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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)

**VERY SUBSTANTIAL ACQUISITION IN RELATION TO
THE ENTIRE ISSUED SHARE CAPITAL OF
POWER RANGE HOLDINGS LIMITED
AND
RESUMPTION OF TRADING**

VERY SUBSTANTIAL ACQUISITION

The Proposed Acquisition

The Board announces that on 28 June 2010, the Company and the Vendor entered into the Sale and Purchase Agreement pursuant to which the Vendor has conditionally agreed to sell the Sale Share, representing the entire issued share capital of PRHL, to the Company for a consideration of HK\$66,000,000.

The consideration for the Proposed Acquisition is to be satisfied by the Company by allotting and issuing to the Vendor the Consideration Shares at the Issue Price. The Consideration Shares represent (i) approximately 18.83% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 15.85% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares. The Issue Price represents a discount of approximately 20% to the closing price of HK\$0.55 per Share as quoted on the Stock Exchange on the Last Trading Day, and a discount of approximately 26.54% to the average closing price of approximately HK\$0.60 per Share as quoted on the Stock Exchange over the last ten trading days up to and including the Last Trading Day.

Completion of the Sale and Purchase Agreement is conditional upon, among other things, the approval thereof by the Shareholders at the EGM in accordance with the Listing Rules. Other Conditions are set out in the subsection headed “Conditions Precedent” under the section headed “The Sale and Purchase Agreement”.

Implications under the Listing Rules

As at least one of the relevant percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Proposed Acquisition exceed 100%, the Proposed Acquisition constitutes a very substantial acquisition for the Company under Rule 14.06(5) of the Listing Rules. Accordingly, the Sale and Purchase Agreement and the transactions contemplated thereunder will be conditional upon, amongst other things, the approval by the Shareholders at the EGM.

Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

GENERAL

The EGM

The EGM will be convened at which resolutions will be proposed to seek the approval of the Shareholders by way of poll for the Sale and Purchase Agreement, the transactions contemplated thereunder and the allotment and issue of the Consideration Shares to the Vendor under a specific mandate to be sought at the EGM.

Despatch of circular

A circular containing, among other things, (i) further details of the Proposed Acquisition; (ii) financial and other information on the Group; (iii) financial and other information on the Target Group; (iv) pro forma financial information of the Group assuming Completion; and (v) a notice convening the EGM will be sent to the Shareholders. Since additional time will be required for preparation of the accountants' report of the Target Group and the valuation report of the Distribution Rights and the Trademark, the Company expects that the circular will be despatched on or before 16 August 2010.

RESUMPTION OF TRADING IN THE SHARES

Trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 29 June 2010 at the request of the Company pending release of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 6 July 2010.

AS COMPLETION IS SUBJECT TO THE FULFILMENT (OR IF APPLICABLE, WAIVER) OF THE CONDITIONS, THE PROPOSED ACQUISITION MAY OR MAY NOT PROCEED. THE ISSUE OF THIS ANNOUNCEMENT DOES NOT IN ANY WAY IMPLY THAT THE SALE AND PURCHASE AGREEMENT WILL BE IMPLEMENTED OR COMPLETED. SHAREHOLDERS AND POTENTIAL INVESTORS SHOULD EXERCISE CAUTION WHEN DEALING IN THE SHARES.

VERY SUBSTANTIAL ACQUISITION

The Proposed Acquisition

On 28 June 2010, the Company and the Vendor entered into the Sale and Purchase Agreement pursuant to which the Vendor has conditionally agreed to sell the Sale Share, representing the entire issued share capital of PRHL, to the Company for a consideration of HK\$66,000,000. The consideration for the Proposed Acquisition is to be satisfied by the Company by allotting and issuing to the Vendor the Consideration Shares at the Issue Price. Details of the principal terms of the Sale and Purchase Agreement are summarised below.

THE SALE AND PURCHASE AGREEMENT

Date: 28 June 2010

Seller: The Vendor

Purchaser: The Company

Subject matter

The Vendor has conditionally agreed to sell and the Company has conditionally agreed to purchase the Sale Share.

Consideration

The total consideration for the Proposed Acquisition is HK\$66,000,000, which will be satisfied by the Company by allotting and issuing to the Vendor the Consideration Shares at the Issue Price.

The consideration for the Proposed Acquisition was determined on the basis of normal commercial terms and after arm's length negotiation between the Company and the Vendor with reference to, among other things, (i) the values of the Distribution Rights and the Trademark; (ii) the unaudited consolidated net asset value of the Target Group as at 30 April 2010 of approximately RMB16,480,000; (iii) the opportunity for the Group to gain a larger market share in the liquor distribution market in the PRC and to broaden the income base of the Group; and (iv) the further business and growth potential of the Target Group in the liquor business sector in the PRC.

Consideration Shares

The Consideration Shares represent (i) approximately 18.83% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 15.85% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares.

The Consideration Shares shall be allotted and issued as fully paid pursuant to a specific mandate to be sought at the EGM. The Consideration Shares shall rank pari passu in all respects with the ordinary Shares then in issue. An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

The Issue Price of HK\$0.44 per Share represents:

- a) a discount of approximately 20% to the closing price of HK\$0.55 per Share as quoted on the Stock Exchange on the Last Trading Day;
- b) a discount of approximately 24.14% to the average closing price of HK\$0.58 per Share as quoted on the Stock Exchange over the last five trading days up to and including the Last Trading Day;
- c) a discount of approximately 26.54% to the average closing price of approximately HK\$0.60 per Share as quoted on the Stock Exchange over the last ten trading days up to and including the Last Trading Day;
- d) a discount of approximately 28.80% to the average closing price of approximately HK\$0.62 per Share as quoted on the Stock Exchange over the last twenty trading days up to and including the Last Trading Day; and
- e) a premium of approximately 18.92% to the latest published audited consolidated net assets per Share of approximately HK\$0.37 as at 31 December 2009.

Conditions Precedent

Completion is conditional upon each of the following Conditions being satisfied (or, if applicable, waived):

- a) PRHL being the legal and beneficial owner of the entire issued share capital of JGJ;
- b) JGJ being the legal and beneficial owner of the entire equity interest in SZMM;
- c) SZMM being the legal and beneficial owner of the Trademark;
- d) SZMM being the legal and beneficial owner of the entire equity interest in HNMM;
- e) the Distribution Agreements between SZMM and JSS remaining valid and effective;
- f) due completion of the transfer of the Non-operating Assets of the Target Group at book value by the relevant members of the Target Group to the Vendor or its designated party;
- g) all Non-operating Debts of the Target Group having been repaid or settled by the Vendor as at the date of Completion;
- h) the Company being satisfied that the Target Group will have sufficient cash to repay all debts existing as at the date of Completion relating to its Business Operation;
- i) the Vendor having executed and delivered a deed of undertaking to the Company in relation to the Vendor's undertaking to indemnify the Company in respect of all contingent debts of the Target Group;
- j) the Vendor having obtained or procured to obtain all necessary consents, waivers, approvals and authorisation from any relevant governmental or regulatory authority or third parties in relation to the direct or indirect acquisition of SZMM and HNMM by the Vendor;
- k) completion of legal and financial due diligence on the Target Group by the Company to the satisfaction of the Company;
- l) a valuation report in relation to the Distribution Rights and the Trademark having been issued by an independent valuation firm appointed by the Company showing the values of the Distribution Rights and the Trademark being in aggregate not less than RMB25,000,000;
- m) the approval by the Shareholders of the Sale and Purchase Agreement, the transactions contemplated thereunder and the allotment and issue of the Consideration Shares to the Vendor in accordance with the Listing Rules; and
- n) the Listing Committee of the Stock Exchange having granted or having agreed to grant the listing of, and permission to deal in, the Consideration Shares (and such listing and permission not subsequently revoked prior to the delivery of definitive share certificate(s) representing the Consideration Shares to the Vendor),

and if any of those conditions have not been fulfilled (or waived) by 31 December 2010 or such other date as may be agreed by the Vendor and the Company, the provisions of the Sale and Purchase Agreement shall from such date have no effect and no party shall have any liability under them (without prejudice to the rights of any of the parties in respect of antecedent breaches).

The Company has absolute discretion, subject to all applicable laws and regulations, to waive any of the Conditions unilaterally by written notice to the Vendor.

Completion

Completion shall take place on the third Business Day following the due fulfilment of all of the conditions precedent of the Sale and Purchase Agreement or at such other time as the Vendor and the Company may agree.

IMPLICATIONS UNDER THE LISTING RULES

Very Substantial Acquisition

As at least one of the relevant percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Proposed Acquisition exceed 100%, the Proposed Acquisition constitutes a very substantial acquisition under Rule 14.06(5) of the Listing Rules. Accordingly, the Sale and Purchase Agreement and the transactions contemplated thereunder will be conditional upon, amongst other things, the approval by the Shareholders at the EGM.

Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

CHANGES IN SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after Completion and the allotment and issue of the Consideration Shares are as follows:

Shareholders	As at the date of this announcement		Immediately after Completion and the allotment and issue of the Consideration Shares	
	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>
Orientele Investments Limited	195,000,000	24.48	195,000,000	20.60
CEC Agricapital Group Limited	128,960,000	16.19	128,960,000	13.62
China Food and Beverage Group Limited	<u>78,556,263</u>	<u>9.86</u>	<u>78,556,263</u>	<u>8.30</u>
Shareholders acting in concert with CEC and/or its associates	402,516,263	50.53	402,516,263	42.52
The Vendor	–	–	150,000,000	15.85
Existing public Shareholders	<u>394,067,000</u>	<u>49.47</u>	<u>394,067,000</u>	<u>41.63</u>
Total	<u><u>796,583,263</u></u>	<u><u>100.00</u></u>	<u><u>946,583,263</u></u>	<u><u>100.00</u></u>

INFORMATION ON THE TARGET GROUP

PRHL

PRHL was incorporated in the British Virgin Islands with limited liability and is wholly-owned by the Vendor. Upon fulfilment of the Conditions, the sole asset of PRHL will be the entire issued share capital of JGJ, which will in turn own the entire equity interest in SZMM. PRHL is principally engaged in investment holding.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Vendor is a third party independent of the Company and its connected persons.

JGJ

JGJ was incorporated in Hong Kong. Upon fulfilment of the Conditions, (i) JGJ will be wholly-owned by PRHL; (ii) the sole asset of JGJ will be the entire equity interest in SZMM; and (iii) SZMM will in turn own the entire equity interest in HNMM. JGJ is principally engaged in investment holding.

SZMM

SZMM was established in the PRC as a limited liability company. Upon fulfilment of the Conditions, (i) SZMM will be wholly-owned by JGJ; and (ii) the assets of SZMM will include the entire equity interest in HNMM and the Trademark. The registered and paid-up capital of SZMM is RMB10,000,000. SZMM holds the Distribution Rights and is principally engaged in the distribution of liquor and operates a liquor distribution network in the PRC. The brands of liquor being sold by SZMM mainly include 典藏酒鬼 (Diancang Jiugui), 小湘泉酒 (Xiaoxiangquan) and the Trademark.

HNMM

HNMM was incorporated in the PRC as a limited liability company. Upon fulfilment of the Conditions, HNMM will be wholly-owned by SZMM. The registered and paid-up capital of HNMM is RMB5,000,000. HNMM is principally engaged in the distribution of liquor in the PRC.

THE TARGET GROUP

According to the unaudited consolidated financial statements of the Target Group, the net profit of the Target Group before and after taxation and extraordinary items for the period from 1 January 2010 to 30 April 2010 and for the two financial years ended 31 December 2009 and 31 December 2008 were approximately RMB2,367,000, RMB5,489,000 and RMB2,297,000, respectively. The net assets of the Target Group as at 30 April 2010, 31 December 2009 and 31 December 2008 were approximately RMB16,480,000, RMB11,486,000 and RMB5,997,000, respectively.

INFORMATION ON THE COMPANY

The Company is principally engaged in the production and distribution of ethanol and distribution and retail sales of wine and liquor in the PRC. The Group operates a production facility in Harbin, PRC for premium consumable ethanol, industrial ethanol and other food and feed ingredients. The Group also operates a multi-brand sales network for wine and liquor in the PRC. After Completion, the Group's core business will not change and the Group will continue its existing business operation.

REASONS FOR THE PROPOSED ACQUISITION

The Company is principally engaged in the production of premium grade consumable ethanol in the PRC. In October 2009, the Group obtained the licences to use the 不倒翁 (Budaoweng) brand and 北國春 (Beiguochun) brand for the production and sale of liquor in certain regions in the PRC, including but not limited to Heilongjiang, Jilin and Guangdong Provinces. Building on the Group's ability to produce high-quality consumable ethanol and leveraging on the Group's rights to use the two licensed liquor brands in China, the Directors believe that investment in the Target Group will provide a good opportunity for the Group to increase its market share in the PRC alcoholic beverage markets through the Target Group, the operation of which will contribute to the income of the Group upon Completion.

The Directors believe that the Proposed Acquisition will also enable integration of the business of the Target Group with that of the Group, and will allow the Group to capitalise on the existing distribution network of the Target Group in the PRC, where the wine and liquor industry has experienced rapid growth and development in recent years. The Directors further believe that the Group will be able to benefit from the existing management infrastructure and other resources of the Target Group, which will help to strengthen the Group's business.

The Directors consider that the investment in the Target Group will allow the Company to diversify its business and reduce the Company's reliance on the ethanol production business.

The Directors are of the view that the terms of the Sale and Purchase Agreement, including the consideration for the Proposed Acquisition, are fair and reasonable, and in the interests of the Company and the Shareholders as a whole. The Directors consider that the issue of the Consideration Shares as consideration for the Proposed Acquisition is in the best interest of the Shareholders as a whole and is a preferred financing method for the Company given that the Company will not need to use substantial amount of its existing cash resources to fund the Proposed Acquisition.

GENERAL

The EGM

The EGM will be convened at which resolutions will be proposed to seek the approval of the Shareholders by way of poll for the Sale and Purchase Agreement, the transactions contemplated thereunder and the allotment and issue of the Consideration Shares to the Vendor under a special mandate.

Despatch of circular

A circular containing, among other things, (i) further details of the Proposed Acquisition; (ii) financial and other information on the Group; (iii) financial and other information on the Target Group; (iv) pro forma financial information of the Group assuming Completion; and (v) a notice convening the EGM will be sent to the Shareholders. Since additional time will be required for preparation of the accountants' report of the Target Group and the valuation report of the Distribution Rights and the Trademark, the Company expects that the circular will be despatched on or before 16 August 2010.

AS COMPLETION IS SUBJECT TO THE FULFILMENT (OR IF APPLICABLE, WAIVER) OF THE CONDITIONS, THE PROPOSED ACQUISITION MAY OR MAY NOT PROCEED. THE ISSUE OF THIS ANNOUNCEMENT DOES NOT IN ANY WAY IMPLY THAT THE SALE AND PURCHASE AGREEMENT WILL BE IMPLEMENTED OR COMPLETED. SHAREHOLDERS AND POTENTIAL INVESTORS SHOULD EXERCISE CAUTION WHEN DEALING IN THE SHARES.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 am on 29 June 2010 pending release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 am on 6 July 2010.

DEFINITIONS

In this announcement, the following expressions have the following meanings, unless otherwise specified.

“Board”	means the board of Directors;
“Business Day”	means a day (not being a Saturday) on which banks are open for general banking business in Hong Kong;
“Business Operation”	means the core business operation of the Target Group involving distribution of baijiu liquor in the PRC;
“CEC”	means China Enterprise Capital Limited, a company incorporated in the British Virgin Islands, the ultimate controlling shareholder of the Company;
“Company”	means Bio-Dynamic Group Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Stock Exchange;
“Completion”	means completion of the sale and purchase of the Sale Share in accordance with the terms and conditions of the Sale and Purchase Agreement;
“Conditions”	means conditions precedent to Completion, as set out in the subsection headed “Conditions Precedent” under the section headed “The Sale and Purchase Agreement” of this announcement;
“Consideration Shares”	means 150,000,000 ordinary shares with a nominal value of HK\$0.10 each in the capital of the Company to be allotted and issued to the Vendor as consideration for the Proposed Acquisition;
“Directors”	means the directors of the Company;
“Distribution Agreements”	means (i) 賣斷產品全國總代理合同 (the nation-wide exclusive distributorship agreement) dated 22 February 2008 between SZMM and JSS, as supplemented by the supplemental agreements dated 20 May 2008, 1 April 2009, 21 August 2009 and 4 May 2010; and (ii) 全國總代理合同 (the nation-wide exclusive distributorship agreement) dated 21 August 2009 between SZMM and JSS, in respect of the Distribution Rights;
“Distribution Rights”	means the rights granted to SZMM to distribute liquor under the brands of 典藏酒鬼 (Diancang Jiugui), 小湘泉酒 (Xiaoxiangquanjiu) under 250ml and the Trademark in the PRC, expiring 3 May 2020 under the Distribution Agreements;

“EGM”	means the extraordinary general meeting of the Company to be convened to approve, among other things, the Sale and Purchase Agreement, the transactions contemplated thereunder and the allotment and issue of the Consideration Shares to the Vendor under a special mandate;
“Group”	means the Company and its subsidiaries;
“HK\$”	means the lawful currency of Hong Kong;
“HNMM”	means 湖南美名問世酒鬼酒銷售有限公司 (Hunan Meiming Wenshi Jiuguijiu Sales Limited), a limited liability company established in the PRC on 6 January 2010 and, upon fulfilment of the Conditions, will be wholly-owned by SZMM;
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC;
“Issue Price”	means the issue price of HK\$0.44 per Consideration Share;
“JGJ”	means JGJ (China) Group Limited, a company incorporated in Hong Kong on 28 April 2010 and, upon fulfilment of the Conditions, will be wholly-owned by PRHL;
“JSS”	酒鬼酒供銷有限責任公司 (Jiuguijiu Supply and Sales Limited Liability Company), an independent third party;
“Last Trading Day”	means 28 June 2010, being the last day on which the Shares were traded on the Stock Exchange prior to the release of this announcement;
“Listing Committee”	has the meaning ascribed to such term in the Listing Rules;
“Listing Rules”	means The Rules Governing the Listing of Securities on the Stock Exchange;
“Non-operating Assets”	means assets of the Target Group that are not related to the Business Operation;
“Non-operating Debts”	means debts of the Target Group that are not related to the Business Operation;
“PRC”	means The People’s Republic of China;
“PRHL”	means Power Range Holdings Limited, a company incorporated in the British Virgin Islands on 16 April 2010 and wholly-owned by the Vendor;
“PRHL Shares”	means ordinary share(s) of US\$1.00 each in the capital of PRHL;
“Proposed Acquisition”	means the proposed acquisition of the Sale Share by the Company pursuant to the Sale and Purchase Agreement;
“RMB”	means the lawful currency of the PRC;

“Sale and Purchase Agreement”	means the agreement for the sale and purchase of the entire issued share capital of PRHL dated 28 June 2010 entered into between the Vendor and Company;
“Sale Share”	means 1 PRHL Share, representing the entire issued share capital of PRHL as at the date of the Sale and Purchase Agreement, to be sold by the Vendor to the Company;
“Share(s)”	means ordinary share(s) of HK\$0.10 each in the capital of the Company;
“Shareholder(s)”	means holder(s) of the Shares;
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited;
“SZMM”	means 深圳市美名問世商貿有限公司 (Shenzhen Meiming Wenshi Trading Limited) a limited liability company established in the PRC on 21 February 2008 and, upon fulfilment of the Conditions, will be wholly-owned by JGJ;
“Target Group”	means collectively, PRHL, JGJ, SZMM and HNMM;
“Trademark”	means the 美名問世 (Meiming Wenshi) trademark for liquor; and
“Vendor”	means Ms. Wong Hui-Hung, being the vendor under the Sale and Purchase Agreement.

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

Hong Kong, 5 July 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.