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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)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008

The Board of Directors (the "Board") of BIO-DYNAMIC GROUP LIMITED (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2008 together with the comparative amounts for 2007 as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2008

	Notes	**2008** *HK$'000*	2007 *HK$'000*
Continued operations			
REVENUE	*6*	**3,780**	65,815
Cost of sales		**(9,923)**	(70,472)
Gross loss		**(6,143)**	(4,657)
Other income	*6*	**1,265**	555
Selling and distribution costs		**(52)**	(1,091)
Administrative expenses		**(43,300)**	(29,001)
Other expenses	*7*	**(76,581)**	–
Finance costs	*8*	**(882)**	–
LOSS BEFORE TAX	*7*	**(125,693)**	(34,194)
Income tax credit	*9*	**8,138**	127
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		**(117,555)**	(34,067)
Discontinued operations			
Loss of discontinued operations		**–**	(14,889)
Gain on disposal of discontinued operations		**–**	9,618
Loss for the year from discontinued operations	*10*	**–**	(5,271)
LOSS FOR THE YEAR		**(117,555)**	(39,338)
Attributable to:			
Equity holders of the parent		**(104,916)**	(34,757)
Minority interests		**(12,639)**	(4,581)
		(117,555)	(39,338)
Dividends	*11*	**–**	–
LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
– For loss for the year	*12*	**HK(18.54) cents**	HK(7.8) cents
– For loss for the year from continuing operations	*12*	**HK(18.54) cents**	HK(7.4) cents

CONSOLIDATED BALANCE SHEET

31 December 2008

	2008	2007
	HK$'000	*HK$'000*
NON-CURRENT ASSETS		
Property, plant and equipment	**355,440**	149,702
Prepaid land lease payments	**33,173**	32,172
Goodwill	**–**	2,328
Other intangible assets	**77,939**	145,265
Prepayments for acquisition of property, plant and equipment	**1,487**	64,068
Deferred tax assets	**–**	505
Total non-current assets	**468,039**	394,040
CURRENT ASSETS		
Inventories	**461**	2,616
Prepayments and other receivables	**3,969**	5,434
Due from the immediate holding company	**17**	1,560
Due from a fellow subsidiary	**560**	435
Tax prepaid	**–**	154
Cash and bank balances	**3,724**	32,854
Total current assets	**8,731**	43,053
CURRENT LIABILITIES		
Other payables and accruals	**99,240**	16,543
Interest-bearing bank and other borrowings	**44,864**	–
Due to a fellow subsidiary	**286**	–
Due to a minority shareholder of a subsidiary	**34,074**	32,034
Tax payable	**–**	26
Total current liabilities	**178,464**	48,603
NET CURRENT LIABILITIES	**(169,733)**	(5,550)
TOTAL ASSETS LESS CURRENT LIABILITIES	**298,306**	388,490
NON-CURRENT LIABILITIES		
Deferred tax liabilities	**15,460**	24,103
Deferred income	**12,887**	12,548
Total non-current liabilities	**28,347**	36,651
Net assets	**269,959**	351,839
EQUITY		
Equity attributable to equity holders of the parent		
Issued capital	**57,301**	56,600
Reserves	**158,362**	232,994
	215,663	289,594
Minority interests	**54,296**	62,245
Total equity	**269,959**	351,839

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

At 31 December 2008, the Group had net current liabilities of HK$169,733,000 and had bank and other borrowings of HK$44,864,000 which were due for repayment or renewal within the next 12 months. The Group incurred a consolidated net loss of HK$117,555,000 for the year ended 31 December 2008.

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, the directors of the Company have taken the following measures:

(a) The Group is negotiating with certain bankers to obtain additional banking facilities;
(b) The Group is considering to dispose of certain of its operations and properties;
(c) The Group has obtained financial support from its ultimate holding company and fellow subsidiaries; and
(d) The directors of the Company are considering various alternatives to strengthen the capital base of the Company through fund raising exercises.

In addition, during the year, one of the Group's major subsidiaries was not put into operation as this subsidiary had not yet obtained a manufacturing permit from the relevant government body in Mainland China. Accordingly, no operating activities were conducted by this subsidiary during the year and as at the date of approval of the financial statements. The directors are currently arranging for trial-runs of the operation of this subsidiary in order to fulfill the requirement for an application for the manufacturing permit to be made.

On the basis that the Group would obtain additional financial facilities from the bankers, realise certain of its operations and properties and obtain additional funding from other sources, and that the above mentioned subsidiary of the Company would obtain the manufacturing permit for commencement of operations, 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 continue as a going concern, adjustments would have to be made to restate the values of assets to their recoverable amounts, to provide for any future liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively. The effects of these potential adjustments have not been reflected in the financial statements.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in Hong Kong dollars.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2008. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries.

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

The Group has adopted the following new interpretations and amendments to HKFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies, the adoption of these new interpretations and amendments has had no significant effect on these financial statements.

HKAS 39 and HKFRS 7 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement* and HKFRS 7 *Financial Instruments: Disclosures – Reclassification of Financial Assets*
HK(IFRIC) – Int 11	HKFRS 2 – *Group and Treasury Share Transactions*
HK(IFRIC) – Int 12	*Service Concession Arrangements*
HK(IFRIC) – Int 14	HKAS 19 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement* and HKFRS 7 *Financial Instruments: Disclosures – Reclassification of Financial Assets*

The amendments to HKAS 39 permit an entity to reclassify a non-derivative financial asset classified as held for trading, other than a financial asset designated by an entity as at fair value through profit or loss upon initial recognition, out of the fair value through profit or loss category if the financial asset is no longer held for the purpose of selling or repurchasing in the near term, if specified criteria are met.

A debt instrument that would have met the definition of loans and receivables (if it had not been required to be classified as held for trading at initial recognition) may be classified out of the fair value through profit or loss category or (if it had not been designated as available for sale) may be classified out of the available-for-sale category to the loans and receivables category if the entity has the intention and ability to hold it for the foreseeable future or until maturity.

In rare circumstances, financial assets that are not eligible for classification as loans and receivables may be transferred from the held-for-trading category to the available-for-sale category or to the held-to-maturity category (in the case of a debt instrument), if the financial asset is no longer held for the purpose of selling or repurchasing in the near term.

The financial asset shall be reclassified at its fair value on the date of reclassification and the fair value of the financial asset on the date of reclassification becomes its new cost or amortised cost, as applicable. The amendments to HKFRS 7 require extensive disclosures of any financial asset reclassified in the situations described above. The amendments are effective from 1 July 2008.

As the Group has not reclassified any of its financial instruments, the amendments have had no impact on the financial position or results of operations of the Group.

(b) HK(IFRIC) – Int 11 HKFRS 2 – Group and Treasury Share Transactions

HK(IFRIC) – Int 11 requires arrangements whereby an employee is granted rights to the Group's equity instruments to be accounted for as an equity-settled scheme, even if the Group buys the instruments from another party, or the shareholders provide the equity instruments needed. HK(IFRIC) – Int 11 also addresses the accounting for share-based payment transactions involving two or more entities within the Group. The adoption of this interpretation has had no significant impact on the financial position or results of operations of the Group.

(c) HK(IFRIC) – Int 12 Service Concession Arrangements

HK(IFRIC) – Int 12 applies to service concession operators and explains how to account for the obligations undertaken and the rights received in service concession arrangements. No member of the Group is an operator and, therefore, this interpretation has had no impact on the financial position or results of operations of the Group.

(d) HK(IFRIC) – Int 14 HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

HK(IFRIC) – Int 14 addresses how to assess the limit under HKAS 19 Employee Benefits, on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, including situations when a minimum funding requirement exists. As the Group has no defined benefit scheme, the interpretation has had no effect on these financial statements.

4. IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs and* HKAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* [1]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Vesting Conditions and Cancellations* [1]
HKFRS 3 (Revised)	*Business Combinations* [2]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Improving* [1] *Disclosure about Finance Instruments* [1]
HKFRS 8	*Operating Segments* [1]
HKAS 1 (Revised)	*Presentation of Financial Statements* [1]
HKAS 23 (Revised)	*Borrowing Costs* [1]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements* [2]
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation* [1]

HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* [2]
HKAS(IFRIC) – Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC) – Int 9 *Reassessment of Embedded Derivatives* and *HKAS 39 Financial Instruments: Recognition and Measurement – Embedded Derivatives* [5]
HK(IFRIC) – Int 13	*Customer Loyalty Programmes* [3]
HK(IFRIC) – Int 15	*Agreements for the Construction of Real Estate* [1]
HK(IFRIC) – Int 16	*Hedges of a Net Investment in a Foreign Operation* [4]
HK(IFRIC) – Int 17	*Distribution of Non-cash Assets to Owners* [2]
HK(IFRIC) – Int 18	*Transfers of Assets from Customers* [2]

Apart from the above, the HKICPA has issued *Improvements to HKFRSs** which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. Except for the amendment to HKFRS 5 which is effective for the annual periods beginning on or after 1 July 2009, the amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

[1] *Effective for annual periods beginning on or after 1 January 2009*

[2] *Effective for annual periods beginning on or after 1 July 2009*

[3] *Effective for annual periods beginning on or after 1 July 2008*

[4] *Effective for annual periods beginning on or after 1 October 2008*

[5] *Effective for annual periods ending on or after 30 June 2009*

* *Improvements to HKFRSs contains amendments to HKFRS 5, HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41.*

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on the Group's results of operations and financial position.

5. SEGMENT INFORMATION

During the year ended 31 December 2008, over 90% of the Group's operations related to the manufacture and sale of ethanol products and over 90% of the Group's products were sold to customers located in Mainland China. Accordingly, no segment information has been disclosed.

Segment information for the year ended 31 December 2007 was presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

(i) Primary reporting format – Business segments

The Group's prior year's operating businesses were structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's business segments represented a strategic business unit that offered products and services which were subject to risks and returns that were different from those of the other business segments. Summary details of the prior year business segments were as follows:

(a) The ethanol products segment comprised the manufacture, sale and distribution of ethanol products;

(b) the handbags and other accessories segment comprised the manufacture and sale of handbags, garments and other accessories and the provision of related subcontracting services; and

(c) the dairy products segment comprised the manufacture and sale of liquid milk and yogurt.

There were no sales or other transactions among the business segments.

The following table presents revenue, loss and certain asset, liability and expenditure information for the Group's business segments for the year ended 31 December 2007.

	Continuing operations	Discontinued operations			
	Ethanol products	Handbags and other accessories	Dairy products	Sub-total	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2007					
Segment revenue	65,815	76,902	21,739	98,641	164,456
Segment results	(4,657)	4,416	319	4,735	78
Other income	555			635	1,190
Corporate and other unallocated expenses	(30,092)			(8,759)	(38,851)
Finance costs	–			(3,482)	(3,482)
Loss before tax	(34,194)			(6,871)	(41,065)
Income tax credit	127			1,600	1,727
Loss for the year	(34,067)			(5,271)	(39,338)
Assets and liabilities					
Segment assets	432,102			–	432,102
Corporate and other unallocated assets	4,991			–	4,991
Total assets	437,093			–	437,093
Segment liabilities	84,067			–	84,067
Corporate and other unallocated liabilities	1,187			–	1,187
Total liabilities	85,254			–	85,254
Other segment information:					
Depreciation and amortisation	4,177	1,485	2,071	3,556	7,733
Corporate and other unallocated amounts	15			–	15
	4,192			3,556	7,748
Capital expenditure	99,545	575	239	814	100,359
Reversal of allowance for impairment of receivables	–	193	–	193	193

(ii) ***Secondary reporting format – Geographical segments***

In determining the Group's geographical segments, in the prior year, revenues were attributed to the segments based on the location of the customers. Sales or transactions between the geographical segments were eliminated on presentation of segment information of the Group.

	Segment revenue	**Total assets**	**Capital expenditure**
	HK$'000	*HK$'000*	*HK$'000*
Year ended 31 December 2007			
United States of America	9,930	–	–
Europe	14,390	–	–
The People's Republic of China ("PRC")	138,286	429,774	100,219
Asia region except the PRC	1,850	4,991	140
	164,456	434,765	100,359
Goodwill		2,328	
Total assets		437,093	

6. REVENUE AND OTHER INCOME

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

An analysis of revenue and other income is as follows:

	2008	2007
	HK$'000	*HK$'000*
Revenue		
Sale of goods	**3,780**	164,456
Attributable to:		
Continuing operations	**3,780**	65,815
Discontinued operations *(note 10)*	**–**	98,641
	3,780	164,456
Other income		
Government grants*	**1,126**	–
Bank interest income	**56**	728
Net foreign exchange gains	**–**	398
Rental income	**–**	17
Other income	**83**	47
	1,265	1,190
Attributable to:		
Continuing operations	**1,265**	555
Discontinued operations *(note 10)*	**–**	635
	1,265	1,190

* *The government grants comprise (i) the amount of HK$672,000 related to the Group's compliance with Energy Conservation and Emission Reduction conditions as required by the respective government bodies; and (ii) the amount of HK$454,000 related to the amortisation of the deferred income.*

7. LOSS BEFORE TAX

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

	2008	2007		
	Continuing operations	Continuing operations	Discontinued operations	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cost of inventories sold (including write-down of inventories)	**9,069**	52,496	64,202	116,698
Depreciation	**3,420**	1,193	3,550	4,743
Amortisation of other intangible assets	**5,474**	2,654	–	2,654
Amortisation of prepaid land lease payments	**1,034**	345	6	351
Minimum lease payments under operating leases:				
Land and buildings	**360**	360	264	624
Auditors' remuneration	**720**	695	–	695
Employee benefits expense (including directors' remuneration)				
Wages and salaries	**9,864**	5,015	19,915	24,930
Equity-settled share option expense	**17,447**	15,308	–	15,308
Pension scheme contributions	**1,307**	239	705	944
	28,618	20,562	20,620	41,182
Foreign exchange differences, net	**33**	132	(530)	(398)
Other expenses:				
Impairment of property, plant and equipment	**9,662**	–	–	–
Impairment of other intangible assets	**64,591**	–	–	–
Impairment of goodwill	**2,328**	–	–	–
	76,581	–	–	–
Loss on disposal of items of property, plant and equipment	**–**	–	921	921
Gain on disposal of prepaid land lease payments	**–**	–	(898)	(898)
Gain on disposal of subsidiaries	**–**	–	(9,618)	(9,618)

8. FINANCE COSTS

	Group	
	2008	2007
	HK$'000	*HK$'000*
Interest on bank loans and other loans wholly repayable within five years	**2,337**	119
Interest on an amount due to the immediate holding company wholly repayable within five years	**–**	3,363
Total interest expense on financial liabilities not at fair value through profit or loss	**2,337**	3,482
Less: interest capitalised	**(1,455)**	–
	882	3,482
Attributable to:		
Continuing operations	**882**	–
Discontinued operations *(note 10)*	**–**	3,482
	882	3,482

9. TAX

During the year, no Hong Kong profits tax has been provided as there was no assessable profit arising from Hong Kong and no tax on profits assessable elsewhere has been provided. In the prior year, Hong Kong profits tax had been provided at the rate of 17.5% on the estimated assessable profits arising in Hong Kong during that year.

	2008	2007
	HK$'000	*HK$'000*
Group:		
Current – Hong Kong	**–**	151
Current – Overseas	**–**	(1,565)
Deferred	**(8,138)**	(313)
Total tax credit for the year	**(8,138)**	(1,727)
Attributable to:		
Continuing operations	**(8,138)**	(127)
Discontinued operations *(note 10)*	**–**	(1,600)
	(8,138)	(1,727)

A reconciliation of the tax credit applicable to loss before tax using the statutory rates for Hong Kong in which the Company and its subsidiaries are domiciled to the tax credit at the effective tax rate, and a reconciliation of the applicable rate to the effective tax rate, are as follows:

	2008		2007	
	HK$'000	*%*	*HK$'000*	*%*
Loss before tax	**(125,693)**		(41,065)	
Tax at statutory tax rate	**(20,739)**	**16.50**	(7,186)	17.50
Overprovision in prior years	**–**	**–**	(1,560)	3.80
Expenses not deductible for tax	**3,263**	**(2.60)**	5,000	(12.18)
Income not subject to tax	**–**	**–**	(2,021)	4.92
Tax effect of temporary differences not recognised	**–**	**–**	(300)	0.73
Tax losses utilised from previous years	**–**	**–**	(1,266)	3.08
Tax losses not recognised	**12,105**	**(9.63)**	7,879	(19.19)
Effect of different tax rates of subsidiaries	**(2,767)**	**2.20**	(2,273)	5.54
Tax credit at the Group's effective rate	**(8,138)**	**6.47**	(1,727)	4.2

Under the new corporate income tax law of 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 registration, 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.

10. DISCONTINUED OPERATIONS

On 11 May 2007, the Company entered into an agreement with the immediate holding company for the disposal of the entire issued share capital of Glory Access Limited (the "GAL") and Agricapital (Tianjin) Limited (the "ATL"), both being wholly-owned subsidiaries of the Company, for a total consideration of US$200,000 (approximately HK$1,560,000). GAL and its subsidiaries were engaged in the manufacture and sale of handbags, garments and other accessories and the provision of related subcontracting services while ATL and its subsidiaries were engaged in the manufacture and sale of liquid milk and yogurt. The disposal was completed on 19 July 2007.

The results of the subsidiaries disposed of for the year ended 31 December 2007 are presented below:

	2007
	HK$'000
Turnover	98,641
Cost of sales	(93,906)
Other income	635
Reversal of allowance for impairment of receivables	193
Expenses	(18,570)
Finance costs	(3,482)
Loss before tax from the discontinued operations	(16,489)
Income tax credit	1,600
Loss for the year from the discontinued operations	(14,889)

The major classes of assets and liabilities of the subsidiaries disposed of on the completion date in 2007 are as follows:

	HK$'000
Property, plant and equipment	43,385
Prepaid land lease payments	460
Goodwill	11,010
Inventories	33,992
Trade and other receivables	36,204
Cash and bank balances	14,135
Due to the immediate holding company	(79,909)
Trade and other payables	(52,770)
Due to a minority shareholder of a subsidiary	(6,259)
Current tax payable	(527)
Minority interests	(8,797)
Exchange reserve	376
Net liabilities disposed of	(8,700)
Transaction costs on disposal of subsidiaries	642
Gain on disposal of subsidiaries	9,618
Consideration receivable*	1,560
Net cash outflow arising on disposal	
Cash and bank balances disposed of	14,135

* *The consideration receivable was outstanding as at 31 December 2007 and included in the amount due from the immediate holding company in 2007.*

The net cash flows incurred by the subsidiaries disposed of are as follows:

	2008	2007
	HK$'000	*HK$'000*
Operating activities	–	(4,503)
Investing activities	1,560	8,017
Financing activities	–	3,078
Net cash inflow	1,560	6,592
Loss per share:		
Basic, from the discontinued operation		HK 0.4 cent

The calculations of basic loss per share from the discontinued operation are based on loss attributable to equity holders of the parent from the discontinued operations of HK$2,008,000 and the weighted average number of ordinary shares in issue in year 2007 of 443,347,945 shares as used in the basic loss per share calculation for the year.

11. DIVIDENDS

The directors do not recommend the payment of any dividend for the year ended 31 December 2008 (2007: Nil).

12. LOSS PER SHARE

The calculation of basic loss per share amounts is based on the loss for the year attributable to equity holders of the parent and the weighted average number of ordinary shares in issue during the year.

The calculation of basic loss per share is based on:

	2008	2007
	HK$'000	*HK$'000*
Loss		
Loss attributable to equity holders of the parent used in the basic loss per share calculation:		
From continuing operations	(104,916)	(32,749)
From discontinued operations	–	(2,008)
	(104,916)	(34,757)

	Number of shares	
	2008	2007
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	566,019,197	443,347,945

As the exercise price of the share options outstanding at the each of balance sheet dates was higher than the average market price of the Company's ordinary shares during both years, no shares were assumed to have been issued on the deemed exercise of the Company's options for the years ended 31 December 2007 and 2008. No diluted loss per share has been presented.

MANAGEMENT DISCUSSION AND ANALYSIS

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 has not commenced operation during the year, the Group recorded a turnover of approximately HK$3.8 million for the year ended 31 December 2008. Loss attributable to equity holders of the Company was approximately HK$104.9 million (2007: HK$34.8 million). The significant increase in loss for the year was mainly attributable to (i) the impairment of intangible assets of approximately HK$64.6 million (2007: Nil), (ii) the impairment of goodwill of approximately HK$2.3 million (2007: Nil), (iii) the impairment of property, plant and equipment of approximately HK$9.7 million (2007: Nil), (iv) the recognition of share option expenses of approximately HK$17.4 million (2007: HK$15.3 million) and (v) the amortisation of intangible assets of approximately HK$5.5 million (2007: HK$2.7 million).

Loss per share for the year was HK18.54 cents (2007: HK7.8 cents).

The Group has completed the construction of a 60,000 tonne production facility in Harbin for its ethanol business during the year and is now waiting for the manufacturing permit. 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 obtaining the permit, the Group will commence the 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). In view of current ethanol market conditions, an impairment of intangible assets of approximately HK$64.6 million and an impairment of goodwill of approximately HK$2.3 million were made during the year.

During the year, the management suspended the production of Yinchuan production facility due to its small production scale and high energy cost in the zone where the facility located. The Group is currently considering various plans for the idle assets. As no definite plan has been formed as at the date of this report, an impairment of property, plant and equipment in respect of Yinchuan production facility of approximately HK$9.7 million was made during the year.

Prospects

Wild swings in commodity markets and a great deal of manufactured hysteria over the food versus fuel debate have created challenging conditions for ethanol producers. However, with growing energy security and environmental concerns, biofuel production will remain important in China in the near future. The Group is considering the development of alcoholic beverage products, the downstream products of ethanol, by building on the new ethanol production facility. The management believes that the Group will be able to obtain sufficient finance for its working capital and future developments.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the year, the issued share capital of the Company increased by 7,007,000 shares to 573,007,000 shares due to exercise of share options by various directors and employees. Apart from options to subscribe for shares in the Company, there were no other capital instruments in issue.

As at 31 December 2008, the Group has equity attributable to equity holders of the Company of approximately HK$215.7 million (2007: HK$289.6 million). Non-current assets and net current liabilities of the Group as at 31 December 2008 amounted to approximately HK$468.0 million (2007: HK$394.0 million) and approximately HK$169.7 million (2007: HK$5.6 million), respectively. 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, the directors of the Company have taken the following measures:

(a) The Group is negotiating with certain bankers to obtain additional banking facilities;
(b) The Group is considering to dispose of certain of its operations and properties;
(c) The Group has obtained financial support from its ultimate holding company and fellow subsidiaries; and
(d) The directors of the Company are considering various alternatives to strengthen the capital base of the Company through fund raising exercises.

As at 31 December 2008, the Group's bank and cash balances amounted to approximately HK$3.7 million (2007: HK$32.9 million), which were denominated in Hong Kong dollars and Renminbi. In order to finance the construction cost of Harbin production facility, the Group increased its borrowings during the year. As at 31 December 2008, the Group's total borrowings amounted to approximately HK$78.9 million (2007: HK$32.0 million), representing a rise of 146.5% when compared to prior year. The Group's borrowings included an amount due to a minority shareholder of a subsidiary of approximately HK$34.1 million (2007: HK$32.0 million), short term borrowings of approximately HK$26.2 million (2007: Nil) and a bank loan of approximately HK$18.6 million (2007: Nil). All of the borrowings are denominated in Renminbi. The amount due to a minority shareholder of a subsidiary is unsecured, interest-free and has no fixed terms of repayment. The short term borrowings and the bank loan are unsecured, bear fixed interest rates and are repayable within one year. The gearing ratio of the Group as at 31 December 2008, calculated as net debt divided by equity attributable to equity holders of the Company plus net debt, was 45% (2007: 5%).

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

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

CONTINGENT LIABILITIES

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

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2008, the Group had approximately 228 (2007: 148) employees in Hong Kong and the PRC with total staff costs amounted to approximately HK$28.6 million (2007: HK$41.2 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 INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group's annual audited financial statements for the year ended 31 December 2008:

"OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

EMPHASIS OF MATTER

Without qualifying our opinion, we draw attention to Note 2.1 in the financial statements which indicates that the Group incurred a consolidated net loss of HK$117,555,000 during the year ended 31 December 2008, and, as at that date, the Group's consolidated current liabilities exceeded its consolidated current assets by HK$169,733,000. In addition, during the year, one of the Company's major subsidiaries was not put into operation as that subsidiary had not yet obtained a manufacturing permit from the relevant government body in Mainland China. Accordingly, no operating activities were conducted by this subsidiary during the year. 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 year.

REVIEW OF FINANCIAL STATEMENTS

The consolidated financial statements of the Group for the year ended 31 December 2008 have been reviewed by the audit committee.

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 year ended 31 December 2008.

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

Hong Kong, 23 April 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.