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BIO-DYNAMIC GROUP LIMITED
生物動力集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 039)

PLACING OF EXISTING SHARES
AND
SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE

Placing Agent



First Shanghai Securities Limited

On 2 December 2009, the Vendor, the Company and the Placing Agent entered into the Placing and Subscription Agreement pursuant to which the Placing Agent has agreed to, as placing agent of the Vendor, use its best endeavours to procure purchasers to acquire, and the Vendor has agreed to sell up to 36,000,000 existing Shares at the Placing Price of HK\$0.43 per Share.

The Placing Shares represent approximately 6.23% of the existing issued share capital of the Company as at the date of this announcement and approximately 5.87% of the issued share capital of the Company as enlarged by the Subscription. The Placing Price represents (i) a discount of approximately 17.31% to the closing price of HK\$0.52 per Share as quoted on the Stock Exchange on the date of this announcement; and (ii) a discount of approximately 18.56% to the average closing price of approximately HK\$0.528 per Share as quoted on the Stock Exchange for the last five trading days of the Shares immediately prior to the date of the Placing and Subscription Agreement.

Pursuant to the Placing and Subscription Agreement, the Vendor has conditionally agreed to subscribe for the Subscription Shares at the Subscription Price, which is the same as the Placing Price. The Subscription Shares represent approximately 6.23% of the existing issued share capital of the Company as at the date of this announcement and approximately 5.87% of the issued share capital of the Company as enlarged by the Subscription.

As at the date of this announcement, the Vendor holds 195,000,000 Shares, representing 33.77% of the existing issued share capital of the Company. The aggregate shareholding of the Vendor in the issued share capital of the Company will be reduced from 33.77% to approximately 27.53% upon completion of the Placing but before completion of the Subscription and will be increased to approximately 31.78% upon completion of the Placing and the Subscription.

The Subscription is conditional upon (i) completion of the Placing pursuant to the terms of the Placing and Subscription Agreement; and (ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Subscription Shares.

As the Placing is subject to rescission rights and the Subscription is subject to the fulfillment of certain conditions and may or may not proceed to completion, shareholders of the Company and prospective investors are advised to exercise caution when dealing in the Shares.

PLACING AND SUBSCRIPTION AGREEMENT

Date 2 December 2009

Parties

- (a) the Vendor;
- (b) the Company; and
- (c) the Placing Agent.

As at the date of this announcement, the Vendor is a controlling shareholder (as defined in the Listing Rules) of the Company interested in 195,000,000 Shares, representing approximately 33.77% of the existing issued share capital of the Company as at the date of this announcement.

The Placing Agent is independent of and not connected with or acting in concert with the Vendor, the directors, chief executive or substantial shareholders of the Company or its subsidiaries or any of their respective associates.

Placing Shares

The Placing Agent has agreed to, as placing agent of the Vendor, use its best endeavours to procure purchasers to acquire, and the Vendor has agreed to sell up to 36,000,000 existing Shares, at the Placing Price of HK\$0.43 per Share.

The Placing Shares represent approximately 6.23% of the existing issued share capital of the Company as at the date of this announcement and approximately 5.87% of the issued share capital of the Company as enlarged by the Subscription.

Placing Price

The Placing Price of HK\$0.43 per Share was agreed after arm's length negotiations between the Company, the Vendor and the Placing Agent. It represents (i) a discount of approximately 17.31% to the closing price of HK\$0.52 per Share as quoted on the Stock Exchange on the date of this announcement; and (ii) a discount of approximately 18.56% to the average closing price of approximately HK\$0.528 per Share as quoted on the Stock Exchange for the last five trading days of the Shares immediately prior to the date of the Placing and Subscription Agreement.

Rights

The Placing Shares will be sold free of all liens, charges, option, encumbrances, claims or third-party right, and together with all rights attaching thereto, being rights which rank pari passu to other Shares in issue as at the date of completion of the Placing, including the right to receive all dividends or other distributions declared, made or paid on or after completion of the Placing.

Independence of the Placing Agent and the Placees

The Placing Shares will be placed by the Placing Agent to not less than six independent professional, institutional and/or individual investors. It is expected that none of the placees will become a substantial shareholder of the Company as a result of the Placing.

The Placing Agent and the placees to be procured by the Placing Agent are or will be, as the case may be, third parties independent of and not connected with the directors, chief executive or substantial shareholders of each of the Vendor or the Company or its subsidiaries or any of their respective associates who are or will not be acting in concert (as defined under the Takeovers Code) with the Vendor or its associates.

Rescission Rights

The Placing Agent may, by giving a written notice to the Vendor and the Company, terminate the Placing and Subscription Agreement without liability to the Vendor and the Company if any time prior to completion of the Placing, there occurs any of the following:

- (a) if there has come to the notice of the Placing Agent:
 - (i) that any statement contained in this announcement is or has become, untrue, incorrect or misleading in any material respect;
 - (ii) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this announcement, constitute a material omission therefrom;
 - (iii) any material breach of the undertakings, warranties and representations set out in the Placing and Subscription Agreement;
 - (iv) any material breach of any of the obligations imposed upon any party to the Placing and Subscription Agreement (other than the Placing Agent);
 - (v) any of the undertakings, warranties and representations set out in the Placing and Subscription Agreement would not be true in any material respect if given at that time; or
 - (vi) any material adverse change in the business or in the financial or trading position of any member of the Group taken as a whole which is material in the context of the Placing; or

- (b) if there develops, occurs, or comes into effect:
- (i) the occurrence of any significant event, development or change (whether or not local, national or international or forming part of a series of events, developments or changes occurring or continuing before, on and/or after the date of the Placing and Subscription Agreement) and including an epidemic or event or change in relation to or a development of an existing state of affairs of a political, military, industrial, financial, economic, fiscal, regulatory or other nature, whether or not sui generis with any of the foregoing, resulting in a material adverse change in, or which might reasonably be expected to result in a material adverse change in, political, economic, fiscal, financial, regulatory or stock market conditions and which in the reasonable opinion of the Placing Agent would materially prejudice the success of the Placing;
 - (ii) the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange occurring due to exceptional financial circumstances or otherwise and which, in the reasonable opinion of the Placing Agent, would materially prejudice the success of the Placing;
 - (iii) any change in conditions of local, national or international securities markets occurs which in the reasonable opinion of the Placing Agent would materially prejudice the success of the Placing;
 - (iv) any new law or regulation or change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong or any other jurisdiction relevant to the Company and/or its subsidiaries and if in the reasonable opinion of the Placing Agent any such new law or change would materially and adversely affect the business or financial prospects of the Group and/or materially prejudice the success of the Placing;
 - (v) a change or development occurs involving a prospective change of taxation or exchange control (or the implementation of exchange control) in Hong Kong which would, in the reasonable opinion of the Placing Agent, materially prejudice the success of the Placing;
 - (vi) any litigation or claim of material importance of any third party being instigated against any member of the Group, which has or may have a material adverse effect on the business or financial prospects of the Group and which in the reasonable opinion of the Placing Agent would materially prejudice the success of the Placing; or
 - (vii) any event of force majeure including but without limitation to the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike, economic sanction or lock-out, which may reasonably be expected to materially prejudice the success of the Placing.

Completion of the Placing

Completion of the Placing will take place on 9 December 2009 (or such other date as the Vendor and the Placing Agent may agree).

Number of new Shares to be subscribed

Up to 36,000,000 new Shares are to be subscribed by the Vendor. The Subscription Shares represent approximately 6.23% of the existing issued share capital of the Company as at the date of this announcement and approximately 5.87% of the issued share capital of the Company as enlarged by the Subscription.

Subscription Price

The Subscription Price per new Share is equivalent to the Placing Price of HK\$0.43 per Share. The Subscription Shares have a market value of HK\$18.72 million, based on the closing price of HK\$0.52 on the date of this announcement.

General mandate to issue the Subscription Shares

The Subscription Shares will be issued under the general mandate granted by the shareholders of the Company to the Directors pursuant to the resolution of the shareholders of the Company passed at the annual general meeting held on 3 June 2009.

Ranking of the Subscription Shares

The Subscription Shares, when fully paid, will rank pari passu in all respects with the other Shares in issue on the completion date of the Subscription including the rights to receive all dividends or other distributions declared, made or paid at any time after the date of completion of the Subscription.

Conditions of the Subscription

The Subscription is conditional upon:

- (1) completion of the Placing; and
- (2) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Subscription Shares (and such listing and permission not subsequently revoked prior to the delivery of definitive share certificate(s) representing the Subscription Shares).

As the Placing is subject to rescission rights and the Subscription is subject to the fulfilment of certain conditions and may or may not proceed to completion, Shareholders of the Company and prospective investors are advised to exercise caution when dealing in the securities of the Company.

An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

Completion of the Subscription

Subject to the conditions disclosed above, completion of the Subscription will take place no later than 16 December 2009, provided that the date of completion of the Subscription shall be no later than a date falling 14 days after the date of the Placing and Subscription Agreement.

CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company (i) as at the date of this announcement, (ii) immediately after completion of the Placing and (iii) immediately after completion of the Placing and the Subscription:

Shareholder	Shareholding as at the date of this announcement		Shareholding immediately after completion of the Placing but before the Subscription		Shareholding immediately after completion of the Placing and the Subscription	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
Vendor	195,000,000	33.77	159,000,000	27.53	195,000,000	31.78
Parties acting in concert with the Vendor	<u>128,960,000</u>	<u>22.33</u>	<u>128,960,000</u>	<u>22.33</u>	<u>128,960,000</u>	<u>21.02</u>
Vendor and parties acting in concert with the Vendor	323,960,000	56.10	287,960,000	49.86	323,960,000	52.80
Public (excluding Placees)	253,547,000	43.90	253,547,000	43.90	253,547,000	41.33
Placees	<u>–</u>	<u>–</u>	<u>36,000,000</u>	<u>6.24</u>	<u>36,000,000</u>	<u>5.87</u>
Total	<u>577,507,000</u>	<u>100.00</u>	<u>577,507,000</u>	<u>100.00</u>	<u>613,507,000</u>	<u>100.00</u>

REASON FOR THE PLACING AND THE SUBSCRIPTION AND USE OF PROCEEDS

The Company is principally engaged in the production of consumable ethanol, industrial ethanol and other food and feed ingredients in the PRC. As announced by the Company on 1 December 2009, the Company has entered into conditional sale and purchase agreement and an option agreement to purchase certain liquor business in the PRC, however, there is no assurance that such transactions will proceed. In view of the current market conditions and the proposed transactions, the Directors consider that the Placing and the Subscription represents a good opportunity to raise further working capital for the Company while at the same time broadening its shareholder and capital base. The Directors further consider that the terms and conditions of the Placing and Subscription Agreement, including the Placing Price and the Subscription Price, are fair and reasonable and are in the interests of the Company and its shareholders as a whole. The net proceeds from the Subscription are estimated to be approximately HK\$15.02 million and will be used by the Group for general working capital purposes.

CAPITAL RAISING ACTIVITIES OF THE COMPANY DURING THE PAST 12 MONTHS

The Company has not raised funds by way of issue of shares in the 12 months immediately preceding the date of this announcement.

DEFINITIONS

“associates”	has the meaning ascribed to it under the Listing Rules
“Business Day”	a day (excluding a Saturday and a Sunday) on which banks are generally open for business in Hong Kong
“Company”	Bio-Dynamic Group Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“Directors”	directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange and any amendments thereto
“Placing”	the placing of the Placing Shares pursuant to the Placing and Subscription Agreement
“Placing Agent”	First Shanghai Securities Limited
“Placing and Subscription Agreement”	the placing and subscription agreement dated 2 December 2009 between the Vendor, the Company and the Placing Agent
“Placing Price”	HK\$0.43 per Placing Share
“Placing Shares”	up to 36,000,000 existing Shares
“PRC”	the People’s Republic of China and for the purpose of this announcement shall exclude Hong Kong, the Macao Special administrative Region and Taiwan
“Shares”	ordinary shares of HK\$0.10 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the conditional subscription by the Vendor of the Subscription Shares pursuant to the Placing and Subscription Agreement

“Subscription Price”	HK\$0.43 per Share, equivalent to the Placing Price
“Subscription Shares”	up to 36,000,000 new Shares to be subscribed by the Vendor pursuant to the Placing and Subscription Agreement
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers and Share Repurchases
“Vendor”	Orientalite Investments Limited, a company incorporated in the British Virgin Islands with limited liability and a substantial shareholder of the Company

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

Hong Kong, 2 December 2009

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.