 1 August 2009	67,620	101,086	27,104	14,364	29,634	4,807	(1,426)	(403,781)	(160,592)
Total comprehensive income/(loss) for the period	–	–	–	–	–	–	(436)	376	(60)
As at 31 January 2010 (Unaudited)	67,620	101,086	27,104	14,364	29,634	4,807	(1,862)	(403,405)	(160,652)
As at 1 August 2010	67,620	101,086	27,104	14,364	29,634	4,807	(2,279)	(403,581)	(161,245)
Total comprehensive income/(loss) for the period	–	–	–	–	–	–	–	4,645	4,645
As at 31 January 2011 (Unaudited)	67,620	101,086	27,104	14,364	29,634	4,807	(2,279)	(398,936)	(156,600)

Condensed Consolidated Statement of Cash Flows
For the six months ended 31 January 2011

	For the six months ended 31 January	
	2011	**2010**
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Net cash generated from/(used in) operating activities	1,313	(6,422)
Net cash (used in)/generated from investing activities	(5,388)	1,349
Net cash generated from financing activities	7,751	7,363
Net increase in cash and cash equivalents	3,676	2,290
Effect of foreign exchange rate changes	–	(2)
Cash and cash equivalents at the beginning of the period	4,218	1,656
Cash and cash equivalents at the end of the period	7,894	3,944

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.

(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.

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 For the six months ended 31 January		**Others For the six months ended 31 January**		**Consolidated 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
Total revenue	43,097	7,592	20	9	43,117	7,601
Segment results	6,499	5,374	801	(965)	7,300	4,409
Interest income					4	–
Restructuring costs					(882)	(3,008)
Finance costs					(125)	(736)
Profit/(loss) before, income tax					6,297	665
Income tax				(289)	(1,652)	(289)
Profit/(loss) for the period					4,645	376

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. Segment 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	(4)	–

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).

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 HK$'000 (Unaudited)	31 July 2010 HK$'000 (Audited)
Trade receivables	11,335	7,188
Provision for bad and doubtful debts	–	–
	11,335	7,188

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 HK$'000 (Unaudited)	31 July 2010 HK$'000 (Audited)
Within 2 months	11,335	7,188

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
	2,237	1,582

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 31 January 2011	As at 31 July 2010	As at 31 January 2011	As at 31 July 2010
	'000	*'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Authorised:				
Ordinary shares of HK$0.05 each	3,000,000	3,000,000	150,000	150,000
Issued and fully paid:				
Ordinary shares of HK$0.05 each	1,352,400	1,352,400	67,620	67,620

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 highranking 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.

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 report, the Board of the Company comprises two executive directors, namely Ms. Wong Moon Ha and Mr. Wong Sai Wa.

1. INDEBTEDNESS

At the close of business on 31 July 2011, being the latest practicable date for the purpose of this statement of indebtedness, the Group had in aggregate outstanding borrowings of approximately HK$131.52 million, which comprised of convertible bonds of approximately HK$106.60 million, loan from the Former Investor of approximately HK$16.54 million and loan from the Investor of approximately HK$8.38 million.

Apart from the above outstanding borrowings, Mr. Ang has claimed against the Group for damages in the sum of approximately HK$10.3 million. However, based on a legal advice obtained, the Company is of the view that Mr. Ang's claim is not a genuine or bona fide claim against the Group and is unmeritorious. Details of Mr. Ang's claim is further elaborated under section "Litigations" in Appendix VII in this circular.

Save as aforesaid and apart from intra-group liabilities, none of the entities of the Group had any debt securities which are issued and outstanding, or authorised or otherwise created but unissued, term loans, loans, other similar indebtedness, other borrowings or indebtedness in the nature of borrowing of the Group including bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits or hire purchase commitments, mortgage, charges, guarantees or other material contingent liabilities as at the close of business on 31 July 2011.

2. WORKING CAPITAL

The Directors are of the opinion that, having taking into account of the cash flow generated from the business operations of the Group and the proceeds from the Shares Subscription and the CN Subscription after the Resumption, the Group will have sufficient working capital for the twelve months from the date of the Resumption assuming the Resumption takes place on or before the end of October 2011.

3. MATERIAL CHANGE

As at the Latest Practicable Date, the Directors confirmed that there is no material change in the financial or trading position or outlook of the Group since 31 July 2010, the date to which the latest published audited financial statements of the Company were made up.

A. INTRODUCTION TO THE UNAUDITED PRO FORMA STATEMENT OF FINANCIAL POSITION OF THE GROUP

The accompanying unaudited pro forma statement of financial position of the Group has been prepared to illustrate the effect of the proposed restructuring might have affected the financial position of the Group.

The unaudited pro forma statement of financial position of the Group as at 31 January 2011 is prepared based on the unaudited consolidated statement of financial position of the Group as at 31 January 2011 as extracted from the interim report of the Company for the six months ended 31 January 2011, as if the proposed restructuring had been completed on 31 January 2011.

The unaudited pro forma statement of financial position of the Group is prepared based on a number of assumptions, estimates, uncertainties and the currently available information, and is provided for illustrative purposes only. Accordingly, as a result of the nature of the unaudited pro forma statement of financial position of the Group, it may not give a true picture of the actual financial position of the Group that would have been attained had the proposed restructuring actually occurred on the date indicated herein. Furthermore, the unaudited pro forma statement of financial position of the Group does not purport to predict the Group's future financial position.

The unaudited pro forma statement of financial position of the Group should be read in conjunction with the financial information of the Group as set out in Appendix I and other financial information included elsewhere in this circular.

B. UNAUDITED PRO FORMA STATEMENT OF FINANCIAL POSITION OF THE GROUP AS AT 31 JANUARY 2011

	The Group as at 31 January 2011 (Unaudited)	Proforma Adjustments									The Restructured Group
		Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*	*Note 6*	*Note 7*	*Note 8*	*Note 9*	
	(HK$'000)	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*
NON CURRENT ASSETS											
Property, plant and equipment	288										288
CURRENT ASSETS											
Trade receivables	11,335										11,335
Deposits, prepayments and other receivables	5,317	(850)									4,467
Cash and bank balance	7,894	(78)	30,000			(8,374)		7,000	22,000	(13,160)	45,282
	24,546										61,084
CURRENT LIABILITIES											
Bank and other borrowings	(5,629)	5,629									–
Trade payables	(2,237)	1,285									(952)
Convertible bonds	(106,600)									106,600	–
Other payables and accruals	(43,977)	39,130			(8,148)					11,396	(1,599)
Amounts due to deconsolidated subsidiaries	(1,934)	(115)								2,049	–
Amount due to the Former Investor	(16,291)				16,291						–
Amount due to the Investor	–		(30,000)	(11,000)				41,000			–
Loan from the Former Investor (secured)	–				(8,143)	8,143					–
Income tax payable	(3,660)	1,105									(2,555)
	(180,328)										(5,106)
NET CURRENT (LIABILITIES)/ASSETS	(155,782)										55,978
NON CURRENT LIABILITIES											
3-years Convertible Notes	–								(14,465)		(14,465)
NET (LIABILITIES)/ASSETS	(155,494)										41,801
CAPITAL AND RESERVES											
Share capital	(67,620)						66,268	(9,600)		(1,280)	(12,232)
Accumulated losses	398,936	(46,106)		11,000		231	(167,354)			(30,634)	166,073
Share premium	(101,086)						101,086	(38,400)		(104,605)	(143,005)
Reserves	(73,630)								(7,535)	29,634	(51,531)
Non-controlling interest	(1,106)										(1,106)
SHAREHOLDERS' EQUITY	155,494										(41,801)

C. NOTES TO THE UNAUDITED PRO FORMA STATEMENT OF FINANCIAL POSITION OF THE GROUP

Note 1: Deconsolidation of Excluded Companies as a result of the Group Reorganisation

The adjustment represents the effects of the deconsolidation of the Excluded Companies upon the Group Reorganisation. As the Excluded Companies will cease to be companies within the Restructured Group, their relevant assets and liabilities will be deconsolidated upon completion of the Group Reorganisation.

Note 2: Working Capital Facility provided by the Investor

Pursuant to the Working Capital Facility Agreement, the Investor undertook it would provide up to HK$30 million for the repayment of the Original Working Capital Facility and general working capital of the Group. This adjustment reflects the effects of the assumption that the amount of HK$30 million of the Working Capital Facility has been drawn down before Completion.

Note 3: Restructuring expenses incurred before Completion

This adjustment reflects the effects of the assumption that HK$11 million will be incurred as the restructuring expenses before Completion, which will be funded by the Investor pursuant to the Restructuring Agreement.

Note 4: Re-allocation of the loan from the Former Investor

This adjustment represents the effects of the re-allocation of the "Amount due to Former Investor" of approximately HK$16.291 million to:

(a) "Other payables and accruals" of approximately HK$8.148 million, being an unsecured and interest-free loan which will be treated as a claim by an ordinary creditor of the Company, and that HK$3 million of which is non-refundable pursuant to the Exclusivity Agreement; and

(b) "Loan from the Former Investor (secured)" of approximately HK$8.143 million, being interest-bearing loan provided by the Former Investor under the Original Working Capital Facility Agreement.

Note 5: Repayment of the Original Working Capital Facility

This adjustment represents the effects of the repayment of the secured and interest-bearing loan drawn down pursuant to Original Working Capital Facility Agreement of HK$8,374,000 provided by the Former Investor (including principal amount of approximately HK$7,943,000 and interest of approximately HK$431,000 accrued from 19 September 2009 to 31 August 2011) which is assumed to have taken place prior to Completion.

Note 6: Capital Restructuring

The adjustment represents the effects on the Capital Restructuring:

i) Capital Reduction

The par value of every Share will be reduced from HK$0.05 to HK$0.001. Based on the Company's existing 1,352,400,000 Shares in issue, the Capital Reduction will give rise to a credit of HK$66,267,600, which will be applied to set off part of the accumulated losses of the Company as at 31 January 2011.

ii) Share Consolidation

Upon the Capital Reduction becoming effective, every 40 issued Shares with par value of HK$0.001 each will be consolidated into one New Share with par value of HK$0.04 each.

iii) Share Premium Reduction

The entire amount standing to the credit of the share premium account of the Company as at 31 January 2011 of approximately HK$101,086,000 will be applied to set off against the accumulated losses of the Company.

Note 7: Share Subscription

Under the Restructuring Agreement, the Investor agreed to subscribe for and the Company agreed to issue and allot 240,000,000 Subscription Shares at the Subscription Price of HK$0.20 per Subscription Share for a total consideration of HK$48,000,000. The adjustment represents the amount of the monies payable by the Investor under the Share Subscription upon completion of the Share Subscription after setting off HK$30 million Working Capital Facility which has been drawn down and HK$11 million restructuring expenses which has been funded by the Investor.

Note 8: CN Subscription

The adjustment represents the effects of the issuance of the Convertible Notes of HK$22 million with Conversion Price of HK$0.20 per Conversion Share, with a tenure of 3 years and is interest-free. Pursuant to HKAS 32 and 39, approximately HK$14,465,000 being liability component and HK$7,535,000 being equity component are recognised and included under as non-current liability and reserves respectively.

Note 9: Settlement of the Company's Creditors under the Scheme

(i) The adjustment represents the effects of the settlement of all the claims against and liabilities of the Company by way of the Scheme. Upon completion of the Scheme, the indebtedness of the Company of approximately HK$117,045,000 (based on available books and records to the Provisional Liquidators) will be released and discharged in its entirely by i) a sum of HK$13,160,000 out of the Share Subscription proceeds as the Cash Settlement (including the settlement of the Petition Costs, the Preferential Claims, the Issuance Costs and the costs of the Scheme); and ii) approximately 32,000,000 Creditors Shares to be issued by the Company at the price HK$3.309 per share of the Company.

(ii) Pursuant to note 4 above, the non-refundable amount of HK$3 million is written back before the settlement of indebtedness to Creditors under the Scheme.

PKF

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Hong Kong

ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS AND THE PROVISIONAL LIQUIDATORS OF CHINA MEDICAL AND BIO SCIENCE LIMITED (PROVISIONAL LIQUIDATORS APPOINTED)

We report on the unaudited pro forma statement of financial position of China Medical and Bio Science Limited (Provisional Liquidators Appointed) (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages III-1 to III-5 under the heading of "Unaudited Pro Forma Statement of Financial Position of the Group" (the "Unaudited Pro Forma Financial Information") in Appendix III to the Company's circular dated 2 September 2011 (the "Circular") in connection with the restructuring of the Company (the "Proposed Restructuring"). The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company (the "Directors"), for illustrative purposes only, to provide information about how the Proposed Restructuring might have affected the historical financial information of the Group. The basis of preparation of the Unaudited Pro Forma Financial Information is set out on page III-1 of Appendix III to the Circular.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND REPORTING ACCOUNTANTS

It is the responsibility of the Directors to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 7.31(7) of the GEM Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

BASIS OF OPINION

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purpose only, based on the judgements and assumptions of the Directors, and because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 31 January 2011 or any future date.

OPINION

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

PKF
Certified Public Accountants
Hong Kong

2 September 2011

(1) PROFIT ESTIMATE

On the basis and assumptions as set forth below, and in the absence of unforeseen circumstances, the Company estimates that the consolidated profit attributable to equity holders of the Company and earnings per share for the year ended 31 July 2011 will be:

	Consolidated profit attributable to equity holders of the Company	Earnings per Share
Including all the Resumption related income or expenses	no less than HK$48 million	no less than HK$3.59 cents
Excluding all the Resumption related income or expenses	no less than HK$3 million	no less than HK$0.22 cents

The Profit Estimate for the year ended 31 July 2011 is prepared based on the management accounts of the Group for the period from 1 August 2010 to 30 April 2011 and the estimated performance for the period from 1 May 2011 to 31 July 2011 referring to the bases and assumptions summarised in the section below. It is estimated that the consolidated profit attributable to the equity holders of the Company for the year ended 31 July 2011 will be mainly due to the operating profit of the Group generated from the improved business operations and substantial gain from the deconsolidation of certain Excluded Companies as part of the Group Reorganisation. The Profit Estimate is presented on a basis consistent in all material respects with the accounting policies currently adopted by the Company as set out in its audited annual report for the year ended 31 July 2010.

(2) MAJOR BASES AND ASSUMPTIONS

The Profit Estimate has been prepared on the basis of accounting policies consistent in all material respects with HKFRSs, and on the following assumptions:

(a) The proposed restructuring under the Restructuring Agreement will be successfully implemented and completed on or before 31 October 2011, the latest date for the satisfactions of all the Resumption Conditions.

(b) There will be no material changes in the existing government policies or political, legal, fiscal, market or economic conditions in the PRC, Hong Kong and other countries in which the Group operates.

(c) There will be no material change in interest rates, exchange rates and inflation rates from those presently prevailing in the context of the Group's operations. The conversion of RMB to HK$ is based on the approximate exchange rate of RMB0.8501 to HK$1.00 throughout the estimated period.

(d) There will be no material change in the rates of taxation applicable to the activities of the Group in the operating regions. The Group will not be materially and adversely affected by changes in the tax base or the rates of taxation. The corporate income tax rate of Dongyu and the JV Company is 25% in the PRC.

(e) There will be no significant change in the existing accounting policies, critical accounting estimates and judgment underlying the preparation of the Profit Estimate from those adopted in the preparation of the Group's results to be disclosed in this circular.

(f) The Group's operations and business will not be materially affected or interrupted by any force majeure events or unforeseeable factors or any unforeseeable reasons that are beyond the control of the Directors, including but not limited to the occurrence of natural disasters, supply failure, labor dispute, significant lawsuit and arbitration.

(g) The Group can maintain the business relationship with its major customers and suppliers i.e. the Group's customers will continue to purchase feedstock from the Group and the Group's suppliers will continue to supply feedstock to the Group, during the estimated period.

(h) The Group's production and operation will not be significantly affected by interruptions as a result of the failure to meet relevant production and industry safety regulations.

(i) It is expected that the Group will record an accounting gain of approximately HK$123.9 million for the year ended 31 July 2011 from the deconsolidation of certain Excluded Companies as part of the Group Reorganisation.

(j) It is expected that the Group will record impairment loss to the amount due from deconsolidated subsidiaries of approximately HK$75.5 million for the year ended 31 July 2011.

(k) It is expected that approximately HK$2.9 million will be incurred as restructuring costs for the year ended 31 July 2011.

LETTERS

(1) LETTER FROM THE REPORTING ACCOUNTANT ON THE PROFIT ESTIMATE

The following is the text of a letter, prepared for inclusion in this circular, received by the Directors from PKF Hong Kong, Certified Public Accountants, in connection with the estimate of the consolidated net profit attributable to the equity holders of the Company for the year ended 31 July 2011.

PKF

26/F, Citicorp Centre
18 Whitfield Road
Causeway Bay
Hong Kong

2 September 2011

The Directors
China Medical and Bio Science Limited
(Provisional Liquidators Appointed)
62/F, One Island East
18 Westlands Road
Island East
HONG KONG

Dear Sirs,

We have reviewed, in accordance with the Auditing Guideline 3.341 "Accountants' report on profit forecasts" issued by the Hong Kong Institute of Certified Public Accountants, the accounting policies adopted and calculations made in arriving at the estimate of the consolidated profit of China Medical and Bio Science Limited (Provisional Liquidators Appointed) (the "Company") and the consolidated profit attributable to the equity shareholders of the Company for the year ended 31 July 2011 ("the Profit Estimate"), for which the directors of the Company (the "Directors") are solely responsible, as set forth in the section headed "Profit Estimate for the year ended 31 July 2011" of the Company's circular dated 2 September 2011 in relation to the restructuring of the Company (the "Circular").

The Profit Estimate has been prepared by the Directors based on unaudited management accounts of the Company and its subsidiaries (collectively the "Group") for the nine months ended 30 April 2011 and the estimate of the results of the Group for the remaining three months ended 31 July 2011.

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Estimate has been properly compiled in accordance with the assumptions made by the Directors as set out in Appendix V to the Circular and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group.

Yours faithfully,

PKF
Certified Public Accountants
Hong Kong

(2) LETTER FROM THE FINANCIAL ADVISER ON THE PROFIT ESTIMATE

The following is the text of a letter, prepared for inclusion in this circular, received by the Directors from Asian Capital (Corporate Finance) Limited in connection with the estimate of the consolidated profit attributable to the equity holders of the Company for the year ended 31 July 2011.

ASIAN CAPITAL
(CORPORATE FINANCE) LIMITED
卓亞(企業融資)有限公司

2 September 2011

The Directors
China Medical and Bio Science Limited
(Provisional Liquidators Appointed)
62/F, One Island East
18 Westlands Road
Island East
Hong Kong

Dear Sirs,

We refer to the consolidated profit estimate of China Medical and Bio Science Limited (Provisional Liquidators Appointed) (the "**Company**") and its subsidiaries (collectively as the "**Group**") for the year ended 31 July 2011 (the "**Profit Estimate**") as set out in the Appendix V "Profit Estimate for the year ended 31 July 2011" in the circular of the Company dated 2 September 2011 (the "**Circular**").

The Profit Estimate, for which the directors of the Company are responsible, has been prepared based on the Group's unaudited management accounts for the nine months ended 30 April 2011 and the estimate of the results of the Group for the remaining three months ended 31 July 2011.

We have discussed with you the bases and assumptions, as set forth in part (2) of Appendix V to the Circular, upon which the Profit Estimate has been made. We have also considered the letter dated 2 September 2011 addressed to you from PKF Hong Kong regarding the accounting policies and calculations upon which the Profit Estimate has been made.

On the basis of the foregoing and in the absence of unforeseeable circumstances, the bases and assumptions made by you and the accounting policies and calculations adopted by you and reviewed by PKF Hong Kong, we are of the opinion that the Profit Estimate, for which the directors of the Company are responsible, has been made after due care and consideration.

Yours faithfully,
For and on behalf of
Asian Capital (Corporate Finance) Limited
Larry Chan
Executive Director

1. RESPONSIBILITY STATEMENT

This circular, save for the information relating to the Investor, for which the Directors and the Provisional Liquidators collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors and the Provisional Liquidators, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular 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 circular misleading.

All the Directors jointly and severally accept full responsibility for the accuracy of information contained in this circular, save for the information relating to the Investor, and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statements in this circular misleading.

The directors of the Investor, and the proposed Directors (other than the proposed non-executive Director and independent non-executive Directors) accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

2. SHARE CAPITAL

The authorised issued share capital of the Company as at the Latest Practicable Date and immediately following (i) the Capital Restructuring becoming effective; (ii) completion of the Share Subscription; (iii) issue of Creditors Shares; and (iv) issue of the Conversion Shares upon full conversion of Convertible Notes.

Before the Capital Restructuring

		HK$
Authorised share capital:		
3,000,000,000	Shares	150,000,000
Issued and fully paid or credited as fully paid:		
1,352,400,000	Shares	67,620,000

Upon the Capital Restructuring becoming effective

Authorised share capital:		
5,000,000,000	New Shares	200,000,000
Issued and fully paid or credited as fully paid:		
33,810,000	New Shares	1,352,400
240,000,000	Subscription Shares to be issued	9,600,000
32,000,000	Creditors Shares to be issued	1,280,000
110,000,000	Conversion Shares to be issued upon exercise in full of the conversion rights attached to the Convertible Notes	4,400,000
415,810,000		16,632,400

The Subscription Shares, the Creditors Shares and the Conversion Shares, which will be allotted and issued under a specific mandate to be sought from the Independent Shareholders at the EGM, will rank pari passu in all respects among themselves and with the New Shares in issue (after the Capital Restructuring) as at the date of allotment and issue of the Subscription Shares, the Creditors Shares and the Conversion Shares, including all rights to as to dividend, distributions which may be declared, made or paid by the Company, voting and interest in capital, among themselves and with all other shares of the Company, on or after the date of allotment and issue of the Subscription Shares, the Creditors Shares and the Conversion Shares.

As at the Latest Practicable Date, no shares, options, warrants, conversion rights or any equity or debt securities of the Company was outstanding or was proposed to be issued (save for any option may be issued pursuant to the share option schemes of the Company and the convertible bonds issued by the Company in the principal amount of HK$100,000,000 on 2 November 2007, which was defaulted and will be settled under the Scheme) for cash or otherwise and no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any such capital, except for the Subscription Shares, the Creditors Shares, the Convertible Notes and the Conversion Shares.

Since 31 July 2010, the date to which the latest audited financial statements of the Company were made up, and up to the Latest Practicable Date, no Shares have been allotted and issued by the Company.

3. DISCLOSURE OF INTERESTS

(a) Interests of Directors

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executives 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 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
Ms. Wong	Through controlled corporation	Ordinary shares	400,000,000 Shares	29.58%

Note: 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.

(b) Interests of the substantial shareholders of the Group

As at the Latest Practicable Date, so far as is known to the Provisional Liquidators and the Directors or chief executives, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the Shares and underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at a general meeting of any member of the Group:

Name	**Capacity and nature of interest**	**Shares**	**Number of Shares (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	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	220,496,000 Shares	16.30%	*(3)*
Keywise	Investment Manager	Ordinary shares	220,496,000 Shares	16.30%	*(3)*
Investor	Beneficial Interest	Ordinary shares	350,000,000 New Shares	25.88%	*(4)*
Mr. Li	Through controlled corporation	Ordinary shares	350,000,000 New Shares	25.88%	*(4)*

Notes:

(1) The Shares are held by JBC Bio Technology Company Limited, which is wholly-owned by Ms. Liu , who was an executive Director and chairman of the Company and resigned on 5 December 2008. Accordingly, Ms. Liu is deemed to be interested in 432,000,000 Shares held by JBC Bio Technology Company Limited.

(2) CPT is a wholly-owned subsidiary of CBM which is wholly owned by Ms. Wong, an executive director of the Company. Accordingly, CBM and Ms. Wong 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.

(4) The Investor is wholly-owned by Mr. Li. Accordingly, Mr. Li is deemed to have an interest in the 240,000,000 New Shares of the Company to be subscribed by the Investor pursuant to the Restructuring Agreement. As the Investor may take up the Convertible Notes. Mr. Li is also accordingly deemed to be interested in the 110,000,000 Conversion Shares that may be allotted and issued upon exercise in full of the conversion rights attached to the Conversion Notes.

Since 31 July 2010, the date to which the latest audited financial statements of the Company was made up, and up to the Latest Practicable Date, no Shares have been allotted and issued by the Company.

4. MARKET PRICES

The table below shows the closing prices of the Shares as recorded on the Stock Exchange on (i) the last trading day on which dealings took place in each of the calendar months during the Relevant Period; (ii) the Last Trading Date; and (iii) the Latest Practicable Date.

Date	*Closing price of Per Share (HK$)*
27 October 2008 (Last Trading Date)	0.048
31 January 2011	suspended
28 February 2011	suspended
31 March 2011	suspended
29 April 2011	suspended
31 May 2011	suspended
30 June 2011	suspended
29 July 2011	suspended
Latest Practicable Date	suspended

Trading in the Shares has been suspended since 28 October 2008 and that the last closing price before the Suspension was HK$0.048 on 27 October 2008.

5. ADDITIONAL DISCLOSURE OF INTEREST

As at the Latest Practicable Date:

(a) none of the Directors had any direct or indirect interest in any assets which have been, since 31 July 2010, the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by, or leased to, any member of the Group, or are proposed to be acquired or disposed of by, or leased to, any member of the Group;

(b) save for the Restructuring Agreement and the Directors' Remuneration as set out in the paragraphs headed "Special Deals" in the "Letter from the Board" in this circular, none of the Directors was given any benefit as compensation for loss of office or otherwise in connection with the Restructuring Agreement, the Whitewash Waiver and/or the Special Deals;

(c) save for the Restructuring Agreement and the Directors' Remuneration as set out in the section headed "Special Deals" in the "Letter from the Board", there was no agreement, arrangement or understanding (including any compensation arrangement) existing between any members of the Investor, its ultimate beneficial owner and parties acting in concert with any of them and any Director, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Restructuring Agreement, the Whitewash Waiver and/or the Special Deals;

(d) save for the Restructuring Agreement and the Directors' Remuneration as set out in the section headed "Special Deals" in the "Letter from the Board", none of the Directors had entered into any agreement or arrangement with any other persons which is conditional on or dependence upon the Restructuring Agreement, the Whitewash Waiver and/or the Special Deals;

(e) none of the Directors (including the proposed Directors) was materially interested in any contract or arrangement subsisting at the date of the circular which was significant to the business of the Group; and

(f) no material contract was entered into by the Investor, its beneficial owner and/or parties acting in concert with any of them in which any Director (including the proposed Director) has a material personal interest.

6. ADDITIONAL DISCLOSURE OF SHAREHOLDINGS AND DEALINGS PURSUANT TO THE TAKEOVERS CODE

As at the Latest Practicable Date:

(a) none of (i) the Investor; (ii) Mr. Li; (iii) the directors of the Investor; (iv) any parties acting in concert with the Investor or Mr. Li owned, controlled, borrowed, lent or was interested in any relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company;

(b) the Company and the Directors had no interest in any relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Investor;

(c) save as disclosed in sub-section headed "Disclosure of interests" above, none of the Directors owned, controlled, borrowed, lent or was interested in any relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company;

(d) no relevant securities (as defined under Note 4 of Rule 22 of the Takeovers Code) in the Company was owned or controlled by a subsidiary of the Company or by a pension fund of any member of the Group or by Asian Capital or by the Independent Financial Adviser and none of the advisers to the Company (as specified in class (2) of the definition of "associate" under the Takeovers Code) owned or had any interests in any Shares or other relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company;

(e) there was no shareholding in the Company owned or controlled by any persons who, prior to the posting of this circular, have irrevocably committed themselves to vote for or against the resolutions relating to the Restructuring Agreement, the Whitewash Waiver and the Special Deals;

(f) save for Ms. Wong, who shall abstain from voting on the relevant resolutions in relation to the Share Subscription, the CN Subscription, the Whitewash Waiver, the Special Deals and transactions contemplated thereunder at the EGM, which is disclosed in section headed "General" in the "Letter from the Board", none of the Directors had any beneficial shareholdings in the Shares which would entitle them to vote in respect of the Restructuring Agreement, the Share Subscription, the CN Subscription, the Whitewash Waiver, the Special Deals and the transactions contemplated thereunder;

(g) no person had any arrangement of the kind as described in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate and neither the Company nor such person who is an associate of the Company have entered into such an arrangement;

(h) there was no arrangement (whether by way of option, indemnity or otherwise) in relation to the shares of the Investor or the Company and which might be material to the Restructuring Agreement, the Whitewash Waiver or the Special Deals;

(i) there was no agreement, arrangement or understanding which may result in the transfer, charge or pledge of any of the Subscription Shares or the Conversion Shares to be subscribed by the Investor or parties acting in concert with it pursuant to the Restructuring Agreement to any other persons;

(j) no shares, convertible securities, warrants, options or derivatives of the Company and the Investor were managed on a discretionary basis by fund managers connected with the Company; and

(k) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Investor or any persons acting in concert with it.

During the Relevant Period:

(a) none of the Company or the Directors had dealt for value in any shares or other relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) in the Investor or the Company;

(b) none of (i) the Investor, (ii) Mr. Li, (iii) the directors of the Investor (iv) the beneficial owner of the Investor or (v) any persons acting in concert with the Investor and Mr. Li had dealt for value in any shares or other relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company; and

(c) none of the Directors, the Investor nor any of the parties acting in concert with it had borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

7. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any members of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

As at the Latest Practicable Date, none of the Directors had a service contract with the Company or any of its subsidiaries or associated companies, which:

(i) (including both continuous and fixed term contracts) have been entered into or amended within 6 months before the date of the Announcement;

(ii) are continuous contracts with a notice period of 12 months or more; or

(iii) are fixed term contracts with more than 12 months to run irrespective of the notice period.

8. LITIGATIONS

As at the Latest Practicable Date, the Group was involved in the following litigations:–

(a) on 16 April 2003, a claim was made by IFN Financial Press Limited against, inter alia, the Company for fees in the amount of approximately HK$127,000, being fees for services rendered;

(b) on 30 September 2003, a hearing was held at the Small Claims Tribunal with respect to a claim made by ACom Media Limited against the Company for service charge. The amount of the claim could not be ascertained by the Provisional Liquidators as at the Latest Practicable Date;

(c) on 27 July 2004, a hearing was held at the Small Claims Tribunal with respect to a claim made by Elegance Finance Printing Service Ltd. against the Company for service charge. The amount of the claim could not be ascertained by the Provisional Liquidators as at the Latest Practicable Date;

(d) on 7 March 2007, a claim was made by Altomatic Limited against the Company for rent in the amount of approximately HK$9,000;

(e) on 2 November 2007, a claim was made by Lai Chik Fan, Raymond against the Company for breach of agreement in the amount of HK$73,000;

(f) on 21 December 2007, a writ of summons was filed by AR Evans LifeSciences Limited against the Company for money due and owing in the amount of approximately HK$1,629,000;

(g) on 13 May 2008, a winding-up petition was presented by Shantou Xinyuan Trading Company Limited as Petitioner against the Company, which claims that the Company is indebted to it in the amount of RMB4,425,882.50 pursuant an order of the China International Economic and Trade Arbitration Commission dated 15 February 2008;

(h) on 7 November 2008, a claim was made by Liu King Yin against the Company for fees in the amount of approximately HK$660,000, being fees for services rendered; and

(i) on 2 December 2008, a claim was made by Liu King Yin against the Company for money due and owing in the amount of approximately HK$272,000.

Pursuant to section 186 of the Companies Ordinance, upon the appointment of the Provisional Liquidators, no action or proceeding shall be proceeded with or commenced against the Company except by leave of the Hong Kong Court. As at the Latest Practicable Date, there are no developments on the abovementioned claims. The Provisional Liquidators have invited the claimants to file notice of their claims to the Provisional Liquidators.

On 27 November 2009, the Provisional Liquidators received a writ of summon purportedly served by Mr. Ang dated 30 September 2009, commencing an action against, inter alia, the Company and other parties for damages in the sum of HK$10,334,610.50 together with interest and costs. As at the Latest Practicable Date, Mr. Ang has not obtained leave of the Hong Kong Court to issue the writ of summons and as such, the legal proceedings commenced by Mr. Ang against the Company are considered stayed. Based on a legal advice obtained, the Company is of the view that Mr. Ang's claim is not a genuine or bona fide claim against the Company and is unmeritorious.

Save as disclosed above, the Provisional Liquidators, also acting as directors of certain subsidiaries, are not aware of any existing or potential legal proceedings against the members of the Group as at the Latest Practicable Date based on available books and records of the Group.

9. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or proposed Directors and their respective associates were considered to have an interest in a business which competes or is likely to complete, either directly or indirectly, with the business of the Group other than those businesses to which the Directors and his associates were appointed to represent the interests of the Company and/or the Group.

10. EXPERTS AND CONSENTS

The following is the qualifications of the experts who have given opinions or advice, which are contained in this circular.

Name	Qualification
Asian Capital (Corporate Finance) Limited	a licensed corporation to carry out Types 1 (dealing in securities), 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management) regulated activities under the SFO
Ample Capital Limited	a licensed corporation to carry out Types 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management) regulated activities under the SFO
PKF Hong Kong	Certified Public Accountants, Hong Kong

Each of Asian Capital, Ample Capital Limited and PKF Hong Kong has given and has not withdrawn its consent to the issue of this circular with the inclusion of its report or letter, as the case may be, and reference to its names in the form and context in which it respectively appears.

As at the Latest Practicable Date, each of Asian Capital, Ample Capital Limited and PKF Hong Kong was not beneficially interested in the share capital of any member of the Group, nor did it has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group nor did it has any interest, either direct or indirect, in any assets which had been since 31 July 2010 (being the date to which the latest published audited accounts of the Group were made up) acquired or disposed of by or leased to or were proposed to be acquired or disposed of by or leased to any member of the Group. As at the Latest Practicable Date, Asian Capital was not beneficially interested in the share capital of any member of the Group.

11. MATERIAL CONTRACTS

The following contracts have been entered into by the Group (not being contracts entered into in the ordinary course) within the two years immediately preceding the date of the announcement dated 13 July 2011 and up to the Latest Practicable Date and are or may be material:

(i) the Exclusivity Agreement;

(ii) the Original Working Capital Facility Agreement;

(iii) the Original Debenture;

(iv) the strategic cooperation agreement dated 4 November 2009 (as supplemented by a supplemental strategic cooperation agreement dated 27 April 2010) (the "Strategic Cooperation Agreement") entered into between Dongyu and Taike Jiadan (Fujian) Swire Nutrition Company Limited* (台科加丹(福建)乳豬營養有限公司) ("Taike Jiadan") in respect of the supply feedstock and related products to Dongyu by Taike Jiadan;

(v) the JV Agreement and supplemental joint venture agreements dated 30 June 2010 and 3 November 2010;

(vi) the Land Acquisition Agreement;

(vii) the Restructuring Agreement and the Supplemental Restructuring Agreements;

(viii) the Working Capital Facility Agreement; and

(ix) the Debenture.

12. GENERAL

(a) The registered address of the Investor is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands. The correspondence address of the Investor is at Suite 5103, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

(b) The address of Mr. Li is at Suite 5103, Central Plaza, 18 Harbour Road, Wanchi, Hong Kong.

(c) The legal advisor to the Investor is Troutman Sanders. The address of Troutman Sanders is at 34/F, Two Exchange Square, 8 Connaught Place, Central, Hong Kong.

(d) The English version of this circular shall prevail over the Chinese text version.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours from 9:30 a.m. to 5:30 p.m. (Saturdays, Sundays and public holidays excepted) at the principal office of business in Hong Kong of the Company at 62/F, One Island East, 18 Westlands Road, Island East, Hong Kong from the Latest Practicable Date up to and including the date of the EGM (at 2:30 p.m. on Monday, 26 September 2011), in accordance with Note 1 to Rule 8 of the Takeovers Code and will be displayed on the websites of the SFC (www.sfc.hk) and on the Company's website http://www.irasia.com/listco/hk/chinamedical:

(i) Memorandum and Articles of Association;

(ii) memorandum and articles of association of the Investor;

(iii) the annual reports of the Company for the three financial years ended 31 July 2008, 31 July 2009 and 31 July 2010, and the interim report of the Group for the six months ended 31 January 2011;

(iv) the report from PKF Hong Kong on unaudited pro forma financial information of the Group dated 2 September 2011, the text of which is set out in Appendix IV to this circular;

(v) the letters in relation to the profit estimate for the year ended 31 July 2011 issued by PKF Hong Kong and Asian Capital both dated 2 September 2011, the texts of which are set out in Appendix VI to this circular;

(vi) the "Letter from the Board" as set out in this circular;

(vii) the "Letter from Independent Financial Adviser" as set out in this circular;

(viii) the written consents referred to in the paragraph headed "Experts and Consents" in this Appendix; and

(ix) all material contracts referred to in the paragraph headed "Material Contracts" in this Appendix.

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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting ("**EGM**") of China Medical and Bio Science Limited (Provisional Liquidators Appointed) (the "**Company**") will be held at 60/F, One Island East, 18 Westlands Road, Island East, Hong Kong at 2:30 p.m. on Monday, 26 September 2011 (or any adjournment thereof) for the purpose of considering and, if thought fit, passing with or without modification, the following resolutions of the Company:

SPECIAL RESOLUTION

CAPITAL RESTRUCTURING

1. "**THAT**:

   (a) the par value of every issued share of the Company be reduced from HK$0.05 to HK$0.001 by the reduction of HK$0.049 on each issued share of par value of HK$0.05 each (the "**Capital Reduction**") and the credit balance arising from the Capital Reduction of approximately HK$66,267,600 be applied in any manner as permitted by the Companies Law (2010 Revision) of the Cayman Islands as amended and revised (the "**Cayman Companies Law**") and other applicable laws to, including but not limited to, the setting off part of the accumulated losses of the Company as at 31 July 2010 of approximately HK$403,581,000;

   (b) immediately upon the Capital Reduction becoming effective, the existing authorised but un-issued share capital of the Company of HK$148,647,600 be cancelled in its entirety resulting in the authorised and issued share capital of the Company each being an amount of HK$1,352,400;

   (c) immediately upon the Capital Reduction becoming effective, every forty (40) authorised and issued shares of HK$0.001 each be consolidated into one (1) new share of HK$0.04 each ("**New Share(s)**"), as a result of which 1,352,400,000 authorized and issued shares of the Company of HK$0.001 each will be consolidated into 33,810,000 authorized and issued New Shares of HK$0.04 each ("**Share Consolidation**");

(d) immediately upon the Capital Reduction and the Share Consolidation becoming effective, the authorised share capital of the Company be increased from HK$1,352,400 to HK$200,000,000 by the creation of 4,966,190,000 New Shares;

(e) with effect from the completion of the Restructuring Agreement (as defined in resolution number 2 of the notice convening this meeting), the entire amount standing to the credit of the share premium account of the Company as at completion, which amounted to approximately HK$101,086,000 as at 31 July 2010, be reduced and set off against the accumulated losses of the Company or in any manner otherwise permitted by the Cayman Companies Law and other applicable laws;

(f) clause 6 of the memorandum of association of the Company be deleted in its entirety and replaced with the following new clause 6:

"6. The share capital of the Company is HK$200,000,000 divided into 5,000,000,000 shares of a nominal or par value of HK$0.04 each with power for the Company insofar as permitted by law, to redeem or purchase any of its shares and to increase or reduce the said capital subject to provisions of the Companies Law (2010 Revision) and the Articles of Association and to issue any part of its capital, whether original, redeemed or increased with or without any preference, priority or special privilege or subject to any postponement of rights or to any conditions or restrictions and so that unless the conditions of issue shall otherwise expressly declare every issue of shares whether declared to be preference or otherwise shall be subject to the powers hereinbefore contained."

(g) article 3 of the articles of association of the Company be deleted in its entirety and replaced with the following new article 3:

"3. Unless otherwise resolved by members, the authorised share capital of the Company shall be HK$200,000,000 divided into 5,000,000,000 ordinary shares of a par value of HK$0.04 each."

(h) any fractions of New Shares arising on the Share Consolidation pursuant to paragraph (c) of this resolution shall not be allocated to the holders of the existing shares otherwise entitled thereto but such fractions shall be aggregated and if possible sold for the benefit of the Company or be dealt with in such other manner as the Company or its joint and several provisional liquidators (the "**Provisional Liquidators**") may consider appropriate;

(i) all the New Shares in the capital of the Company after completion of the Capital Restructuring pursuant to this resolution shall rank pari passu in all respects with each other and have the same rights and privileges and be subject to the restrictions contained in the memorandum and articles of association of the Company as amended pursuant to paragraphs (f) and (g) of this resolution;

(j) the Provisional Liquidators and the directors of the Company ("**Directors**") be and are hereby authorised to take all necessary steps and do all such other things and acts and execute all such other documents (including the affixation of the common seal of the Company where execution under seal is required) which they may in their absolute discretion consider necessary, desirable, or expedient for the purpose of giving effect to or implementing any of the foregoing."

ORDINARY RESOLUTIONS

THE RESTRUCTURING PROPOSAL

2. "**THAT**

(a) the restructuring agreement dated 29th April 2011 as amended and supplemented by a supplemental restructuring agreement dated 1st June 2011 and a second supplemental restructuring agreement dated 29th August 2011 (collectively, the "**Restructuring Agreement**", a copy of which has been produced to the EGM and marked "A" and initialed by the chairman of the EGM for identification purposes) entered into among the Company, the Provisional Liquidators (as defined in resolution number 1 of the notice convening this meeting), Thousand Jade International Limited as investor (the "**Investor**") and Mr. Li Wing Chiu as guarantor in relation to the restructuring of the Company and the transactions contemplated thereunder (including but not limited to the Capital Restructuring (as defined in resolution number 1 of the notice convening this meeting), the issuance and allotment of 240,000,000 New Shares (the "**Subscription Shares**") at a subscription price of HK$0.20 each for a total consideration of HK$48,000,000, the creation and issue of the convertible notes (the "**Convertible Notes**") with the principal amount of HK$22,000,000 and the scheme of arrangement to be made between the Company and its creditors pursuant to Section 166 of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) and Section 86 of the Cayman Companies Law (as defined in resolution number 1 of the notice convening this meeting) (the "**Scheme**")) and the performance thereof by the Company, be and are hereby approved, ratified and confirmed;

(b) the allotment and issue of the Subscription Shares to the Investor at a subscription price of HK$0.20 per Subscription Share pursuant to the Restructuring Agreement be and is hereby approved;

(c) the creation and issue by the Company of the Convertible Notes due on the date falling three years from the date of issue of the Convertible Notes, convertible into 110,000,000 New Shares (the "**Conversion Shares**") in the capital of the Company at the conversion price of HK$0.20 per Conversion Share and the issue and allotment of the Conversion Shares on and subject to the terms and conditions contained in the Restructuring Agreement be and are hereby approved;

(d) the allotment and issue of 32,000,000 New Shares to partially settle claims against and liabilities of the Company with its creditors under the Scheme (the "**Creditors Shares**") on and subject to the terms and conditions of the Scheme be and are hereby approved;

(e) the Provisional Liquidators and the Directors be and are hereby authorised, for and on behalf of the Company, to do all such acts and things and to sign, seal and execute and deliver all such documents (including the affixation of the common seal of the Company where execution under seal is required) and take all such steps which they may in their discretion consider necessary, desirable or expedient for the implementation of and giving effect to the terms of the Restructuring Agreement and the transactions contemplated thereunder, including but not limiting to the allotment and issue of the Subscription Shares, the Conversion Shares and the Creditors Shares and to make and agree such variations of a minor or non-material nature in or to the terms of the Restructuring Agreement, as they may in their discretion consider to be desirable and in the interests of the Company."

WHITEWASH WAIVER

3. "**THAT**, the waiver (the "**Whitewash Waiver**") granted or to be granted by the Executive Director (the "**Executive Director**") of the Corporate Finance Division of the Securities and Futures Commission (or any delegate of such Executive Director) pursuant to Note 1 on Dispensations from Rule 26 of the Hong Kong Code on Takeovers and Mergers waiving any obligation on the part of the Investor (as defined in resolution number 2 of the notice convening this meeting) and parties acting in concert with it, to make a general offer for all the securities of the Company other than those already owned or agreed to be acquired by the Investor and its concert parties upon completion of the Restructuring Agreement (as defined in resolution number 2 of the notice convening this meeting), and any conditions that may be imposed thereon, be and are hereby approved and the Provisional Liquidators (as defined in resolution number 1 of the notice convening this meeting) and the Directors (as defined in resolution number 1 of the notice convening this meeting) be and are hereby authorised generally to take all necessary steps and to do all other things and execute all documents (including the affixation of the common seal of the Company where execution under seal is required) which they may in their absolute discretion consider necessary or desirable for the purpose of or in connection with the implementation of and giving effect to any matters relating to, or incidental to, the Whitewash Waiver."

SPECIAL DEALS

4. "**THAT** subject to the consent of the Executive Director (as defined in resolution number 3 of the notice convening this meeting), or any delegate of the Executive Director pursuant to Rule 25 of the Hong Kong Code on Takeovers and Mergers and the satisfaction of any conditions attached to such consent, the proposed settlement of the indebtedness owed to Ms. Liu Yang for the unpaid remuneration as an executive director and chairman of the Company under the Scheme (as defined in resolution number 2 of the notice convening this meeting) be and is hereby approved; and the Provisional Liquidators (as defined in resolution number 1 of the notice convening this meeting) and the Directors (as defined in resolution number 1 of the notice convening this meeting) be and are hereby authorised, for and on behalf of the Company, to do all such acts and things and to sign, seal and execute and deliver such documents (including the affixation of the common seal of the Company where execution under the seal is required) in connection with such settlement and take all such steps which they may in their discretion consider necessary, desirable or expedient to give effect to it."

5. "**THAT** subject to the consent of the Executive Director (as defined in resolution number 3 of the notice convening this meeting), or any delegate of the Executive Director pursuant to Rule 25 of the Hong Kong Code on Takeovers and Mergers and the satisfaction of any condition attached to such consent, the proposed settlement of the claims alleged by Mr. Ang Tai Hoi for the loss and damage suffered under the Scheme (as defined in resolution number 2 of the notice convening this meeting) be and is hereby approved; and the Provisional Liquidators (as defined in resolution number 1 of the notice convening this meeting) and the Directors (as defined in resolution number 1 of the notice convening this meeting) be and are hereby authorised, for and on behalf of the Company, to do all such acts and things and to sign, seal and execute and deliver such documents (including the affixation of the common seal of the Company where execution under the seal is required) in connection with such settlement and take all such steps which they may in their discretion consider necessary, desirable or expedient to give effect to it."

6. "**THAT** subject to the consent of the Executive Director (as defined in resolution number 3 of the notice convening this meeting), or any delegate of the Executive Director pursuant to Rule 25 of the Hong Kong Code on Takeovers and Mergers and the satisfaction of any conditions attached to such consent, the proposed payment of the director's remuneration to Ms. Wong Moon Ha at the agreed amount of HK$20,000 per month from 1 August 2010, which is subject to the resumption of trading of the shares of the Company, be and is hereby approved; and the Provisional Liquidators (as defined in resolution number 1 of the notice convening this meeting) and the Directors (as defined in resolution number 1 of the notice convening this meeting) be and are hereby authorised, for and on behalf of the Company, to do all such acts and things and to sign, seal and execute and deliver such documents (including the affixation of the common seal

of the Company where execution under the seal is required) in connection with such payment and take all such steps which they may in their discretion consider necessary, desirable or expedient to give effect to it."

7. "**THAT** subject to the consent of the Executive Director (as defined in resolution number 3 of the notice convening this meeting), or any delegate of the Executive Director pursuant to Rule 25 of the Hong Kong Code on Takeovers and Mergers and the satisfaction of any conditions attached to such consent, the proposed payment of the director's remuneration to Mr. Wong Sai Wa at the agreed amount of HK$150,000 per month from 1 August 2010, which is subject to the resumption of trading of the shares of the Company, be and is hereby approved; and the Provisional Liquidators (as defined in resolution number 1 of the notice convening this meeting) and the Directors (as defined in resolution number 1 of the notice convening this meeting) be and are hereby authorised, for and on behalf of the Company, to do all such acts and things and to sign, seal and execute and deliver such documents (including the affixation of the common seal of the Company where execution under the seal is required) in connection with such payment and take all such steps which they may in their discretion consider necessary, desirable or expedient to give effect to it."

GENERAL AUTHORISATION

8. "**THAT** in connection with the actions contemplated by the foregoing resolutions, each of the Provisional Liquidators (as defined in resolution number 1 of the notice convening this meeting), the Directors (as defined in resolution number 1 of the notice convening this meeting), officers, and any attorney or authorised signatories be, and such other persons as are authorised by any of them be, and each hereby is, authorised, in the name and on behalf of the Company, to do such further acts and things as any Provisional Liquidators, Directors, or officers or such duly authorised other persons shall deem necessary or appropriate in connection with, or to carry out the actions contemplated by, the foregoing resolutions, including to do and perform (or cause to be done and performed), in the name and on behalf of the Company, all such acts and to make, execute, deliver, issue or file (or cause to be made, executed, delivered or filed) with any person including any governmental authority or agency, all such agreements, documents, instruments, certificates, consents and waivers, and all amendments to any such agreements, documents, instruments or certificates, and to pay, or cause to be paid, all such payments, as any of them may deem necessary or advisable to carry out the intent of the foregoing resolutions, the authority for the taking of any such action and the execution and delivery of such of the foregoing to be conclusively evidenced thereby."

RATIFICATION OF PRIOR ACTIONS

9. "**THAT** any and all actions of the Company, or of any Provisional Liquidators (as defined in resolution number 1 of the notice convening this meeting), Directors (as defined in resolution number 1 of the notice convening this meeting), or officers or any attorney or authorised signatories, taken in connection with the

actions contemplated by the foregoing resolutions prior to the execution hereof be and are hereby ratified, confirmed, approved and adopted in all respects as fully as if such action(s) had been presented to for approval, and approved by, all the Directors prior to such action being taken".

ELECTION OF DIRECTORS

10. "**THAT** subject to the completion of the Restructuring Agreement (as defined in resolution number 2 of the notice convening this meeting) (the "**Completion**"), each of following persons be elected as a director of the Company effective from the date of Completion, subject to the provisions of the articles of associations of the Company:

    (a) Mr. Li Wing Chiu;

    (b) Mr. Wang Zhiming;

    (c) Mr. Zhang Xiaobin;

    (d) Mr. Qiao Long;

    (e) Ms. Wong Yan Ki, Angel;

    (f) Ms. Liao Aimin; and

    (g) Mr. Li Jingxing."

11. "**THAT** the board of directors of the Company be and is hereby authorised to fix the remuneration of the directors of the Company."

By Order of the Board
CHINA MEDICAL AND BIO SCIENCE LIMITED
(Provisional Liquidators Appointed)
Wong Sai Wa
Executive Director

Registered office:
Ugland House
P.O. Box 309
George Town
Grand Cayman
Cayman Islands
British West Indies

Principal place of business in Hong Kong:
62/F., One Island East
18 Westlands Road
Island East, Hong Kong

Hong Kong, 2 September 2011

Notes:

1. A member of the Company entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and, subject to the provisions of the articles of association of the Company, to vote in his stead. A proxy need not be a member of the Company.

2. In order to be valid, proxy form, together with the power of attorney or other authority (if any) under which it is signed or a certified copy of such power of attorney or authority, must be deposited at the Company's branch share registrar in Hong Kong, Tricor Tengis Ltd, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time for holding the meeting or adjourned meeting.

3. Completion and deposit of the proxy form will not preclude a member of the Company from attending and voting in person at the meeting convened or any adjourned meeting and in such event, the proxy form will be deemed to be revoked.

4. Where there are joint holders of any share of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she were solely entitled to vote, but if more than one of such joint holders are present at the meeting, the most senior holder shall alone be entitled to vote, whether in person or by proxy. For this purpose, seniority shall be determined by the order in which the name stands first on the register of members of the Company in respect of the joint holding.