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 2009

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 2009 together with the comparative amounts for 2008 as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2009

	Notes	**2009**	2008
		HK$'000	*HK$'000*
REVENUE	*6*	**2,214**	3,780
Cost of sales		**(13,670)**	(9,923)
Gross loss		**(11,456)**	(6,143)
Other income	*6*	**1,144**	1,265
Selling and distribution costs		**–**	(52)
Administrative expenses		**(39,071)**	(43,300)
Other expenses		**(10,126)**	(76,581)
Finance costs	*8*	**(2,941)**	(882)
LOSS BEFORE TAX	*7*	**(62,450)**	(125,693)
Income tax credit	*9*	**543**	8,138
LOSS FOR THE YEAR		**(61,907)**	(117,555)
Attributable to:			
Owners of the parent		**(53,134)**	(104,916)
Minority interests		**(8,773)**	(12,639)
		(61,907)	(117,555)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	*11*	**HK(9.23) cents**	HK(18.54) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2009

	2009	2008
	HK$'000	*HK$'000*
LOSS FOR THE YEAR	**(61,907)**	(117,555)
Exchange differences on translation of foreign operations	**(2)**	16,210
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**(2)**	16,210
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(61,909)**	(101,345)
Attributable to:		
Owners of the parent	**(53,136)**	(93,396)
Minority interests	**(8,773)**	(7,949)
	(61,909)	(101,345)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2009

	2009	2008
	HK$'000	*HK$'000*
NON-CURRENT ASSETS		
Property, plant and equipment	**333,714**	355,440
Prepaid land lease payments	**32,370**	33,173
Other intangible assets	**75,203**	77,939
Prepayments for acquisition of property, plant and equipment	**1,442**	1,487
Total non-current assets	**442,729**	468,039
CURRENT ASSETS		
Inventories	**5,854**	461
Trade receivables	**48**	–
Prepayments, deposits and other receivables	**15,245**	3,969
Due from the immediate holding company	**–**	17
Due from fellow subsidiaries	**263**	560
Cash and cash equivalents	**10,308**	3,724
Total current assets	**31,718**	8,731
CURRENT LIABILITIES		
Trade payables	**2,969**	–
Other payables and accruals	**99,562**	99,240
Interest-bearing bank and other borrowings	**79,502**	44,864
Due to a fellow subsidiary	**615**	286
Due to a minority shareholder of a subsidiary	**34,072**	34,074
Total current liabilities	**216,720**	178,464
NET CURRENT LIABILITIES	**(185,002)**	(169,733)
TOTAL ASSETS LESS CURRENT LIABILITIES	**257,727**	298,306
NON-CURRENT LIABILITIES		
Deferred tax liabilities	**14,917**	15,460
Deferred income	**12,426**	12,887
Total non-current liabilities	**27,343**	28,347
Net assets	**230,384**	269,959
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**61,351**	57,301
Reserves	**123,510**	158,362
	184,861	215,663
Minority interests	**45,523**	54,296
Total equity	**230,384**	269,959

NOTES TO FINANCIAL STATEMENTS
31 December 2009

1. BASIS OF PRESENTATION

At 31 December 2009, the Group had net current liabilities of HK$185,002,000, inclusive of bank and other borrowings of HK$79,502,000 which were due for repayment or renewal within the next 12 months. The Group incurred a consolidated loss of HK$61,907,000 for the year ended 31 December 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 ultimate holding company has agreed to provide continuous financial support to the Group. In addition, in late August 2009, one of the Company's subsidiaries started its trial-runs of operation. Up to the date of approval of these financial statements, the Company had completed certain application procedures for the manufacturing permit. The Company expects to obtain the manufacturing permit from the government authority in the year 2010.

In light of the financial support mentioned above and that the Company further raised net proceeds of approximately HK$40,429,000 by way of placing 103,000,000 new shares at HK$0.40 each on 25 January 2010, 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 and all values are rounded to the nearest thousand except when otherwise indicated.

3. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and *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	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*
HKFRS 8	*Operating Segments*
HKAS 1 (Revised)	*Presentation of Financial Statements*
HKAS 18 Amendment*	Amendment to Appendix to HKAS 18 *Revenue – Determining whether an entity is acting as a principal or as an agent*
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 – Embedded Derivatives*
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*
HK(IFRIC)-Int 18	*Transfers of Assets from Customers* (adopted from 1 July 2009)
Improvements to HKFRSs (October 2008)**	Amendments to a number of HKFRSs

* Included in *Improvements to HKFRSs 2009* (as issued in May 2009).

** The Group adopted all the improvements to HKFRSs issued in October 2008 except for the amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary,* which is effective for annual periods beginning on or after 1 July 2009.

Other than as further explained below regarding the impact of HKAS 1 (Revised), the adoption of these new and revised HKFRSs has had no financial effect on these financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present two statements.

4. 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 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards* [1]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters* [2]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited exemption from Comparative HKFRS 7 Disclosures for First-time Adopters* [4]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions* [2]
HKFRS 3 (Revised)	*Business Combinations* [1]
HKFRS 9	*Financial Instruments* [6]
HKAS 24 (Revised)	*Related Party Disclosures* [5]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements* [1]

HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues* [3]
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* [1]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement* [5]
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners* [1]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*[4]
Amendments to HKFRS 5 included in *Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary* [1]
HK Interpretation 4 (Revised in December 2009)	*Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases* [2]

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2009* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16 are effective for annual periods beginning on or after 1 July 2009 while the amendments to HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 36 and HKAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard or interpretation.

[1] Effective for annual periods beginning on or after 1 July 2009
[2] Effective for annual periods beginning on or after 1 January 2010
[3] Effective for annual periods beginning on or after 1 February 2010
[4] Effective for annual periods beginning on or after 1 July 2010
[5] Effective for annual periods beginning on or after 1 January 2011
[6] Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

5. OPERATING SEGMENT INFORMATION

During the years ended 31 December 2009 and 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.

6. 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:

	2009	2008
	HK$'000	*HK$'000*
Revenue		
Sale of goods	**2,214**	3,780
Other income		
Government grants *	**675**	672
Amortisation of deferred income	**460**	454
Bank interest income	**9**	56
Others	**–**	83
	1,144	1,265

* The government grants have been received by the Group from the local government for the transformation of new pattern of industrialisation. There are no unfulfilled conditions or contingencies relating to these grants.

7. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	2009	2008
	HK$'000	*HK$'000*
Cost of inventories sold	**4,946**	9,069
Depreciation	**10,669**	3,420
Amortisation of prepaid land lease payments	**999**	1,034
Amortisation of other intangible assets	**2,735**	5,474
Minimum lease payments under operating leases in respect of land and buildings	**360**	360
Auditors' remuneration	**640**	720
Employee benefit expense (including directors' remuneration):		
Wages and salaries	**7,836**	9,864
Equity-settled share option expense	**6,035**	17,447
Pension scheme contributions	**868**	1,307
	14,739	28,618
Foreign exchange differences, net	**–**	33
Write-down of inventories to net realisable value	**8,724**	–
Other expenses:		
Impairment of property, plant and equipment	**10,126**	9,662
Impairment of other intangible assets	**–**	64,591
Impairment of goodwill	**–**	2,328
	10,126	76,581
Bank interest income	**(9)**	(56)
Loss on disposal of items of property, plant and equipment	**96**	–

8. FINANCE COSTS

	2009	2008
	HK$'000	*HK$'000*
Interest on bank loans and other loans wholly repayable within five years	**4,834**	2,337
Less: Interest capitalised	**(1,893)**	(1,455)
	2,941	882

9. INCOME 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.

	2009	2008
	HK$'000	*HK$'000*
Group:		
Deferred tax credit for the year	**(543)**	(8,138)

A reconciliation of the tax credit applicable to loss before tax at the statutory rate 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 (i.e., the statutory tax rates) to the effective tax rate, are as follows:

	2009		2008	
	HK$'000	*%*	*HK$'000*	*%*
Loss before tax	**(62,450)**		(125,693)	
Tax at the statutory tax rate	**(10,304)**	**16.50**	(20,739)	16.50
Expenses not deductible for tax	**2,532**	**(4.05)**	3,263	(2.60)
Tax losses not recognised	**8,862**	**(14.19)**	12,105	(9.63)
Effect of different tax rates of subsidiaries	**(1,633)**	**2.61**	(2,767)	2.20
Tax credit at the Group's effective rate	**(543)**	**0.87**	(8,138)	6.47

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. DIVIDENDS

The directors do not recommend the payment of any dividend for the year ended 31 December 2009 (2008: Nil).

11. 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 year attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 575,801,521 (2008: 566,019,197) in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2009 and 2008 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.

12. EVENTS AFTER THE REPORTING PERIOD

(a) On 12 January 2010, the Group acquired a 100% interest in Rightsouth Limited, which is engaged in the wholesale and retail sales of wine and liquor, from China Food and Beverage Group Limited. The purchase consideration of HK$37,000,000 for the acquisition was satisfied through the allotment and issuance of 78,556,263 shares of the Company at an issue price of HK$0.471 each. The acquisition is considered as a business combination under common control because both China Food and Beverage Group Limited and the Company are ultimately controlled by China Enterprise Capital Limited before and after the business combination.

(b) On 25 January 2010, 103,000,000 new shares of HK$0.1 each were issued at HK$0.40 per share to the immediate holding company of the Company pursuant to a placing and subscription agreement. These shares rank pari passu in all aspects with the existing shares. The net proceeds amounted to approximately HK$40,429,000.

MANAGEMENT DISCUSSION AND ANALYSIS

Review

The Group's Harbin production facility has commenced production in December 2009 and the Group recorded a turnover of approximately HK$2.2 million for the year ended 31 December 2009 (2008: HK$3.8 million). As the Group's Harbin production facility was still in its initial stage of production, a gross loss of approximately HK$11.5 million (2008: HK$6.1 million) was recorded. Loss attributable to owners of the parent was approximately HK$53.1 million, representing a decrease of 49.4% over last year. Loss per share for the year was HK9.23 cents (2008: HK18.54 cents).

Administrative expenses amounted to approximately HK$39.1 million, representing a decrease of 9.8% over last year. The decrease was due to the net effect of (i) the decrease in recognition of share option expenses of approximately HK$11.4 million, (ii) the increase in depreciation charges following the completion of the construction of the Harbin production facility of approximately HK$7.2 million, (iii) the remuneration cut of all directors of approximately HK$2.1 million, and (iv) the legal and professional fee associated with the very substantial and connected transactions of approximately HK$1.8 million.

Other expenses amounted to approximately HK$10.1 million, representing a decrease of 86.8% over last year. The other expenses for the year represented further impairment loss recognised by the Group in respect to the idle plant and equipment of the Group's Yinchuan production facility.

Finance cost amounted to approximately HK$2.9 million, representing an increase of 233.4% over last year. The increase was mainly due to the increase in bank borrowings.

Very substantial acquisition and connected transactions

On 25 November 2009, the Company entered into a sale and purchase agreement with China Food and Beverage Group Limited ("China Food"), the Company's fellow subsidiary, for the acquisition of the entire issued share capital of Rightsouth Limited at a consideration of HK$37 million (the "Acquisition"). The consideration was satisfied by the Company through the allotment and issuance of 78,556,263 shares of the Company, at an issue price of HK$0.471 per share. On the same date, the Company and China Food entered into an option agreement pursuant to which China Food granted to the Company an option to purchase all equity interests legally and beneficially held by China Food in Guangzhou Wine & Liquor Franchised Stores Ltd. for a consideration of HK$1.00.

These transactions have been approved by independent shareholders at the Extraordinary General Meeting held on 11 January 2010. The Acquisition was completed on 12 January 2010 and the Company has not yet exercised the option as at the date of this report.

Rightsouth Limited and its subsidiaries (the "Rightsouth Group") are principally engaged in the sale and distribution of wine and liquor in the PRC. The Rightsouth Group operates a chain of wine and liquor specialty stores with a sales network of 18 retail stores and 23 franchised stores in Guangzhou, PRC and an effective distribution network which includes restaurants, hotels and enterprises. Details of these transactions were set out in the Company's Circular dated 24 December 2009.

Prospects

The Group will continue to engage in its core business of production, sale and distribution of consumable ethanol. At the same time, the Group will extend its scope of business to develop wine and liquor business. The directors believe that the Group's ethanol business and wine and liquor business will contribute significant revenue and cash flows to the Group in the coming year.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the year, in order to improve the Group's financial position, immediate liquidity and cash flows, the Group obtained further funding through fund raising and bank borrowings. On 15 December 2009, the Company raised net proceeds of approximately HK$15.0 million by way of a top-up placing of 36,000,000 shares at HK$0.43 each. The net proceeds have been and will be used for the Group's general working capital purposes. As at 31 December 2009, the Group's total borrowings amounted to approximately HK$113.6 million, representing a rise of 43.9% when compared to last year.

Due to the top-up placing and the exercise of share options by a director, the issued share capital of the Company increased by 40,500,000 shares to 613,507,000 shares during the year. Apart from options to subscribe for shares in the Company, there were no other capital instruments in issue.

As at 31 December 2009, the Group has equity attributable to owners of the parent of approximately HK$184.9 million (2008: HK$215.7 million). Non-current assets and net current liabilities of the Group as at 31 December 2009 amounted to approximately HK$442.7 million (2008: HK$468.0 million) and approximately HK$185.0 million (2008: HK$169.7 million), respectively.

As at 31 December 2009, the Group's cash and cash equivalents amounted to approximately HK$10.3 million (2008: HK$3.7 million), which were denominated in Hong Kong dollars and Renminbi. The Group's borrowings included bank loans of approximately HK$52.7 million (2008: HK$18.6 million), other borrowings of approximately HK$26.8 million (2008: HK$26.2 million) and an amount due to a minority shareholder of a subsidiary of approximately HK$34.1 million (2008: HK$34.1 million). All of the borrowings are denominated in Renminbi. The bank loans bear interest rates ranging between 5.31% and 6.37% (2008: 7.47%). Other borrowings bear interest rates ranging between 0% and 9.72% (2008: 9.72%). The amount due to a minority shareholder of a subsidiary is interest-free. The gearing ratio of the Group as at 31 December 2009, calculated as net debt divided by equity attributable to owners of the parent plus net debt, was 52% (2008: 45%).

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

Subsequent to the end of the reporting period, on 25 January 2010, the Company further raised net proceeds of approximately HK$40.4 million by way of a top-up placing of 103,000,000 shares at HK$0.40 each. The net proceeds have been and will be used for the Group's general working capital purposes.

Having considered the capital raised during the year and subsequent to the end of the reporting period, the current bank and other borrowings, the commencement of the production of the Group's Harbin production facility and the financial support from the ultimate holding company, the directors are satisfied that the Group will have sufficient capital to meet its financial obligations in full as they fall due in the foreseeable future.

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 31 December 2009, certain of the Group's bank loans were secured by charges over certain of the Group's plant and machinery with net book value of approximately HK$39.0 million (2008: Nil) and a guarantee of a third party holding a pledged deposit of approximately HK$11.4 million (2008: Nil) from the Group.

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

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2009, the Group had approximately 293 (2008: 228) employees in Hong Kong and the PRC with total staff costs amounted to approximately HK$14.7 million (2008: HK$28.6 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 AUDITORS' REPORT

The following is an extract of the independent auditors' report on the Group's annual audited financial statements for the year ended 31 December 2009:

“Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 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$61,907,000 during the year ended 31 December 2009, and, as at that date, the Group’s consolidated current liabilities exceeded its consolidated current assets by HK$185,002,000. 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 year.

REVIEW OF FINANCIAL STATEMENTS

The consolidated financial statements of the Group for the year ended 31 December 2009 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 2009.

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

Hong Kong, 16 April 2010

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.