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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: 00039)

FRAMEWORK AGREEMENT
IN RESPECT OF
A POSSIBLE JOINT VENTURE ARRANGEMENT

This announcement is made pursuant to Rule 13.09 of the Listing Rules.

The Board is pleased to announce that on 6 January 2011, the Proposed JV Partner and the Company entered into the Framework Agreement, which is non legally-binding, in relation to the possible formation of the JV Enterprise by the Proposed JV Partner (or its subsidiary) and the Company (or its subsidiary) for carrying on the business of production and sale of cellulosic-based fuel ethanol.

As at the date of this announcement, no formal joint venture agreement has been entered into. The formal joint venture agreement for the formation of the JV Enterprise is subject to further negotiation and agreement by the Proposed JV Partner and the Company. The formation of the JV Enterprise may or may not proceed.

AS THE FORMATION OF THE JV ENTERPRISE MAY OR MAY NOT PROCEED, SHAREHOLDERS AND INVESTORS SHOULD EXERCISE CAUTION IN DEALING IN THE SHARES OF THE COMPANY.

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PRINCIPAL TERMS OF THE FRAMEWORK AGREEMENT

Principal business:

It is intended that the JV Enterprise will engage in the production of cellulosic-based fuel ethanol from kenaf and the sale of such ethanol. It is intended that the operation of the production facility for cellulosic-based fuel ethanol with an annual production capacity of over 10,000 tonnes will commence in 2011 upon completion of construction, and the operation of the production facility with an annual production capacity of 100,000 to 200,000 tonnes will commence in 2012 to 2013 upon completion of construction.

Equity interest:

The equity interest in the JV Enterprise proposed to be held by the Proposed JV Partner (or its subsidiary) and the Company (or its subsidiary) is 65-75% and 25-35% respectively.

Registered capital and total investment:

It is intended that the registered capital of the JV Enterprise will be RMB40,000,000 (equivalent to approximately HK\$46,872,000). The Proposed JV Partner and the Company will contribute certain intangible assets (including technology and know-how) into the JV Enterprise on a 75:25 basis as registered capital of the JV Enterprise. Valuation of such intangible assets will be made, and the remaining balance of the registered capital will be contributed by the parties by cash or equipment investment. If the total investment of this joint venture project exceeds the amount of registered capital, the JV Enterprise will be responsible for the financing of such shortfall.

Formation of a project preparation team:

A project preparation team, comprising representatives from each of the Proposed JV Partner and the Company, will be formed to study and prepare for the formation of the JV Enterprise and certain related matters.

GENERAL

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Further announcement in respect of the possible joint venture arrangement will be made by the Company in accordance with all applicable requirements of the Listing Rules as and when appropriate.

DEFINITIONS

Unless the context requires otherwise, capitalized terms used herein shall have the following meanings:

“Board”	the board of Directors;
“Company”	Bio-Dynamic Group Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange;
“Director(s)”	the director(s) of the Company;

“Framework Agreement”	the framework agreement dated 6 January 2011 between the Proposed JV Partner and the Company in relation to the possible formation of the JV Enterprise;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“JV Enterprise”	the joint venture enterprise to be established in Harbin, Heilongjiang Province, the People’s Republic of China;
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange;
“Proposed JV Partner”	上海眾偉生化有限公司 (Shanghai Zhongwei Biochemistry Company Limited), a company incorporated in the People’s Republic of China and engages in the business of manufacturing of bio-energy products, a third party independent of the Company and its connected persons (as defined in the Listing Rules);
“RMB”	Renminbi, the lawful currency of the People’s Republic of China; and
“Stock Exchange”	The Stock Exchange of Hong Kong Limited.

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

Hong Kong, 6 January 2011

As at the date of this announcement, the executive directors are Mr. Peter Lo, Mr. Li Wentao, Mr. David Lee Sun, Mr. Zhao Difei, Mr. Li Jian Quan and Mr. Fu Hui; 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.