

CAUSE NO. FSD 130 of 2011

IN THE GRAND COURT OF THE CAYMAN ISLANDS
FINANCIAL SERVICES DIVISION

IN THE MATTER OF SECTION 86 OF THE COMPANIES LAW (2010 REVISION)

AND IN THE MATTER OF THE GRAND COURT RULES 1995 ORDER 102

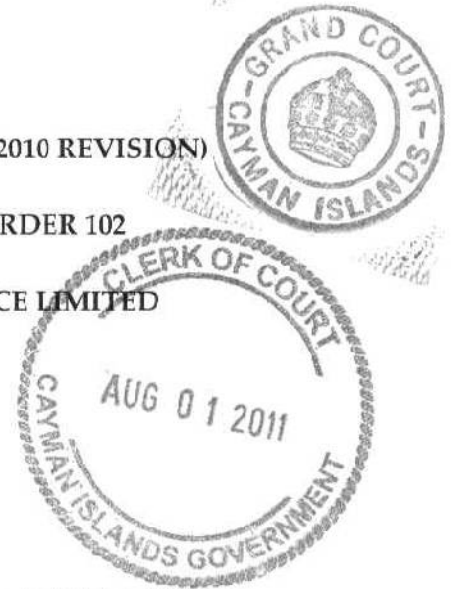
AND IN THE MATTER OF CHINA MEDICAL AND BIO SCIENCE LIMITED

PETITION

TO: THE GRAND COURT OF THE CAYMAN ISLANDS

THE HUMBLE PETITION OF China Medical and Bio Science Limited of Uglan House,
P.O. Box 309, George Town, Grand Cayman, Cayman Islands (the "Company") shows
the following:

1. The object of this Petition is to seek the sanction of the Court pursuant to section 86 of the Companies Law (2010 Revision) to a proposed Scheme of Arrangement (the "Scheme") between the Company and its Creditors (as defined in the Scheme).
2. A copy of the Scheme is annexed hereto as Schedule "A".
3. The essential elements of the Scheme can be summarised as follows:
 - (1) All Creditors will be bound by the Scheme;
 - (2) Upon the Scheme becoming effective, each of the Creditors will discharge and waive all of their claims against the Company in consideration for the right to participate in the distribution of the



Scheme Funds (as defined in the Scheme) less Petition Costs, Preferential Claims, Issuance Costs and Scheme Costs, all of which are more particularly defined in the Scheme (the “**Net Scheme Fund**”) and the Creditors Shares (as defined in the Scheme) in accordance with the terms of the Scheme. Save for their entitlement to receive dividends declared from the Net Scheme Funds and allocated portion of the Creditors Shares in accordance with the terms of the Scheme, the Creditors shall have no other rights of recourse against the Company;

- (3) All Creditors are invited to file their notices of claim, which will be adjudicated by the Scheme Administrators (as defined in the Scheme), and will be either admitted (in whole or in part) or rejected;
 - (4) Any Creditors who are dissatisfied with the decision of the Scheme Administrators on the admissibility of their debts are entitled to refer such matter to the Adjudicator (as defined in the Scheme), acting as an expert and not as an arbitrator, for determination. Such determination made by the Adjudicator should be final, conclusive and binding upon the Company and the Creditors insofar as the law permits;
 - (5) As far as the Scheme Funds (as defined in the Scheme) are concerned, they will be distributed in the following priority:
 - (a) Full payment of the Petition Costs (as defined in the Scheme), which is to be agreed by the Scheme Administrators and, if not will be subject to taxation;
 - (b) Full payment of the Preferential Claims (as defined in the Scheme), which is estimated to be in the region of HK\$20,000 based on available books and records;
 - (c) Payment of the Scheme Costs (as defined in the Scheme), which
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will be approved by the Scheme Committee (as defined in the Scheme) (whose approval shall not be unreasonably withheld or delayed) and capped at the maximum amount of HK\$2,000,000;

(d) After settling the Issuance Costs (as defined in the Scheme) the balance will be applied towards payment of dividends to the Creditors on a pari passu basis in proportion to their respective claims as admitted under the Scheme of Arrangement;

(6) As far as the Creditors Shares are concerned, each of those Creditors whose claims are admitted pursuant to the terms of the Scheme will be entitled to such portion of the Creditors Shares in proportion to their respective claims as admitted under the Scheme; and

(7) The Scheme will be terminated after the Scheme Funds and the Creditors Shares have been fully distributed in accordance with the terms of the Scheme or if the Scheme Administrators give notice of termination to Scheme Committee that they are satisfied that the continuation of the Scheme is no longer beneficial to the general body of the Creditors.

The Company

4. The Company was primarily engaged in the feedstock distribution business, mainly involving the development and distribution of feedstock products. The Company is a Cayman Islands exempted company limited by shares incorporated on 22 September 2000 with registration number 104328. Its registered office is situated at Uglund House, P.O. Box 309, George Town, Grand Cayman, Cayman Islands, British West Indies. Its principal place of business in Hong Kong registered under Part XI of the Companies Ordinance (Cap. 32) is situated at 62/F., One Island East, 18 Westlands Road, Island East, Hong Kong.

5. The objects for which the Company was established are investment holding as well as other objects set forth in the Memorandum and Articles of Association of the Company.
6. The shares of the Company have been listed for trading on the GEM Board of the Stock Exchange of Hong Kong Limited (the "GEM Board of the SEHK") under stock code no. 8120 since 10 April 2001. Trading in the shares of the Company on the GEM Board of SEHK has been suspended since 28 October 2008.
7. The Scheme, which the board of directors of the Company and the Provisional Liquidators would ask the Creditors to consider and (if saw fit) approve at the Scheme Meeting, is an essential step for the successful resumption of the trading of shares of the Company and an essential part of the Restructuring Proposal (as defined in the Scheme).

The current status of the company

8. Pursuant to the Order made by the Honourable Madam Justice Kwan of the High Court of Hong Kong (the "**Hong Kong Court**") on 3rd December 2008 in HCCW 198/2008 (the "**PLs Order**") Mr. Liu Yiu Keung Stephen and Mr. Yen Ching Wai David, both of Ernst & Young Transactions Limited, were appointed the Joint and Several Provisional Liquidators over the Company (the "**Provisional Liquidators**") under the PLs Order. Amongst other powers, the Provisional Liquidators have been given powers under paragraph 4(h) of the PLs Order *"to consider and, if thought to be in the best interests of creditors of the Company, to enter into discussions and negotiations for and on behalf of the Company, for the purpose of, restructuring of the affairs of the Company including, as deemed appropriate, to draft, with a view to implementing, a scheme of arrangement to be entered into between the Company and its creditors and to call meetings of shareholders and/or creditors and to do all things necessary to facilitate such action"*.
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Reasons for the Scheme

9. An indicative analysis of the liquidation value of the Company prepared on the basis of the books and records of the Provisional Liquidators indicates that the Creditors are expected to receive zero recovery based on the liquidation analysis. If the Scheme is implemented, it is estimated that the Creditors are likely to benefit by virtue of their entitlement to share pro rata in the Net Scheme Funds and of the Creditors Shares. The other advantages of adopting the Scheme are that the Creditors are expected to obtain greater recovery of part of their debts within a shorter period of time and that the Company's assets would not be further reduced by the substantial costs incurred in the liquidation process.
10. The Company's board of directors has determined that the Scheme is in the interest of the Creditors given the availability of the Net Scheme Funds and Creditors Shares to the Creditors under the Scheme.
11. The Company intends to make an application for directions herein for an order that, among other things:
 - a. the Company be at liberty to convene a meeting of Creditors (the "Court Meeting") for the purpose of considering and, if thought fit, approving (with or without modification) the Scheme;
 - b. directions as to the mode of delivery of an explanatory statement and proxy form to the Creditors; and,
 - c. the appointment of a chairman of the Court Meeting and for the conduct of the Court Meeting generally.
12. The resolution intended to be considered at the Court Meeting (with such amendments as may be approved at the Court Meeting) is:

"THAT a scheme of arrangement (the "Scheme of Arrangement") dated [●] 2011

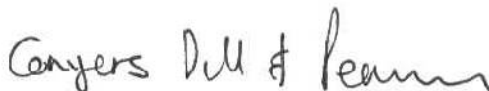
between the Company and its Creditors (as defined in Scheme of Arrangement) in the form of the print thereof which has been produced to the meeting and, for the purpose of identification signed by the chairman of the meeting, or in such other form and on such terms and conditions or may be approved or imposed by the Grand Court of the Cayman Islands, be and is hereby approved."

YOUR PETITIONER, THE COMPANY, THEREFORE HUMBL Y PRAYS:

- (1) That the Scheme be sanctioned by the Court so as to be binding on the Company and the creditors.
- (2) That, to this end, all necessary inquiries may be made and directions may be made and given.
- (3) Such further or other relief as the Court shall see fit.

And your Petitioner will ever pray etc.

Dated this 1st day of August 2011


Conyers Dill & Pearman
Attorneys-at-Law for the Petitioner herein

TO: The Clerk of the Grand Court

NOTE: It is intended to serve this Petition on China Medical and Bio Science Limited, at its registered office located at Uglan d House, P.O. Box 309, George Town, Grand Cayman, Cayman Islands.

Notice of Hearing

This Petition, having been presented to the Court on the 1st day of August 2011, will be heard at the Law Courts, George Town, Grand Cayman on the ____ day of _____, 2011 at 10:00 a.m. or as soon thereafter as the Petition can be heard.

This Petition is presented by Conyers Dill & Pearman, for and on behalf of the Petitioner, P. O. Box 2681, Cricket Square, Hutchins Drive, George Town, Grand Cayman, Cayman Islands, KY1-1111

Schedule "A"

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SCHEME OF ARRANGEMENT

CHINA MEDICAL AND BIO SCIENCE LIMITED

SCHEME OF ARRANGEMENT

UNDER SECTION 166 OF THE COMPANIES ORDINANCE
(CHAPTER 32 OF THE LAWS OF HONG KONG)
AND UNDER SECTION 86 OF THE COMPANIES LAW (2010 REVISION)

BETWEEN

CHINA MEDICAL AND BIO SCIENCE LIMITED
(Provisional Liquidators Appointed)

and

THE CREDITORS
(as hereinafter defined)

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1. Scheme Administrators and Scheme Committee

- 1.1. Mr. Stephen Liu Yiu Keung and Mr. David Yen Ching Wai are appointed as initial Scheme Administrators of the Scheme with power to act jointly and severally. If at any time any Scheme Administrator wishes to resign or is incapable of acting, he shall be replaced as Scheme Administrator by such other Person as shall be nominated by Ernst & Young Transactions Limited. Any Scheme Administrator so appointed shall, as soon as practicable following his appointment, give written notice of his appointment to all Creditors.
- 1.2. The Scheme Administrators shall be entitled to exercise such rights and powers as are necessary or desirable to give effect to the provisions of the Scheme and matters incidental thereto, and shall, without limitation, also be vested with powers equivalent to those vested in a liquidator in a winding up of a company by the Hong Kong Court and the Cayman Court.
- 1.3. Where two persons for the time hold office as Scheme Administrators they shall be entitled to act jointly and severally (except as provided in Clause 1.7 below).
- 1.4. Each person from time to time appointed as Scheme Administrator shall be an individual qualified to act as liquidator of a company in Hong Kong and/or experienced in handling restructuring or insolvency of companies in Hong Kong.
- 1.5. Any person for the time being holding office as Scheme Administrator may at any time resign by giving to the Scheme Committee and the other person (if any) for the time being holding office as Scheme Administrators notice in writing of not less than one month.
- 1.6. If any person for the time being holding office as Scheme Administrators:
 - (a) dies;
 - (b) is convicted of an indictable offence;
 - (c) resigns his/her office by notice in accordance with Clause 1.5 above;
 - (d) becomes bankrupt;
 - (e) is disqualified from acting as a director of a company under the Companies Ordinance or the Companies Law; or
 - (f) is admitted to hospital because of mental disorder or becomes the subject of an order made by a court having jurisdiction whether in Hong Kong or elsewhere in matters concerning his mental disorder;he/she shall cease to hold office as Scheme Administrator.
- 1.7. If at any time only one person shall hold office as Scheme Administrator, he/she may appoint only one person to hold office with him as Scheme Administrator. Such person so appointed shall be duly qualified in accordance with Clause 1.4 above and not ineligible by reason of any of the matters referred to in Clause 1.6

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above, and shall have consented to act. Such appointment shall be by instrument in writing, signed by the appointer.

- 1.8. If at any time no person shall hold office as Scheme Administrator, the Scheme Committee may appoint not more than two persons to hold office as Scheme Administrators. Each such person shall be duly qualified in accordance with Clause 1.4 above and not ineligible by reason of any of the matters referred to in Clause 1.6 above, and shall have consented to act. Each such appointment shall be by instrument in writing signed by each member of the Scheme Committee.
- 1.9. A Scheme Committee shall be formed in respect of the Scheme as soon as practicable after the Effective Date. The Scheme Committee shall comprise up to three members. Only Creditors with Admitted Claims can act as members. The initial members will be appointed by the Scheme Administrators after considering the views of the Creditors at the Scheme Meeting. The quorum for the Scheme Committee shall be two members present in person or by proxy. Any decision shall be by a majority of those present. In the case of equality of votes among the members, the Scheme Administrators shall hold a casting vote.
- 1.10. The Scheme Committee shall act in the best interest of the general body of Creditors.
- 1.11. Each corporate member of Scheme Committee shall be represented by a nominated representative. The relevant Creditor (those who have filed their Notice of Claims in accordance with Clause 3 of the Scheme) shall notify the Scheme Administrators in writing as soon as practicable after any change of the identity of any nominated representative.
- 1.12. The Scheme Committee shall receive verbal and written reports from the Scheme Administrators, meet with the Scheme Administrators as often as necessary and consider any requests by the Scheme Administrators for approval of the Scheme Costs, which approval shall not be unreasonably withheld or delayed. The Scheme Administrators shall provide the Scheme Committee with such relevant information as they may from time to time reasonably require in relation to any decision that the Scheme Committee is required to make.
- 1.13. Each member of the Scheme Committee (in its capacity as such):
 - (a) shall have only those duties and responsibilities expressly specified in the Scheme and shall not have any implied duties or responsibilities whatsoever; and
 - (b) may refrain from doing anything which would or might in its opinion be contrary to any law, directive or regulation of any applicable jurisdiction and may do anything which is, in its opinion, necessary to comply with any such law, directive or regulation and such Scheme Committee member shall not be liable for any loss occasioned thereby.
- 1.14. (a) A member of the Scheme Committee may give notice at any time to the Scheme Administrators that it wishes to resign from the Scheme Committee.

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- (b) Upon receipt of such notice of intended resignation or when the number of members falls below three, the Scheme Administrators shall in writing appoint another Creditor with Admitted Claim to be the successor to the resigning member of the Scheme Committee.
- (c) The resignation of any member of the Scheme Committee and the appointment of any successor member will become effective only upon the successor member notifying the Scheme Administrators that it accepts its appointment.
- (d) Any Creditor with an Admitted Claim so appointed to the Scheme Committee shall, from the date of appointment, be bound by all duties and responsibilities of the Scheme Committee expressly specified in the Scheme.
- (e) The resigning member shall, at its own cost, make available to the successor member such documents and records and provide such assistance as the successor member may reasonably request for the purposes of performing its functions as a member of the Scheme Committee.

2. Constitution of the Scheme Funds

- 2.1. The Scheme Administrators shall, or as soon as reasonably practicable after the Effective Date, open the Scheme Trust Account and shall deposit all monies paid to or realized by them in their capacity as Scheme Administrators other than payments to them in respect of approved Scheme Costs into the Scheme Trust Account.
- 2.2. All property received by the Scheme Administrators or their nominee(s) in their capacity as such, including the Scheme Funds and the Creditors Shares Allocation, shall be held on trust for the payment of the Petition Costs, the Preferential Claims, the Scheme Costs, the Issuance Costs and Dividends in accordance with this Scheme.
- 2.3. On the Completion Date, the Scheme Administrators shall instruct the Provisional Liquidators to transfer a sum of approximately HK\$13,160,000 which covers the settlement of the Petition Costs, the Preferential Claims, the Scheme Costs, the Issuance Costs and Dividends from the subscription monies payable by the Investor upon Completion to the Scheme Trust Account.
- 2.4. On the Completion Date, the Company will issue the Creditors Shares Allocation to the Scheme Administrators or their nominee(s) to be held pending distribution to Creditors with Admitted Claims for the benefit of the Creditors with Admitted Claims in accordance with this Scheme.
- 2.5. With effect from the Effective Date, each of the Creditors discharges and waives all of its Claims against the Company in consideration of the right to participate with each of the other Creditors in the distribution of Scheme Funds and the Creditors Shares on the terms of the Scheme.

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3. **Proof and determination of Claims**

3.1. As soon as practicable, and in any event within 14 days after the Effective Date, the Scheme Administrators shall give notice to all Creditors of whom they are aware, by letter and by advertisement in one English language newspaper and one Chinese language newspaper in Hong Kong and in one English language newspaper in the Cayman Islands and the Cayman Islands Gazette in the Cayman Islands, that Creditors must submit a Notice of Claim on or before the Cut-Off Date. At the time of the notification by post, the Scheme Administrators shall also send to the Creditors a Notice of Claim substantially in the form set out in Appendix 3 to this Document. Notice of Claim submitted to the Provisional Liquidators on or before the Effective Day for the purpose of voting at the Scheme Meeting shall be deemed to be a Notice of Claim to the Scheme Administrators by such Person, provided that such Person may submit a further Notice of Claim on or before the Cut-Off Date, such further Notice of Claim shall supersede any prior Notice of Claim.

3.2. On or before the Cut-Off Date, each Creditor shall deliver to the Scheme Administrators at its own expense:

- (a) no later than 5:00 p.m. Hong Kong time on the Cut-Off Date, a Notice of Claim in respect of the amount of the indebtedness claimed to be owed to it by the Company as at the Effective Date, completed substantially in accordance with the instructions printed on it; and
- (b) such documents or other evidence necessary for the purpose of substantiating its Claim.

3.3 **Creditors of the Scheme**

There shall be only one class of Creditors under the Scheme – the Unsecured Creditors. As at the Latest Practicable Date, the Provisional Liquidators are not aware of any Secured Creditors based on the available books and records.

3.4 (a) **Preferential Claims**

Each Person with a Preferential Claim will be paid out of the Scheme Funds in full in relation to its Preferential Claim Amount (recognizing the priority which they would have in a winding-up of the Company pursuant to section 265 of the Companies Ordinance and/or Section 141 of the Companies Law). As at the Latest Practicable Date, based on the available books and records, the Preferential Claims amounted to approximately HK\$20,000. The Provisional Liquidators have made a provision out of the Scheme Funds in respect of (any) Preferential Claims.

The Preferential Creditors who are also Unsecured Creditors shall, after receiving the amount of their Preferential Claims in full and final settlement under the Scheme, also receive Dividends to be paid out of the Cash Amount (subject to costs and expenses) and the Creditors Shares in respect of the non-preferential portion of their Admitted Claims in accordance with this Scheme.

(b) Secured Creditors' Claims

Creditors holding Securities Interest

As at the Latest Practicable Date, the Provisional Liquidators are not aware of any Secured Creditors. In case there is any Secured Creditor, the Secured Creditor may:

- (i) agree the value of its Securities Interest with the Scheme Administrators and participate in the Scheme as an Unsecured Creditor(s) for the unsecured portion of its Admitted Claim (which will be determined after the agreed value of the Securities Interest); or
- (ii) release its Securities Interest and participate in the Scheme as an Unsecured Creditor(s) for its entire Admitted Claim which will be treated as unsecured.

If a Secured Creditor cannot agree a value for its Securities Interest with the Scheme Administrators or if the Secured Creditor is unwilling to release its Securities Interest, then the Claim(s) of the Secured Creditor will be treated as Unadmitted Claim(s) for which appropriate reserves will be made by the Scheme Administrators out of the Scheme Funds, pending the Secured Creditor notifying the Scheme Administrators that it has realized its Securities Interest and providing details of its unsecured Claim (if any), or if earlier, releasing or agreeing with the Scheme Administrators a value for its Securities Interest.

The bar on further proceedings will not prevent a Secured Creditor from taking all steps which are necessary in order to enforce its Securities Interest.

3.5 Each Creditor will:

- (a) in completing its Notice of Claim take into account any amount received from the primary obligor or any co-surety prior to the date on which it submits its Notice of Claim or is deemed to have submitted its Notice of Claim pursuant to Clause 3.1 above; and
- (b) pay to the Scheme Administrators any amounts received from the primary obligor or any co-surety if and to the extent the aggregate value of the Creditor's receipts under the Scheme and from the primary obligor or any co-surety exceed the total amount owed to the Creditor by the primary obligor.

3.6 The Scheme Administrators shall examine every Notice of Claim lodged with them and the related evidence, and shall as soon as practicable decide whether to admit or reject the Claim, in whole or in part, or require further evidence in support of it. The Scheme Administrators shall send to each Creditor a notice in writing of their decision relating to that Creditor's Claim. Where the decision is to reject the Claim in whole or in part, the Scheme Administrators' notice of decision is to be accompanied by written reasons for their decision.

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- 3.7 Any amount of an Admitted Claim which is in a currency other than Hong Kong dollars shall for all purposes be converted to Hong Kong dollars based on the rate for the purchase of the relevant currency offered by The Hongkong & Shanghai Banking Corporation Limited at the close of business on 3rd December 2008, the date of the appointment of the Provisional Liquidators or, in the event of manifest error or non-publication, the offered rate for the purchase of the relevant currency of such other licensed bank in Hong Kong as the Scheme Administrators shall select and shall, for the purpose of the Scheme, be due in Hong Kong dollars.
- 3.8 Interest on any amount of the indebtedness owing under a Claim will be calculated up to the day prior to the date of the appointment of the Provisional Liquidators, i.e. 3rd December 2008.
- 3.9 Where there have been mutual credits, mutual debts or other mutual dealing between the Company and any Creditor before the Effective Date, an account shall be taken of what is due from each party to the other in respect of such mutual dealings and the sums due from the other party and only the balance of the account, if any, shall be admitted.
- 3.10 Adjudication
- (a) If a Creditor is dissatisfied with the Scheme Administrators' decision in respect of his Claim, he may, within 10 Business Days from the date of service of the notice of the decision as provided in Clause 3.6 above, apply in writing (with a copy to the Scheme Administrators) to the Adjudicator for a review of such decision. The Creditor must, at the time of making application to the Adjudicator, pay to the Adjudicator on account of the Adjudicator's costs a sum of HK\$50,000 (or such other amount as the Scheme Administrators and the relevant Creditor may agree), failing which the Creditor's application for review will be invalid.
- (b) The Adjudicator, acting as an expert and not as an arbitrator shall adopt such procedures as the Adjudicator may think fit, to enable the Adjudicator to decide whether the decision should be upheld, reversed or varied. The Scheme Administrators will use reasonable endeavours to procure that the Adjudicator delivers notice of the Adjudicator's decision to the relevant Creditor and the Scheme Administrators as soon as practicable after the Creditor's application for review. The Adjudicator's decision shall be final, conclusive and binding on the relevant Creditor insofar as the law permits.
- (c) If no valid application for a review of the Scheme Administrators' decision is served on the Adjudicator by the Creditor to whose Claim that decision relates within 10 Business Days of service of notice of the Scheme Administrators' decision, that decision will be binding on the Creditor.
- (d) Any Adjudicator's costs which exceed the payment on account referred to in Clause 3.10 (a) above shall be paid out of Scheme Funds as Scheme Costs.

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- (e) If the Adjudicator decides that the amount of the relevant Creditor's Claim does not exceed the amount determined by the Scheme Administrators by more than the greater of HK\$50,000 or 10% of the amount determined by the Scheme Administrators, the relevant Creditor shall pay to the Scheme Administrators an amount equal to any payment made under Clause 3.10(d) above. To the extent that the Creditor fails to pay any amount(s) due under this sub-clause and/or sub-clause (a) the Scheme Administrators are entitled to deduct such amount(s) from any payment and Dividend payable to the relevant Creditor with an Admitted Claim.
 - (f) If the Adjudicator decides the amount of the relevant Creditor's Claim exceeds the amount determined by the Scheme Administrators by more than the greater of HK\$50,000 or 10% of the amount determined by the Scheme Administrators, the Scheme Administrators will pay to the relevant Creditor out of the Scheme Funds an amount equal to the payment on account under Clause 3.10 (a) above.
- 3.11 Notice of Claim may be withdrawn or varied at any time with the prior written consent of the Scheme Administrators.
- 3.12 The Scheme Administrators may accept a Notice of Claim received after the Cut-Off Date but before the First Distribution Calculation Date only if they are satisfied, in their absolute discretion, that there is a reasonable explanation for the failure to deliver the Notice of Claim by the Cut-Off Date.
- 3.13 For the avoidance of doubt, any Claim or part of a Claim which is not proved in accordance with this Clause 3 or which is rejected by the Scheme Administrators or the Adjudicator, as the case may be, shall be treated (and, if rejected in part, as to that part only) for all purposes as having been wholly and irrevocably discharged and released and no Creditor shall be entitled to payment thereof or make any claim or initiate any proceedings against the Company in relation thereto.
- 4 Bar to further proceedings**

From the Effective Date, none of the Creditors shall be entitled to demand or exercise any right of set-off against the Company in respect of its Claim, nor be able to seek to recover from the Company by legal process or otherwise, or to take any steps or proceedings against the Company or its assets, for the purpose of enforcing its Claim or recovering any part of its Claim by way of execution or otherwise, or to commence or prosecute or join in any proceedings to wind up the Company based upon its Claim.
- 5 Distribution of Scheme Funds in the Scheme Trust Account and Creditors Shares**
 - A. Dividend Distribution**
 - 5.1 The Scheme Funds whilst controlled by the Scheme Administrators shall be applied towards payment of (in the following order); firstly, the Petition Costs, secondly, the Preferential Claims; thirdly, the Scheme Costs, fourthly, the

SCHEME OF ARRANGEMENT

Issuance Costs and thereafter, the balance thereof shall be applied toward payment of Dividends to Creditors with Admitted Claims ranking pari passu in proportion to their respective Admitted Claims in such manner as may be determined by the Scheme Administrators pursuant to Clauses 5.2 and 5.3 below.

5.2 Having regard to the Petition Costs, the Preferential Claims, the Issuance Costs and the Claims of Creditors payable under the Scheme, the Scheme Administrators shall reserve in the Scheme Funds all Scheme Costs (including anticipated Scheme Costs). As soon as practicable after the Cut-Off Date, and from time to time during their administration of the Scheme, the Scheme Administrators shall determine the amount of Scheme Funds available for distribution having regard to the reserve required for payment of Scheme Cost and the aggregate amount of Unadmitted Claims. The Scheme Administrators shall then pay interim Dividends to Creditors with Admitted Claims in amounts determined in accordance with Clause 5.3 below.

5.3 The Scheme Administrators shall set the interim payment and Dividend at a level which will enable them to pay a percentage distribution to the Creditors with Admitted Claims and at the same time reserve in the Scheme Funds an amount equal to the amount which would be required to pay the same Dividend to Creditors with Unadmitted Claims if their Claims were to be admitted in full. As soon as practicable after an Unadmitted Claim becomes an Admitted Claim, the Scheme Administrators shall distribute to that Creditor whose Claim has become an Admitted Claim the proportion of that Admitted Claim equal to the proportion paid to all other Creditors with Admitted Claims.

5.4 The Scheme Administrators shall distribute the Creditors Shares to the Creditors with Admitted Claims proportionally based on their respective Admitted Claims. The Scheme Administrator shall distribute such number of Creditors Shares to Creditors with Admitted Claims and at the same time reserve such number of Creditors Shares which would be distributed to Creditors with Unadmitted Claims if this Claims were to be admitted in full. As soon as practicable after an Unadmitted Claim becomes an Admitted Claim, the Scheme Administrators shall distribute to that Creditor whose Claim has become an Admitted Claim such number of Creditors Shares equaling the proportion of that Admitted Claim equal to the proportion distributed to all other Creditors with Admitted Claims.

B. Creditors Shares

5.5 On the Completion Date, the Company will issue to the Scheme Administrators or their nominee(s), the Creditors Shares Allocation to be held solely for the benefit of Creditors with Admitted Claims who deliver a Notice of Claim on or before the Cut-Off Date.

5.6 On or as soon as practicable after the Effective Date, the Scheme Administrators will determine the Creditors Shares Entitlement of each Creditor with an Admitted Claim who has delivered a Notice of Claim on or before the Effective Date by dividing each Creditor's Admitted Claim by the total of Admitted Claims and Unadmitted Claims referred to in all Notices of Claim by then delivered and multiplying that fraction by the Creditors Shares Allocation and will notify each Creditor with an Admitted Claim accordingly.

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- 5.7 The Scheme Administrators or their nominees may in their absolute discretion sell in whole or in part the number of Creditors Shares equal to its Creditors Shares Entitlement at such time on or after the Effective Date and at such price not less than par plus 2% as the Scheme Administrators will determine in their sole discretion after consultation with the Scheme Committee. The Proceeds of Sale of the relevant Creditors Shares will be paid to the Scheme Administrators for deposit in the Scheme Trust Account for distribution to the relevant Creditor with an Admitted Claim as soon as practicable. Payment of the Proceeds of Sale to that Creditor with an Admitted Claim will be in full satisfaction of its rights to the Creditors Shares Entitlement.
- 5.8 The Scheme Administrators will reserve any part of the Creditors Shares Allocation or (following a sale of the Creditors Shares Entitlement) the Proceeds of Sale attributable to that Unadmitted Claim, pending the Unadmitted Claim becoming an Admitted Claim.
- 5.9 A late Creditor with an Admitted Claim whose Notice of Claim is delivered after the Cut-Off Date but before the First Distribution Calculation Date, if accepted by the Scheme Administrators pursuant to Clause 3.12 above, will be entitled to a rateable proportion of the Creditors Shares Allocation and Proceeds of Sale held by the Scheme Administrators and the Creditors Shares Entitlement and Proceeds of Sale distributed to other Creditors with Admitted Claims will be reduced accordingly.
- 5.10 If an Unadmitted Claim becomes an Admitted Claim in whole or in part then the Scheme Administrators will procure the transfer of the Creditors Shares Entitlement or Proceeds of Sale, as the case may be, in respect of the amount of the Admitted Claim to the relevant Creditor with an Admitted Claim as soon as practicable after the Cut-Off Date.
- 5.11 When distributing Creditors Shares Entitlements and Proceeds of Sale, the Scheme Administrators will also account to each Creditor with an Admitted Claim for, in the case of a Creditors Shares Entitlement, all distributions of interest received on that Creditors Shares Entitlement or, in the case of that Creditor's Proceeds of Sale, the interest received on the Proceeds of Sale attributable to the amount of the Admitted Claim as determined by the Scheme Administrators acting reasonably.
- 5.12 If the Scheme Administrators reject an Unadmitted Claim, in whole or in part, for which part of the Creditors Shares Allocation or the Proceeds of Sale thereof have been reserved and that rejection is not reviewed or is upheld by the Adjudicator then any such Creditors Shares Allocation will be sold by the Scheme Administrators as soon as practicable and such Proceeds of Sale will be pooled into the Scheme Funds.
- 5.13 The Scheme Administrators may take such additional steps as they consider reasonable and practicable in order to facilitate the distribution of the Creditors Shares Allocation or Proceeds of Sale to the Creditors with Admitted Claims.

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6 Payment and delivery of Dividends

- 6.1 All Dividends and other payments payable to the Creditors with Admitted Claims may be paid by cheque.
- 6.2 The relevant cheques and the share certificates for Creditors Shares would be posted to the address of the Creditor with an Admitted Claim as appearing in that Notice of Claim of the Creditor with Admitted Claim or as provided by the Creditor with Admitted Claim to the Scheme Administrators under the Scheme.
- 6.3 Neither the Company nor the Scheme Administrators shall be liable to a Creditor with an Admitted Claim for any loss in transmission of a cheque and a share certificate drawn and sent in accordance with Clause 6.2 above. If a cheque in favour of a Creditor with an Admitted Claim dispatched in accordance with Clause 6.2 above is not encashed within six months of the date of issuance of the cheque, the entitlement of the Creditor with an Admitted Claim under the Scheme in the amount of such cheque shall cease and such amount shall form part of the Scheme Funds available for distribution in accordance with Clause 5 above.

7 Termination of the Scheme

- 7.1 The Scheme shall cease to have effect if the Scheme Administrators, give notice of termination to the Scheme Committee that they are satisfied that: payment and distribution to all Creditors with Admitted Claims under the Scheme have been made. For this purpose, all payments shall be deemed to be made upon, and the termination date of the Scheme shall be, the date upon which all the Scheme Funds and Creditors Shares, shall have been distributed to the Creditors with Admitted Claims in accordance with the terms of the Scheme or if the continuation of the Scheme is no longer beneficial to the general body of the Creditors and that accordingly the Scheme be terminated.
- 7.2 The Scheme Administrators shall give notice of the date of termination of the Scheme to the Creditors as soon as practicable after such termination. The duties and responsibilities of the Scheme Administrators under the Scheme will cease upon the giving of such notice. The Scheme Administrators shall apply to the Hong Kong Court and the Cayman Court for an order that they be discharged from all liabilities in respect of any act or default in the administration of this Scheme and that they be at liberty to destroy books and records held by them in relation to this Scheme, not earlier than six months after giving of such notice of termination.

8 Liability and Indemnity

- 8.1 None of the Provisional Liquidators or their firm or any of their representatives, partners, staff, agents or advisers (including legal advisers) will have or incur any liability for actions taken or omitted to be taken in good faith under or in connection with the negotiation and preparation of the Scheme or otherwise or incur any personal liability under the terms of the Scheme or otherwise.

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- 8.2 None of the Scheme Administrators or any of their representatives, partners, staff or agents shall have or incur any liability for actions taken or omitted to be taken in good faith under, or in connection with the negotiation and preparing of, the Scheme or otherwise or incur any personal liability under the terms of the Scheme or otherwise.
- 8.3 None of the Creditors or the Company shall be entitled to challenge the validity of any act done or omitted to be done in good faith by the Scheme Administrators, the Adjudicator or by any member of the Scheme Committee in accordance with and to implement the provisions of the Scheme or the exercise by any such person in good faith of any power conferred upon it or him for the purposes of the Scheme and no such person shall be liable for any loss of any kind whatsoever unless such loss is attributable to its or his own willful default, fraud, dishonesty or willful breach of duty or trust.
- 8.4 Without prejudice to their rights to receive payment of the Scheme Costs in accordance with this Scheme, and provided that they have acted in good faith in the performance of their role under this Scheme, the Scheme Administrators shall be indemnified out of the Scheme Funds against all expenses and against all costs, claims, proceeding expenses, losses, damages and liabilities of any description which may be incurred or suffered by the Scheme Administrators as a result of the Company, or any Creditor, or any third party making complaints or asserting claims against the Scheme Administrators in respect of such acts done or omitted to be done under the Scheme.
- 9 **Modification of Scheme**
- Prior to the Effective Date, the Company, acting by the Provisional Liquidators in the case of an application in the Hong Kong Court and through the Board in the case of an application in the Cayman Court, may consent, for and on behalf of all parties concerned, to any modification or addition to the Scheme or any condition which the Hong Kong Court and the Cayman Court may see fit to approve or impose.
- On or after the Effective Date, the Scheme Administrators may, at any time if they consider it expedient and in the interests of the Creditors to do so, apply to the Hong Kong Court and the Cayman Court for the purpose of modifying the provisions of the Scheme or obtaining directions from the Hong Kong Court and the Cayman Court on how to deal with any matters or disputes which may arise in respect of the administration of the Scheme. If the Hong Kong Court and the Cayman Court approve a modification to the Scheme or gives a direction in relation to any matter or dispute which may arise in respect of the Scheme, it shall be binding on the Company and the Creditors as far as the law permits.
- 10 **General**
- 10.1 The rights of the Creditors under the Scheme shall be assignable, subject to the Scheme Administrators receiving a pre-agreed administration fee and satisfactory documentation from the Person taking any assignment from the Creditor in relation to the validity of the assignment.

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10.2 Notice or demand

- (a) Save as otherwise provided in the Scheme, any notice or demand hereby required to be given shall be sufficiently given by posting the same by ordinary post (or airmail if outside Hong Kong) or transmission by fax or by leaving the same at:
 - (i) in the case of the Scheme Administrators, the office of Ernst & Young Transactions Limited at 62nd Floor, One Island East, 18 Westlands Road, Island East, Hong Kong (Fax number: +852 2827 0715) Attention: Mr. Stephen Liu Yiu Keung;
 - (ii) in the case of any of the Creditors, the Creditor's address or its fax number as set out in its Notice of Claim; and
 - (iii) in case of the Company, the office of the Provisional Liquidators, 62nd Floor, One Island East, 18 Westlands Road, Island East, Hong Kong (Fax number: +852 2827 0715) Attention: Mr. Stephen Liu Yiu Keung.
- (b) If such notice or demand is posted, it shall be deemed to have been received by the addressee 48 hours (or 72 hours, if to be sent outside Hong Kong) after the same shall have been posted and proof of an envelope containing such notice was properly addressed, prepaid and posted shall be sufficient evidence that such notice or demand has been duly served or given. If such notice or demand is delivered by hand, it shall be deemed to have been received by the addressee when the same is left at the relevant address and proof of the same was so left shall be sufficient evidence that such notice or demand has been duly served or given. If such notice or demand is transmitted by fax, it shall be deemed to have been received at the time of transmission, save that if such transmission is effected otherwise than between 9:00 a.m. and 4:00 p.m. on a Business Day in the territory in which the person to whom such transmission is effected is located, such transmission shall be deemed to have been received at 9:00 a.m. on the next Business Day in such territory and proof of such notice or demand was successfully transmitted to the correct fax number (by way of transmission confirmation or otherwise) shall be sufficient evidence that such notice or demand has been duly served or given.
- (c) If any provision of the Scheme is held to be illegal, invalid or unenforceable under the law of Hong Kong or the law of the Cayman Islands then the offending provision shall (insofar as it is illegal, invalid or unenforceable) be deemed to have no effect and will not affect or impair the remaining provisions of the Scheme.

10.3 The Scheme shall be subject to the laws of Hong Kong and the Cayman Islands and the Creditors submit to the non-exclusive jurisdictions of the Hong Kong Court and the Cayman Court in respect thereof.

SCHEME OF ARRANGEMENT

10.4 In the Scheme:

- (a) references to clauses and appendices are references to clauses and appendices to this Document;
- (b) references to a statute or statutory provision include the same as amended or re-enacted;
- (c) the singular includes the plural and vice versa and the masculine and neuter include each other and the feminine; and
- (d) headings to clauses and appendices are for ease of reference only and shall not affect the interpretation of this Document.

11 Definitions

In the Scheme the following expressions shall, unless the context otherwise requires, have the meanings respectively set opposite such expressions:

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| “Adjudicator” | such person with experience in the adjudication of creditors’ claims in a liquidation as the Scheme Administrators, in its absolute discretion shall nominate |
| “Admitted Claims” | all Claims against the Company which would be provable in a winding up of the Company under Section 263 of the Companies Ordinance and Section 139 of the Companies Law if an order for the winding up of the Company were made on the Effective Date and which have been admitted by the Scheme Administrators in accordance with Clause 3 of the Scheme |
| “Bondholder” | Victory Unicorn Limited, being the holder of the Bonds |
| “Bonds” | an instrument dated 2 nd November 2007 issued by the Company relating to HK\$100,000,000 zero coupon convertible bonds due on 2 nd November 2010 |
| “Business Day” | a day (other than a Saturday or Sunday) on which banks are open for business in Hong Kong |
| “Capital Cancellation” | the proposed capital cancellation of the un-issued share capital of the Company in its entirety upon the Capital Reduction becoming effective |
| “Capital Reduction” | the proposed capital reduction of the nominal value of each Share from HK\$0.05 to HK\$0.001 |

SCHEME OF ARRANGEMENT

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| “Capital Restructuring” | the proposed capital restructuring which involves, among others, the Capital Reduction, the Capital Cancellation, the Share Consolidation, the increase in authorized share capital of the Company and the Share Premium Reduction |
| “Cash Amount” | an amount of approximately HK\$13,160,000, which will be used to settle the Petition Costs, the Preferential Claim Amount, the Scheme Costs and the Issuance Costs with the balance to be allocated by the Scheme Administrators to Creditors with Admitted Claims, which amount shall be in full and final settlement of the Admitted Claims |
| “Cayman Court” | the Grand Court of Cayman Islands |
| “Claim(s)” | any debt, liability or obligation of the Company as at the Effective Date, 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, Cayman Islands, the BVI, the PRC, Macau 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 under any statute or enactment, 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 |
| “Companies Law” | the Companies Law (2010 Revision) of the Cayman Islands, as amended from time to time |
| “Companies Ordinance” | Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as amended from time to time |
| “Company” | China Medical and Bio Science Limited (Provisional Liquidators Appointed), a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the GEM |
| “Completion” | completion of the transactions contemplated under the Formal Restructuring Agreement |

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| “Completion Date” | within five Business Days following the satisfaction of the last of the conditions to be fulfilled under the terms of the Formal Restructuring Agreement |
| “Creditor(s)” | 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 and liabilities of the Company with the Creditors with Admitted Claims under the Scheme |
| “Creditors Shares Allocation” | allocation of the Creditors Shares to be issued upon Completion to Scheme Administrators or their nominee(s) for the benefit of the Creditors with Admitted Claims (other than Creditors with Preferential Claims) pursuant to the Scheme |
| “Creditors Shares Entitlement” | the number of Creditors Shares to which a Creditor with an Admitted Claim is entitled as calculated by dividing the amount of that Creditor’s Admitted Claim by the total amount of all Admitted Claims and Unadmitted Claims and then multiplying that fraction by the Creditors Shares Allocation |
| “Cut-Off Date” | the date by which the Claims are to be proved in accordance with the provisions of the Scheme which is to be determined by the Scheme Administrators which shall be at least 21 days after the date of the notices and advertisements referred to in Clause 3 of the Scheme, appearing on pages [35] to [38] of this Document |
| “Directors’ Remuneration” | the directors’ remuneration tentatively agreed to be paid to Ms. Wong Moon Ha and Mr. Wong Sai Wa at the respective amounts of HK\$20,000 and HK\$150,000 per month from 1 August 2010, which according to the board resolution adopted by Ms. Wong Moon Ha and Mr. Wong Sai Wa on 21 April 2011 as directors of the Company, the said directors’ remuneration would only be |

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| | confirmed and become payable after the resumption of trading in the shares of of the Company on the GEM |
| “Disputed Claim” | the alleged claim made by the Disputed Creditor as described in Appendix 8 of this Document |
| “Disputed Creditor” | Mr. Ang Tai Hoi |
| “Dividends” | all funds credited to the Scheme Trust Account, after payment of the Petition Costs, the Preferential Claims, the Scheme Costs and the Issuance Costs for the purpose of distributing to Unsecured Creditors with Admitted Claims at a rateable proportion, expressed as a percentage |
| “Document” | this document containing the Explanatory Statement, the Scheme of Arrangement and the appendices |
| “Effective Date” | the date on which the Scheme, if approved, become effective by virtue of the delivery of an office copy of the order of the Hong Kong Court sanctioning the Scheme to the Registrar of Companies in Hong Kong for registration; and the delivery of an office copy of the order of the Cayman Court sanctioning the Scheme to the Registrar of Companies in the Cayman Islands for registration |
| “Explanatory Statement” | the explanatory statement issued in compliance with Section 166A of the Companies Ordinance, appearing on pages [7] to [29] of this Document |
| “First Distribution Calculation Date” | the date falling 7 days before (but including) the date fixed by Scheme Administrators for the first distribution of Cash Amount to Creditors with Admitted Claims, or if such date is not a Business Day the succeeding Business Day |
| “Formal Restructuring Agreement” | the legally binding agreement entered into among investor, Mr. Li Wing Chiu as guarantor, the Company and the Provisional Liquidators dated 29 th April 2011(as amended and supplemented by the Supplemental Restructuring Agreement), relating to, inter alia, the release and discharge of liabilities by the Company to the Creditors and the implementation of the proposed restructuring |
| “GEM” | The Growth Enterprise Market of the Stock Exchange |

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| “Group” | the Company and its subsidiaries |
| “Group Reorganization” | the proposed reorganization of the Group’s structure by ways of creditors voluntary liquidation or members voluntary liquidation, or other means of disposal if applicable etc. |
| “HK\$ or Hong Kong Dollars” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Hong Kong” | Hong Kong Special Administrative Region of the PRC |
| “Hong Kong Court” | High Court of Hong Kong Special Administrative Region |
| “Investor” | Thousand Jade International Limited, a company incorporated in the British Virgin Islands with limited liability and the sole legal and beneficial shareholder of which is Mr. Li Wing Chiu |
| “Issuance Costs” | any costs and expenses incidental to the issuance, transfer and/or disposal of Creditors Shares under the terms of the Scheme |
| “Latest Practicable Date” | [*], being the latest practicable date prior to the printing of this Document for the purpose of ascertaining certain information contained in this Document |
| “New Share(s)” | ordinary share(s) of HK\$0.04 each in the share capital of the Company upon completion of the Capital Restructuring |
| “Notice of Claim” | a claim in written form submitted by any Person claiming to be a Creditor substantially in the form set out in Appendix 3 to the Scheme or a Notice of Claim submitted to the Provisional Liquidators for the purposes of the Scheme Meeting, whichever is delivered later |
| “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 in HCCW No. 198 of |

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| | 2008 presented by the Petitioning Creditor, which claimed that the Company is indebted to it in the amount of RMB4,425,882.50 pursuant to an order of China International Economic and Trade Arbitration Commission dated 15 th February 2008 |
| “Petition Costs” | the legal costs of the Petitioning Creditor in relation to the Petition and which is to be agreed by the Scheme Administrators, and if no agreement is reached, the legal costs to be subject to taxation accordingly |
| “Petitioning Creditor” | Shantou Xinyuan Trading Company Limited |
| “Preferential Claims” | Claims which would be treated as a preferential claim pursuant to Section 265 of the Companies Ordinance and/or Section 141 of the Companies Law |
| “Preferential Claim Amount” | the amount of the Preferential Claim |
| “Preferential Creditors” | Persons with Preferential Claims, to the extent of its amount of Preferential Claims |
| “Proceeds of Sale” | the net proceeds from the sale of a Creditors Shares Entitlement or the sale of part of the Creditors Shares Allocation reserved for a rejected Unadmitted Claim (or part thereof), sold pursuant to the Scheme, in each case after deducting the cost of realization and payment of any applicable taxes |
| “Provisional Liquidators” | Mr. Stephen Liu Yiu Keung and Mr. David Yen Ching Wai appointed as the joint and several provisional liquidators of the Company pursuant to an order of the Hong Kong Court dated 3 rd December 2008, both of Ernst & Young Transactions Limited acting without personal liabilities |
| “Public Float” | shall have the same meanings ascribed to it under Rule 11.23(7) of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange |
| “Restructuring Documents” | collectively, the Formal Restructuring Agreement and all other documents necessary to implement the terms thereof including, without limitation, those necessary for the purposes of the Scheme |

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| “Restructuring Proposal” | a proposal for restructuring of the Company, involving, among others, the Capital Restructuring, the Share Subscription, the subscription of the Convertible Notes, the Group Reorganization, the Scheme, the Whitewash Waiver and other transactions contemplated thereof |
| “Resumption Proposal” | the resumption proposal submitted to the Stock Exchange on 30 th November 2009 together with all necessary application for the resumption of trading of the Shares on GEM and the updated resumption proposal dated 19 th May 2010 (as supplemented or amended from time to time) |
| “Scheme” or “Scheme of Arrangement” | the proposed scheme of arrangement for the Company under Section 166 of the Companies Ordinance and Section 86 of the Companies Laws between the Company and its Creditors, in its present form, or with or subject to any 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” | any person(s) who is(are) appointed as the scheme administrators pursuant to the terms of the Scheme or his(their) successor(s) appointed pursuant to the Scheme, being the Provisional Liquidators |
| “Scheme Committee” | a committee formed by the representatives of Creditors with Admitted Claims |
| “Scheme Costs” | costs, charges, expenses and disbursements properly incurred after the Effective Date, to the extent approved by the Scheme Committee, in connection with the administration and implementation of the Scheme including the fees and remunerations for the Scheme Administrators, the Adjudicator and their respective advisers, the maximum amount of which shall be HK\$2 million. For the avoidance of doubt, the Scheme Costs shall not include the Issuance Costs |
| “Scheme Funds” | all funds from time to time credited to the Scheme Trust Account, including any interest accrued thereon |

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| “Scheme Meeting” | the meeting of the Creditors to be convened at the direction of the Hong Kong Court and the Cayman Court on [*] for the purpose of considering and, if thought fit, approving the Scheme |
| “Scheme Trust Account” | a trust account with a licensed bank in Hong Kong controlled by the Scheme Administrators for the purposes of and for the benefit of those entitled under the Scheme into which the Scheme Administrators shall deposit the Scheme Funds |
| “Secured Creditors” | creditors whose claims are secured by Securities Interest |
| “Securities Interest” | any mortgage, pledge, lien, charge, assignment, hire-purchase title retention, leasing, encumbrance, hypothecation or security interest of whatsoever kind, or any other agreement or arrangement having the effect of containing security, including for the avoidance of doubt, any proceeds or realization of any of the above |
| “Share(s)” | ordinary shares of par value of HK\$0.05 each in the share capital of the Company prior to the Capital Restructuring |
| “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 Shares 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 st July 2010 of approximately HK\$101,086,000, which will be applied to set off part of the accumulated losses of the Company |
| “Share Subscription” | the subscription of 240,000,000 New Shares by the Investor for amount of HK\$48 million at a subscription price of HK\$0.20 per New Share |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Supplemental Restructuring Agreement” | the supplemental restructuring agreement dated 1 st June 2011 entered into among the Company, the Provisional Liquidators, the Investor and Mr. Li Wing Chiu as guarantor to amend certain terms |

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of the Formal Restructuring Agreement

“Unadmitted Claims” any Claim which has not been admitted or is being disputed by the Scheme Administrators

“Unsecured Creditors” creditors whose claims are not secured by Securities Interest, including but not limited to, the Bondholder and Preferential Creditors to the extent of their non-preferential Claims, claims that are not of Petition Costs or Directors’ Remuneration with the benefit of a Claim against the Company that arose on or before the Effective Date and such Claim has been admitted by the Scheme Administrators in accordance with the Scheme

“Whitewash Waiver” a waiver pursuant to Note 1 on dispensation from Rule 26 of the Code of the obligations on the part of the Investor and its concert parties to make a mandatory general offer under Rule 26 of the Code for all the securities of the Company not already owned or agreed to be acquired by the Investor and its connected parties as a result of transactions contemplated under the Share Subscription

“%” per cent

** for identification purpose only*