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)

ANNOUNCEMENT OF INTERIM RESULTS FOR 2012

The board of directors (the "Board") of BIO-DYNAMIC GROUP LIMITED (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2012 together with comparative figures. The interim financial information has been reviewed by the audit committee of the Company and Ernst & Young, the auditor of the Company.

CONDENSED CONSOLIDATED INCOME STATEMENT
For the six months ended 30 June 2012

		Six months ended 30 June	
		2012	2011
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
REVENUE	5	**96,271**	249,091
Cost of sales		**(84,792)**	(238,189)
Gross profit		**11,479**	10,902
Other income	5	**3,110**	1,587
Selling and distribution costs		**(15,299)**	(13,751)
Administrative expenses		**(39,460)**	(30,152)
Finance costs	6	**(3,282)**	(1,973)
LOSS BEFORE TAX	7	**(43,452)**	(33,387)
Income tax expense	8	**(109)**	(207)
LOSS FOR THE PERIOD		**(43,561)**	(33,594)
Attributable to:			
Owners of the parent		**(37,023)**	(29,257)
Non-controlling interests		**(6,538)**	(4,337)
		(43,561)	(33,594)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	10	**HK(3.1) cents**	HK(2.5) cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2012

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
LOSS FOR THE PERIOD	**(43,561)**	(33,594)
Exchange differences on translation of foreign operations	**(3,440)**	8,634
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	**(3,440)**	8,634
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	**(47,001)**	(24,960)
Attributable to:		
Owners of the parent	**(39,854)**	(21,425)
Non-controlling interests	**(7,147)**	(3,535)
	(47,001)	(24,960)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2012

	Notes	**30 June 2012 (Unaudited) *HK$'000***	31 December 2011 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**321,725**	339,888
Prepaid land lease payments		**32,107**	32,997
Goodwill		**4,073**	4,073
Other intangible assets		**133,123**	138,974
Total non-current assets		**491,028**	515,932
CURRENT ASSETS			
Inventories		**73,647**	96,815
Trade and bills receivables	11	**8,572**	15,204
Prepayments, deposits and other receivables		**67,495**	58,254
Due from related parties		**520**	446
Pledged deposits		**6,415**	27,418
Cash and cash equivalents		**7,416**	16,489
Total current assets		**164,065**	214,626
CURRENT LIABILITIES			
Trade and bills payables	12	**60,134**	65,033
Other payables and accruals		**91,007**	109,982
Interest-bearing bank and other borrowings		**56,276**	69,216
Due to related parties		**22,646**	18,106
Due to a non-controlling shareholder of a subsidiary		**30,680**	31,012
Tax payable		**6,733**	7,124
Total current liabilities		**267,476**	300,473
NET CURRENT LIABILITIES		**(103,411)**	(85,847)
TOTAL ASSETS LESS CURRENT LIABILITIES		**387,617**	430,085
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**13,385**	14,266
Deferred income		**12,119**	12,500
Total non-current liabilities		**25,504**	26,766
Net assets		**362,113**	403,319
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**119,074**	119,064
Reserves		**195,585**	229,654
		314,659	348,718
Non-controlling interests		**47,454**	54,601
Total equity		**362,113**	403,319

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2012

1. BASIS OF PRESENTATION

At 30 June 2012, the Group had net current liabilities of HK$103,411,000, inclusive of bank and other borrowings, other payables and the amount due to a non-controlling shareholder of a subsidiary of HK$56,276,000, HK$85,192,000 and HK$30,680,000, respectively, which were due for repayment or renewal within the next 12 months. The Group incurred a consolidated loss of HK$43,561,000 for the six months ended 30 June 2012. The directors consider that these conditions were caused mainly by the deteriorating performance of a subsidiary of the Group in Harbin over the last few years.

In order to strengthen the capital base of the Group and to improve the Group's financial position, immediate liquidity and cash flows, and otherwise to sustain the Group as a going concern, Able Turbo Enterprises Limited, Mr. Jiang Jianjun and Orientelite Investments Limited, all of which are shareholders of the Company, have agreed to jointly and severally provide continuous financial support to the Group.

Furthermore, the directors intend to negotiate for the deferral of repayment or renewal of the other payables, bank and other borrowings and the amount due to a non-controlling shareholder of a subsidiary when they fall due.

In light of the above, the directors are satisfied that the Group will be able to meet its financial obligations as and when they fall due for the foreseeable future, and are of the opinion that it is appropriate to prepare the financial statements on a going concern basis.

Should the Group be unable to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, and to provide for any further liabilities which might arise. The effect of these adjustments has not been reflected in the financial statements.

2. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2011.

3. IMPACT OF REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011, except for the adoption of the revised standards as of 1 January 2012, noted below:

HKFRS 1 Amendments	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKAS 12 Amendments	Amendments to HKAS 12 Income Taxes – Deferred Tax: Recovery of Underlying Assets
HKFRS 7 Amendments	Amendments to HKFRS 7 Financial Instruments: Disclosures – Transfers of Financial Assets

The adoption of the above revised standards has had no material effect on the accounting policies of the Group and the methods of computation in the interim condensed consolidated financial statements.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

(a) the ethanol segment is engaged in the production and sale of ethanol products and ethanol by-products;

(b) the wine and liquor segment is engaged in the sale and distribution of wine and liquor; and

(c) the animal feed segment is engaged in the production and sale of forages.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment results. Segment results are measured consistently with the Group's loss before tax except that interest income, finance costs as well as head office and corporate expenses are excluded from such measurement.

No intersegment sale and transfer was transacted for the six months ended 30 June 2012 and 2011.

	Ethanol (Unaudited) *HK$'000*	Wine and liquor (Unaudited) *HK$'000*	Animal feed (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
Six months ended 30 June 2012				
Segment revenue:				
Sales to external customers	**26,188**	**70,083**	**–**	**96,271**
Other revenue	**503**	**2,425**	**–**	**2,928**
	26,691	**72,508**	**–**	**99,199**
Segment results	**(30,122)**	**416**	**(2,268)**	**(31,974)**
Reconciliation:				
Interest income				**182**
Finance costs				**(3,282)**
Corporate and other unallocated expenses				**(8,378)**
Loss before tax				**(43,452)**
Six months ended 30 June 2011				
Segment revenue:				
Sales to external customers	176,363	72,728	–	249,091
Other revenue	400	1,113	–	1,513
	176,763	73,841	–	250,604
Segment results	(20,530)	1,318	(3,152)	(22,364)
Reconciliation:				
Interest income				74
Finance costs				(1,973)
Corporate and other unallocated expenses				(9,124)
Loss before tax				(33,387)

5. REVENUE AND OTHER INCOME

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

An analysis of revenue and other income is as follows:

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue		
Sale of goods	**96,271**	249,091
Other income		
Government grants	**249**	244
Interest income	**182**	74
Others	**2,679**	1,269
	3,110	1,587

6. FINANCE COSTS

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank loans and other loans wholly repayable within five years	**3,282**	1,973

7. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of inventories sold	**81,809**	237,158
Depreciation	**13,497**	13,631
Amortisation of prepaid land lease payments	**536**	529
Amortisation of other intangible assets	**5,171**	6,055
Provision against inventories	**2,983**	1,031

8. INCOME TAX

During the period, no Hong Kong profits tax has been provided as there was no assessable profit arising from Hong Kong. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in Mainland China in which the Group operates.

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current	**860**	1,180
Deferred	**(751)**	(973)
Total tax charge for the period	**109**	207

Under the new corporate income tax law of the People's Republic of China (the "PRC") effective from 1 January 2008, the tax rate applicable to domestic-invested enterprises and foreign-invested enterprises has been standardised at 25%. One of the Group's subsidiaries is exempted from PRC corporate income tax for its first two profit-making years (after deducting losses incurred in previous years) and is entitled to a 50% tax reduction for the succeeding three years. Although this subsidiary has no assessable profit since its date of establishment, based on the State Council Circular on the Implementation of Transitional Concession Policies for Corporate Income Tax (Guo Fa [2007] No. 39), this subsidiary should be subject to the first year exemption in 2008 whether or not it has assessable profit.

9. DIVIDENDS

The directors do not recommend the payment of any dividend for the six months ended 30 June 2012 (2011: Nil).

10. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic loss per share amounts is based on the loss for the period attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 1,190,725,137 (2011: 1,147,961,742) in issue during the period.

No adjustment has been made to the basic loss per share amounts presented for the six months ended 30 June 2012 and 2011 in respect of a dilution as the impact of share options outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

11. TRADE AND BILLS RECEIVABLES

Other than the cash and credit card sales, the Group allows a credit period which is generally one month, extending up to three months for major customers. Each customer has a maximum credit limit.

None of the trade and bills receivables is impaired. An aged analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2012 (Unaudited)	31 December 2011 (Audited)
	HK$'000	*HK$'000*
Within 1 month	**7,946**	12,783
1 to 2 months	**258**	1,234
2 to 3 months	**–**	560
Over 3 months	**368**	627
	8,572	15,204

12. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2012 (Unaudited)	31 December 2011 (Audited)
	HK$'000	*HK$'000*
Within 1 month	**24,435**	47,628
1 to 2 months	**3,383**	11,830
2 to 3 months	**1,169**	5,289
Over 3 months	**31,147**	286
	60,134	65,033

The trade and bills payables are non-interest-bearing and are normally settled on 30-day terms and 180-day terms, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

For the six months ended 30 June 2012 (the "Period"), the Group's revenue was approximately HK$96.3 million, representing a decrease of 61.4% over the corresponding period last year. Loss attributable to owners of the parent was approximately HK$37.0 million, representing an increase of 26.5% over the corresponding period last year. Loss per share for the Period was HK3.1 cents (2011: HK2.5 cents).

During the Period, the Group's wine and liquor business constituted the key business of the Group. The increase in loss attributable to owners of the parent was mainly due to the increase in loss of the Group's ethanol business.

Segmental information

Ethanol business

The Group's ethanol business is principally engaged in the production and sale of ethanol products and ethanol by-products in the PRC. Currently, Harbin China Distillery Co., Limited ("Harbin Distillery"), a 75% owned subsidiary of the Group, manages and operates an ethanol production facility located in Harbin, PRC. This ethanol production facility is designed to have an annual production capacity of 60,000 tonnes.

During the Period, the ethanol business recorded revenue of approximately HK$26.2 million, down 85.2% over the corresponding period last year and accounted for 27.2% (2011: 70.8%) of the total revenue. The substantial decrease in revenue was mainly attributable to the temporary suspension of the Group's ethanol production facility since February 2012. Due to elevated corn prices, Harbin Distillery temporarily suspended its production process to reduce the cash outflow and operating loss. Gross loss for the Period was approximately HK$7.5 million (2011: HK$7.6 million).

In order to improve the profitability of the Group's ethanol business, Harbin Distillery plans to have a plant modification in mid August 2012. The modification will enable the production facility to produce anhydrous ethanol in addition to consumable ethanol. Anhydrous ethanol has higher selling price than consumable ethanol and an increase in oil price would increase the demand for anhydrous ethanol. The modification is expected to be completed by mid November 2012 and Harbin Distillery will recommence its operations thereafter. Meanwhile, Harbin Distillery will actively look for ways to reduce the cost of raw materials so as to alleviate the pressure of increasing corn prices.

Harbin Distillery is also seeking to produce ethanol with kenaf to improve its competitiveness. In late June 2012, Harbin Distillery has signed a letter of intent with a Shanghai high-tech enterprise and two corporate partners for a kenaf cellulose ethanol production demonstration project. The demonstration project is expected to lay foundation for the future industrialisation of kenaf cellulose ethanol.

Wine and liquor business

The Group's wine and liquor business is principally engaged in the sale and distribution of wine and liquor in the PRC. Currently, the Group operates a retail and distribution network for selling wine and liquor in Guangzhou, Harbin and Hunan province of the PRC. As at 30 June 2012, the Group had 26 wine and liquor specialty stores and 20 franchise stores in Guangzhou. The Group is the exclusive distributor of Diancang Jiugui, Xiaoxiangquan under 250ml and Meiming Wenshi in China until May 2020.

During the Period, the wine and liquor business recorded revenue of approximately HK$70.1 million, down 3.6% over the corresponding period last year and accounted for 72.8% (2011: 29.2%) of the total revenue. During the Period, the Group focused on gross margin improvement in Guangzhou and network expansion in Harbin and Hunan province. Hence, the revenue from the operations in Harbin and Hunan province increased but the revenue from the operation in Guangzhou decreased, and a net decrease in revenue resulted. Despite the decrease in revenue, gross profit margin of this business improved from 25.4% to 27.1%, mainly attributed to price increases on selected products for the operation in Guangzhou. Gross profit was approximately HK$19.0 million, representing an increase of 2.8% over the corresponding period last year.

The Group will continue to improve the product mix and focus on higher margin products to grow its business. Apart from strengthening the established markets, the Group will strive to expand its retail and distribution network to other parts of Guangdong province of the PRC.

Animal feed business

The Group's animal feed business will principally engage in the production and sale of forages. The Group holds an intellectual property which involves a technique and know-how to produce high-protein forages from crop stalks.

In November 2011, the Group has reached preliminary agreement with two farms in Heilongjiang province on the framework for collaboration. A forage production facility will be built within the farms so that the products will be efficiently processed near the source of raw materials (i.e. crop stalks). During the Period, the Group has modified the preliminary agreement to specify the cost and quality of crop stalks provided by the farm, and the responsibility of each party. The Group is finalising a joint venture agreement with a farm.

The Group will continue to pursue additional potential locations for future facilities, which involve consideration of a number of criteria including availability of raw materials and infrastructure, potential strategic partnerships, logistics and other market factors.

Financial review

The Group's total revenue for the Period was approximately HK$96.3 million, representing a decrease of 61.4% over the corresponding period last year. The decrease was mainly attributable to the decrease in revenue of ethanol business.

Gross profit of the Group was approximately HK$11.5 million, representing an increase of 5.3% over the corresponding period last year. Overall gross profit margin increased from 4.4% to 11.9%. The increase was because the higher margin wine and liquor business constituted the key business of the Group during the Period.

Selling and distribution costs was approximately HK$15.3 million, representing an increase of 11.3% over the corresponding period last year and 15.9% (2011: 5.5%) of the Group's revenue. The increase was mainly due to the expansion of the distribution network in Harbin and Hunan province. The substantial increase in selling and distribution costs to revenue ratio was because the wine and liquor business has relatively higher selling and distribution costs to revenue ratio than ethanol business.

Administrative expenses was approximately HK$39.5 million, representing an increase of 30.9% over the corresponding period last year. The increase was mainly due to the depreciation provided during the temporary suspension of the Group's Harbin production facility.

Finance cost was approximately HK$3.3 million, representing an increase of 66.3% over the corresponding period last year. The increase was due to increase in interest rates.

Liquidity, financial resources and capital structure

During the Period, the issued share capital of the Company increased by 100,000 shares to 1,190,742,397 shares due to the exercise of share options by a director. Apart from options to subscribe for shares in the Company, there were no other capital instruments in issue.

As at 30 June 2012, the Group had equity attributable to owners of the parent of approximately HK$314.7 million (31 December 2011: HK$348.7 million). Net current liabilities of the Group as at 30 June 2012 amounted to approximately HK$103.4 million (31 December 2011: HK$85.8 million). The Group's unpledged cash and cash equivalents as at 30 June 2012 amounted to approximately HK$7.4 million (31 December 2011: HK$16.5 million), which were denominated in Hong Kong dollars and Renminbi.

As at 30 June 2012, the Group's total borrowings amounted to approximately HK$109.6 million (31 December 2011: HK$118.3 million). The Group's borrowings included bank loans of approximately HK$52.5 million (31 December 2011: HK$65.4 million), other borrowings of approximately HK$3.8 million (31 December 2011: HK$3.8 million), amounts due to related parties of approximately HK$22.6 million (31 December 2011: HK$18.1 million) and an amount due to a non-controlling shareholder of a subsidiary of approximately HK$30.7 million (31 December 2011: HK$31.0 million). Around 95.3% of the borrowings are denominated in Renminbi with the rest in Hong Kong dollars. The bank loans bear interest rates ranging between 7.57% and 7.87% (31 December 2011: 7.21% and 7.37%). Other borrowings bear interest rate of 12.00% (31 December 2011: 6.25%). Except for the loans of approximately HK$5.1 million from Orientelite Investments Limited, a shareholder of the Company, which bear interest at 3-month HIBOR+1%, the remaining amounts due to related parties and a non-controlling shareholder of a subsidiary are interest-free. The gearing ratio of the Group as at 30 June 2012, calculated as net debt divided by equity attributable to owners of the parent plus net debt, was 44.0% (31 December 2011: 41.7%).

Having considered the Group's current unpledged cash and cash equivalents, bank and other borrowings and the financial support from shareholders, the management believes that the Group's financial resources are sufficient for its day-to-day operations.

The Group did not use financial instruments for financial hedging purposes during the Period.

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 and contingent liabilities

As at 30 June 2012, certain of the Group's property, plant and equipment, leasehold land and bank deposits with aggregate net book value of approximately HK$90.2 million (31 December 2011: HK$109.1 million) were pledged to banks to secure the Group's bank loans and bills payable.

As at 30 June 2012, the Group had no material contingent liabilities (31 December 2011: Nil).

Employee and remuneration policy

As at 30 June 2012, the Group had approximately 493 (2011: 549) employees in Hong Kong and the PRC with total staff costs amounted to approximately HK$20.9 million (2011: HK$20.7 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 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 REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

The following is an extract of the independent auditors' report on review of interim financial information of the Group for the six months ended 30 June 2012:

"**Conclusion**

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

Without qualifying our conclusion, we draw attention to note 1 to the interim condensed consolidated financial statements which indicates that the Group incurred a consolidated net loss of HK$43,561,000 during the six months ended 30 June 2012, and, as at that date, the Group's consolidated current liabilities exceeded its consolidated current assets by HK$103,411,000. 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."

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 2012.

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 2012.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with all code provisions of the Code on Corporate Governance Practices during the period from 1 January 2012 to 31 March 2012 and the Corporate Governance Code ("CG Code") during the period from 1 April 2012 to 30 June 2012 as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, save as disclosed as follows. In respect of code provision A.6.7 of the CG Code, Mr. Derek Emory Ting-Lap Yeung, the non-executive director of the Company, was not in a position to attend the annual general meeting of the Company held on 3 May 2012 due to his overseas commitment.

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

Hong Kong, 16 August 2012

As at the date hereof, the executive directors of the Company are Mr. Peter Lo, Mr. Han Dong, Mr. David Lee Sun and Mr. Qu Shuncai; the non-executive directors of the Company are Mr. Derek Emory Ting-Lap Yeung and Mr. Huang Qingxi; and the independent non-executive directors of the Company are Mr. Sam Zuchowski, Dr. Loke Yu alias Loke Hoi Lam and Mr. Zhang Yonggen.