



BIO-DYNAMIC GROUP LIMITED
生物動力集團有限公司

(Formerly known as “Wealthmark International (Holdings) Limited 和寶國際控股有限公司”)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 039)

ANNOUNCEMENT OF INTERIM RESULTS FOR 2008

The Board of Directors (the “Board”) of BIO-DYNAMIC GROUP LIMITED (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2008. These interim results have been reviewed by RSM Nelson Wheeler, the auditor of the Company, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), and by the Audit Committee of the Company, comprising the three independent non-executive directors of the Company.

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2008

		(Unaudited)	
	Note	Six months ended 30 June	
		2008	2007
		HK\$'000	HK\$'000
			(Restated)
Continuing operations			
Turnover	5	3,975	–
Cost of sales		<u>(7,219)</u>	–
Gross loss		(3,244)	–
Other income		97	133
Administrative expenses		<u>(23,768)</u>	(2,462)
Loss before tax		(26,915)	(2,329)
Income tax credit	6	<u>1,100</u>	–
Loss for the period from continuing operations		(25,815)	(2,329)
Discontinued operations			
Loss of discontinued operations		–	(14,824)
Loss for the period	7	<u><u>(25,815)</u></u>	<u><u>(17,153)</u></u>
Attributable to:			
Equity holders of the Company		(24,647)	(14,023)
Minority interests		<u>(1,168)</u>	(3,130)
		<u><u>(25,815)</u></u>	<u><u>(17,153)</u></u>
Dividends	8	<u>–</u>	<u>–</u>
Loss per share - basic	9		
For loss for the period		<u><u>(4.4) cents</u></u>	<u><u>(4.2) cents</u></u>
For loss for the period from continuing operations		<u><u>(4.4) cents</u></u>	<u><u>(0.7) cent</u></u>

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2008

	(Unaudited) 30 June 2008 HK\$'000	(Audited) 31 December 2007 HK\$'000
Non-current assets		
Property, plant and equipment	224,051	149,702
Prepaid land lease payments	21,810	33,297
Goodwill	2,328	2,328
Other intangible assets	145,852	145,265
Deferred tax assets	682	505
	<u>394,723</u>	<u>331,097</u>
Current assets		
Inventories	34	2,616
Other receivables	73,758	68,377
Due from immediate holding company	1,567	1,560
Due from a fellow subsidiary	719	435
Current tax assets	164	154
Bank and cash balances	4,666	32,854
	<u>80,908</u>	<u>105,996</u>
TOTAL ASSETS	<u><u>475,631</u></u>	<u><u>437,093</u></u>
Capital and reserves		
Share capital	56,600	56,600
Reserves	231,687	232,994
	<u>288,287</u>	<u>289,594</u>
Equity attributable to equity holders of the Company	288,287	289,594
Minority interests	65,857	62,245
	<u>354,144</u>	<u>351,839</u>
Total equity	<u>354,144</u>	<u>351,839</u>
Non-current liabilities		
Deferred tax liabilities	23,173	24,103
	<u>23,173</u>	<u>24,103</u>
Current liabilities		
Other payables	64,180	29,091
Due to a minority shareholder of a subsidiary	34,134	32,034
Current tax payable	-	26
	<u>98,314</u>	<u>61,151</u>
Total liabilities	<u>121,487</u>	<u>85,254</u>
TOTAL EQUITY AND LIABILITIES	<u><u>475,631</u></u>	<u><u>437,093</u></u>
Net current (liabilities)/assets	<u><u>(17,406)</u></u>	<u><u>44,845</u></u>
Total assets less current liabilities	<u><u>377,317</u></u>	<u><u>375,942</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) which is one of the Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA and the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

These condensed consolidated financial statements should be read in conjunction with the 2007 annual financial statements.

The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the 2007 annual financial statements.

2. GOING CONCERN BASIS

The Group incurred a loss of approximately HK\$25,815,000 for the six months ended 30 June 2008 and had net current liabilities of approximately HK\$17,406,000 as at 30 June 2008. 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 financial statements have been prepared on a going concern basis, the validity of which depends upon the financial support of the ultimate holding company, at a level sufficient to finance the working capital requirements of the Group. The ultimate holding company has agreed to provide adequate funds for the Group to meet its liabilities as they fall due. The directors are therefore of the opinion that it is appropriate to prepare the financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the financial statements to adjust 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 and liabilities as current assets and liabilities, respectively.

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

In the current period, the Group has adopted all of the new and revised HKFRSs that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2008. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group’s accounting policies and amounts reported for the current period and prior periods.

The Group has not applied the new HKFRSs, that have been issued but are not yet effective, in these condensed consolidated financial statements. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

4. CHANGE IN ACCOUNTING POLICY

In prior years, the Group carried its buildings at revalued amounts, based on periodic valuations by external independent valuers, less subsequent depreciation and impairment losses (the “Revaluation Model”). During the year ended 31 December 2007, the Group decided to carry its buildings at cost less accumulated depreciation and impairment losses as in the opinion of the directors, the Revaluation Model would involve expense out of proportion to the value to the shareholders of the Company. The change in accounting policy has been applied by the Group retrospectively and resulted in a decrease in accumulated losses at 1 January 2007 by approximately HK\$2,828,000 and resulted in changes in the amounts reported in the financial statements as follows:

	(Unaudited)	
	Six months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
Decrease in properties revaluation reserve	–	434
Decrease in exchange reserve	–	68
Decrease in accumulated losses	–	1,558
Increase in loss for the period from discontinued operations	–	1,270
Increase in loss per share (HK cent)	–	0.4
	<u>–</u>	<u>0.4</u>

5. SEGMENT INFORMATION

An analysis of the Group’s revenue and results for the period by business segment is as follows:

	(Unaudited)				
	Continuing operations	Discontinued operations			
	Ethanol products	Handbags and other accessories	Dairy products	Sub-total	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Six months ended 30 June 2008					
Segment revenue	<u>3,975</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>3,975</u>
Segment results	<u>(3,244)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(3,244)</u>
Six months ended 30 June 2007					
Segment revenue	<u>–</u>	<u>76,902</u>	<u>21,545</u>	<u>98,447</u>	<u>98,447</u>
Segment results	<u>–</u>	<u>4,516</u>	<u>417</u>	<u>4,933</u>	<u>4,933</u>

6. INCOME TAX CREDIT

	(Unaudited)	
	Six months ended 30 June	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax - Hong Kong profits tax		
Provision for the year	-	171
Overprovision in prior years	(26)	-
	<u>(26)</u>	<u>171</u>
Current tax - Overseas		
Overprovision in prior years	-	(778)
Deferred tax	(1,074)	-
Income tax credit	<u>(1,100)</u>	<u>(607)</u>
Attributable to:		
Continuing operations	(1,100)	-
Discontinued operations	-	(607)
	<u>(1,100)</u>	<u>(607)</u>

No provision for Hong Kong profits tax is required since the Group has no assessable profit for the period. The amount provided for the six months ended 30 June 2007 was calculated at 17.5% based on the estimated assessable profit for that period. Tax charge on profits assessable elsewhere has been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

The subsidiaries of the Company in the People's Republic of China (the "PRC") are exempt from PRC enterprise income tax for the first two profitable years of operations and, thereafter, are entitled for a 50% relief from PRC enterprise income tax for the following three years. Tax exemption periods for these subsidiaries have not yet commenced as these subsidiaries have no assessable profit since its date of registration.

7. LOSS FOR THE PERIOD

The Group's loss for the period is stated after charging/(crediting) the following:

	Continuing operations		(Unaudited) Discontinued operations		Total	
	Six months ended 30 June					
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Depreciation	1,284	7	-	3,523	1,284	3,530
Amortisation of prepaid land lease payments	291	-	-	6	291	6
Amortisation of other intangible assets	2,721	-	-	-	2,721	-
Directors' emoluments	833	608	-	-	833	608
Loss on disposal of property, plant and equipment	-	-	-	921	-	921
Gain on disposal of prepaid land lease payments	-	-	-	(898)	-	(898)
Interest on other loan wholly repayable within five years	-	-	-	119	-	119
Interest on amount due to immediate holding company wholly repayable within five years	-	-	-	3,043	-	3,043
	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,043</u>	<u>-</u>	<u>3,043</u>

8. DIVIDENDS

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2008 (2007: Nil).

9. LOSS PER SHARE

The calculation of basic loss per share attributable to equity holders of the Company is based on the loss for the period attributable to equity holders of the Company of approximately HK\$24,647,000 (2007: HK\$14,023,000 as restated) and the weighted average number of ordinary shares of 566,000,000 (2007: 336,165,746) in issue during the period.

	(Unaudited)	
	Six months ended 30 June	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the period attributable to equity holders of the Company		
Continuing operations	(24,647)	(2,329)
Discontinued operations	—	(11,694)
	<u>(24,647)</u>	<u>(14,023)</u>

	(Unaudited)	
	Six months ended 30 June	
	2008	2007
	<i>HK cents</i>	<i>HK cents</i>
Basic loss per share		
Continuing operations	(4.4)	(0.7)
Discontinued operations	—	(3.5)
	<u>(4.4)</u>	<u>(4.2)</u>

Diluted loss per share amount for the six months ended 30 June 2008 and 2007 have not been disclosed as there were no diluting events existed during these two periods.

MANAGEMENT DISCUSSION AND ANALYSIS

Change of company name

Pursuant to a special resolution passed at the annual general meeting of the Company held on 8 May 2008 and approved by the Registrars of Companies of Cayman Islands and Hong Kong, the name of the Company was changed from “Wealthmark International (Holdings) Limited” to “BIO-DYNAMIC GROUP LIMITED”. The Chinese translation of the Company name for identification purposes was changed from “和寶國際控股有限公司” to “生物動力集團有限公司”.

Review

Following the disposal of the handbag and dairy businesses in the prior financial year, the Group has transformed to focus its development on the ethanol business. As the Group's Harbin production facility was under construction, the Group recorded a turnover of approximately HK\$4.0 million for the six months ended 30 June 2008 (the "Period"). Loss attributable to equity holders of the Company was approximately HK\$24.6 million (2007: HK\$14.0 million as restated). The increase in loss for the Period was mainly attributable to the recognition of share option expenses of approximately HK\$10.8 million (2007: Nil) in respect of 29,600,000 share options granted in 2007. Loss per share for the Period was HK4.4 cents (2007: HK4.2 cents as restated).

The Group is currently constructing a 150,000 tonne production facility in Harbin for its ethanol business. Due to construction delays, the facility has yet to have profit contribution to the Group. As at the date of this report, the construction of phase one 60,000 tonne capacity production facility is substantially completed and is now in its final stage. Trial production will start at the end of September 2008 and according to the current plan, the factory will commence production in the fourth quarter of 2008.

During the Period, the management temporarily suspended the production of Yinchuan production facility due to its small production scale and high energy cost in the zone where the facility is located. The Group is currently evaluating the feasibility of (i) injecting further capital to enlarge Yinchuan's production capacity, (ii) relocating the production facility to Harbin where the Group has its own power generators, or (iii) utilising Yinchuan's existing production facility to produce other ethanol related products. No definite plan has been formed as at the date of this report.

Prospects

The new Harbin production facility has a land area of approximately 180,000 square metres and a total gross floor area of approximately 58,653 square metres. Upon completion of phase one construction, the Group will commence production of premium grade consumable ethanol, industrial ethanol, and other food and feed ingredients such as fusel oil and Distiller's Dried Grains with Solubles (DDGS). Although the Group's Yinchuan production facility was temporarily suspended, the management are optimistic that, with Harbin production facility coming into operation, the Group's ethanol business will perform better in the coming year.

The Group will also look for other suitable investment opportunities in the ethanol sector in the PRC.

Liquidity, Financial Resources and Capital Structure

As at 30 June 2008, the Group has equity attributable to equity holders of the Company of approximately HK\$288.3 million (31 December 2007: HK\$289.6 million). Non-current assets and net current liabilities of the Group as at 30 June 2008 amounted to approximately HK\$394.7 million (31 December 2007: HK\$331.1 million) and approximately HK\$17.4 million (31 December 2007: net current assets of approximately HK\$44.8 million), respectively. The ultimate holding company has agreed to provide adequate funds for the Group to meet its liabilities as they fall due.

As at 30 June 2008, the Group's bank and cash balances amounted to approximately HK\$4.7 million (31 December 2007: HK\$32.9 million), which were denominated in Hong Kong dollars and Renminbi. Except for an amount due to a minority shareholder of a subsidiary of approximately HK\$34.1 million (31 December 2007: HK\$32.0 million), the Group had no other borrowings as at 30 June 2008. The amount due to a minority shareholder of a subsidiary is interest-free and has no fixed terms of repayment. The gearing ratio of the Group as at 30 June 2008, calculated as total debt divided by equity attributable to equity holders of the Company, was 34% (31 December 2007: 21%).

There were no movements in the Company's share capital and share options during the Period. Apart from options to subscribe for shares in the Company, there were no other capital instruments in issue.

The Group's business transactions, assets and liabilities are principally denominated in Renminbi and Hong Kong dollars. Fluctuations in Renminbi may impact the Group's results and net asset value as the Company's consolidated financial statements are presented in Hong Kong dollars. The Group's treasury policy is to manage its foreign currency exposure only when its potential financial impact is material to the Group. The Group will continue to monitor its foreign exchange position and, if necessary, utilise hedging tools, if available, to manage its foreign currency exposure.

Charge on assets

As at 30 June 2008, there was no charge on the Group's assets (31 December 2007: Nil).

Contingent liabilities

As at 30 June 2008, the Group had no material contingent liabilities (31 December 2007: Nil).

Employee and Remuneration Policy

As at 30 June 2008, the Group had approximately 138 (2007: 2,031) employees in Hong Kong and the PRC with total staff costs amounted to approximately HK\$16.1 million (2007: HK\$21.8 million). Remuneration of employees is offered at competitive standards, generally structured with reference to market terms and individual qualifications. The Company has adopted a share option scheme in May 2007, and the purpose of which is to provide incentives to participants for their contribution to the Group, and to enable the Group to recruit and retain quality employees to serve the Group on a long-term basis.

EXTRACT OF AUDITOR'S INDEPENDENT REVIEW REPORT

The following is an extract of the auditor's independent review report on the Group's interim financial information for the six months ended 30 June 2008:

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Material uncertainty relating to the going concern basis

Without qualifying our opinion, we draw attention to note 2 to the financial statements which mentions that the Group incurred a loss of approximately HK\$25,815,000 for the six months ended 30 June 2008 and had net current liabilities of approximately HK\$17,406,000 as at 30 June 2008. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. This interim financial information has been prepared on a going concern basis, the validity of which depends upon the financial support of the ultimate holding company, at a level sufficient to finance the working capital requirements of the Group. This interim financial information does not include any adjustments that would result from the failure to obtain the financial support. We consider that the material uncertainty has been adequately disclosed in the interim financial information.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2008.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code on ethics and securities transactions, which incorporates a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules. Specified employees who are likely to be in possession of unpublished price-sensitive information of the Company are also subject to the compliance with the code. Based on specific enquiry of the Company's directors, the directors have complied with the required standard set out in the code on ethics and securities transactions throughout the six months ended 30 June 2008.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2008.

By order of the Board
BIO-DYNAMIC GROUP LIMITED
Peter Lo
Chairman

Hong Kong, 11 September 2008

As at the date hereof, the executive directors are Mr. Peter Lo, Mr. Li Wentao, Mr. David Lee Sun, Mr. Zhao Difei, Mr. Li Jian Quan and Mr. Lu Gui Pin; the non-executive director is Mr. Derek Emory Ting-Lap Yeung; and the independent non-executive directors are Dr. Leung Kwan-Kwok, Mr. Sam Zuchowski and Dr. Loke Yu alias Loke Hoi Lam.