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 INTERIM RESULTS FOR 2009

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 2009. These interim results have been reviewed by Ernst & Young, 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, and by the Audit Committee of the Company, comprising the three independent non-executive directors of the Company.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT
For the six months ended 30 June 2009

		Six months ended 30 June	
	Notes	**2009**	2008
		(Unaudited)	(Unaudited)
		HK$'000	*HK$'000*
REVENUE	*5*	**–**	3,975
Cost of sales		**–**	(7,219)
Gross loss		**–**	(3,244)
Other income	*5*	**230**	97
Administrative expenses		**(16,381)**	(23,768)
Finance costs	*6*	**(703)**	–
LOSS BEFORE TAX	*7*	**(16,854)**	(26,915)
Tax	*8*	**271**	1,100
LOSS FOR THE PERIOD		**(16,583)**	(25,815)
Attributable to:			
Equity holders of the parent		**(14,979)**	(24,647)
Minority interests		**(1,604)**	(1,168)
		(16,583)	(25,815)
Dividends	*9*	**–**	–
LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
Basic	*10*	**HK(2.6) cents**	HK(4.4) cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2009

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
LOSS FOR THE PERIOD	**(16,583)**	(25,815)
Exchange differences on translation of foreign operations	**(268)**	17,318
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	**(268)**	17,318
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	**(16,851)**	(8,497)
Attributable to:		
Equity holders of the parent	**(15,181)**	(12,109)
Minority interests	**(1,670)**	3,612
	(16,851)	(8,497)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2009

	30 June 2009 (Unaudited) HK$'000	31 December 2008 (Audited) HK$'000
NON-CURRENT ASSETS		
Property, plant and equipment	**353,092**	355,440
Prepaid land lease payments	**32,831**	33,173
Other intangible assets	**76,552**	77,939
Prepayments for acquisition of property, plant and equipment	**1,486**	1,487
Total non-current assets	**463,961**	468,039
CURRENT ASSETS		
Inventories	**3,129**	461
Prepayments and other receivables	**4,194**	3,969
Due from the immediate holding company	**–**	17
Due from a fellow subsidiary	**329**	560
Cash and bank balances	**806**	3,724
Total current assets	**8,458**	8,731
CURRENT LIABILITIES		
Trade payables	**3,477**	–
Other payables and accruals	**102,670**	99,240
Interest-bearing bank and other borrowings	**45,376**	44,864
Due to a fellow subsidiary	**286**	286
Due to a minority shareholder of a subsidiary	**34,032**	34,074
Total current liabilities	**185,841**	178,464
NET CURRENT LIABILITIES	**(177,383)**	(169,733)
TOTAL ASSETS LESS CURRENT LIABILITIES	**286,578**	298,306
NON-CURRENT LIABILITIES		
Deferred tax liability	**15,188**	15,460
Deferred income	**12,642**	12,887
Total non-current liabilities	**27,830**	28,347
Net assets	**258,748**	269,959
EQUITY		
Equity attributable to equity holders of the parent		
Issued capital	**57,451**	57,301
Reserves	**148,671**	158,362
	206,122	215,663
Minority interests	**52,626**	54,296
Total equity	**258,748**	269,959

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

At 30 June 2009, the Group had net current liabilities of HK$177,383,000 and had bank and other borrowings of HK$45,376,000 which were due for repayment or renewal within the next 12 months. The Group incurred a consolidated net loss of HK$16,583,000 for the six months ended 30 June 2009.

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 period, one of the Company'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 period 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

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 2008.

3. IMPACT OF NEW AND 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 2008, except for the adoption of the new Standards and Interpretations as of 1 January 2009, noted below.

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*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Vesting Conditions and Cancellations*
HKFRS 7 Amendments	*Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*
HKFRS 8	*Operating Segments*
HKAS 1 (Revised)	*Presentation of Financial Statements*
HKAS 23 (Revised)	*Borrowing Costs*
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*
HK(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*
HK(IFRIC)-Int 13	*Customer Loyalty Programmes*
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate*
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a foreign Operation*

The adoption of the above new standards and interpretations has had no material effect on the accounting policies of the Group and the methods of computation in the interim condensed consolidated financial statements except for the impact as described below.

HKAS 1 (Revised) separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present two statements.

4. SEGMENT INFORMATION

During the six months ended 30 June 2009, no operations related to the manufacture and sale of ethanol products were incurred. Accordingly, no segment information has been disclosed.

During the six months ended 30 June 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.

5. REVENUE AND OTHER INCOME

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue		
Sale of goods	**–**	3,975
Other income		
Government grants	**230**	–
Others	**–**	97
	230	97

6. FINANCE COSTS

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank loans	**703**	–

7. LOSS BEFORE TAX

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation	**2,317**	1,284
Amortisation of other intangible assets	**1,367**	2,721
Amortisation of prepaid land lease payments	**499**	291

8. TAX

During the period, 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.

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 second year exemption in 2009 whether or not it has assessable profit.

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current income tax charge		
Provision for the period	**–**	–
Overprovision in prior years	**–**	(26)
	–	(26)
Deferred income tax	**(271)**	(1,074)
Total tax credit for the period	**(271)**	(1,100)

9. DIVIDENDS

The directors do not recommend the payment of any dividend for the six months ended 30 June 2009 (2008: Nil).

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

The calculation of basic loss per share amounts is based on the loss for the period attributable to equity holders of the parent of HK$14,979,000 (2008: HK$24,647,000) and the weighted average of 573,057,000 (2008: 566,000,000) ordinary shares in issue during the period.

Dilutive loss per share amounts for the six months ended 30 June 2009 and 2008 have not been disclosed, as the share options outstanding during these periods had no dilutive effect on the basic loss per share for these periods.

MANAGEMENT DISCUSSION AND ANALYSIS

Review

As the Group's Harbin production facility has not yet commenced operation, the Group recorded no turnover (2008: HK$4.0 million) for the six months ended 30 June 2009 (the "Period"). Loss attributable to equity holders of the parent was approximately HK$15.0 million (2008: HK$24.6 million). The decrease in loss for the Period was mainly attributable to the decrease in recognition of share option expenses of approximately HK$5.6 million and the remuneration cut of around 50% on average of all directors effective from 1 January 2009. Loss per share for the Period was HK2.6 cents (2008: HK4.4 cents).

Trial run of the Group's Harbin production facility has started in late August 2009 and is expected to be completed in around two to three months. According to the current plan, the facility will commence production in late 2009 and gradually contribute turnover to the Group.

During the Period, the Group's Yinchuan production facility remained idle. The management is currently considering various plans for the idle assets, however, no definite plan has been formed as at the date of this report.

Prospects
With the production of the Harbin production facility to be commenced very soon, the Group is also considering the development of alcoholic beverage products, the downstream products of ethanol. The Group is under discussion and negotiation in relation to an acquisition of a potential wine and liquor wholesaler and retailer in the PRC. However, up to the date of this report, no legally binded agreement has been entered by the Group in respect of such acquisition. In the event that such acquisition being concluded, a separate announcement will be made to the public.

Liquidity, Financial Resources and Capital Structure
During the Period, the issued share capital of the Company increased by 1,500,000 shares to 574,507,000 shares due to 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 2009, the Group has equity attributable to equity holders of the parent of approximately HK$206.1 million (31 December 2008: HK$215.7 million). Non-current assets and net current liabilities of the Group as at 30 June 2009 amounted to approximately HK$464.0 million (31 December 2008: HK$468.0 million) and approximately HK$177.4 million (31 December 2008: HK$169.7 million), respectively. In order to improve the Group's financial position, immediate liquidity and cash flows, the management is considering various alternatives to strengthen the capital base of the Company.

As at 30 June 2009, the Group's cash and bank balances amounted to approximately HK$0.8 million (31 December 2008: HK$3.7 million), which were denominated in Hong Kong dollars and Renminbi. As at 30 June 2009, the Group's total borrowings amounted to approximately HK$79.4 million (31 December 2008: HK$78.9 million), including an amount due to a minority shareholder of a subsidiary of approximately HK$34.0 million (31 December 2008: HK$34.1 million), short term borrowings of approximately HK$26.8 million (31 December 2008: HK$26.2 million) and a bank loan of approximately HK$18.6 million (31 December 2008: HK$18.6 million). All 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 30 June 2009, calculated as net debt divided by equity attributable to equity holders of the parent plus net debt, was 47% (31 December 2008: 45%).

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
As at 30 June 2009, there was no charge on the Group's assets (31 December 2008: Nil).

Contingent liabilities
As at 30 June 2009, the Group had no material contingent liabilities (31 December 2008: Nil).

Employee and Remuneration Policy
As at 30 June 2009, the Group had approximately 224 (2008: 138) employees in Hong Kong and the PRC with total staff costs amounted to approximately HK$8.8 million (2008: HK$16.1 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 REVIEW REPORT

The following is an extract of the independent auditor's review report on the Group's interim financial information for the six months ended 30 June 2009:

"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 opinion, 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$16,583,000 during the six months ended 30 June 2009, and, as at that date, the Group's consolidated current liabilities exceeded its consolidated current assets by HK$177,383,000. In addition, during the period, 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 period. 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 2009.

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 2009.

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 2009.

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

Hong Kong, 15 September 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.