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 2010

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 2010. 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 2010

		Six months ended 30 June	
	Notes	**2010**	2009
		(Unaudited)	(Unaudited)
			(Restated)
		HK$'000	*HK$'000*
REVENUE	5	**230,734**	53,566
Cost of sales		**(214,169)**	(46,549)
Gross profit		**16,565**	7,017
Other income	5	**2,240**	3,600
Selling and distribution costs		**(8,339)**	(6,860)
Administrative expenses		**(14,750)**	(17,949)
Finance costs	6	**(2,419)**	(703)
LOSS BEFORE TAX	7	**(6,703)**	(14,895)
Tax	8	**271**	271
LOSS FOR THE PERIOD		**(6,432)**	(14,624)
Attributable to:			
Owners of the parent		**(6,528)**	(13,522)
Non-controlling interests		**96**	(1,102)
		(6,432)	(14,624)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT			
Basic	10	**HK(0.9) cents**	HK(2.4) cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2010

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
		(Restated)
	HK$'000	*HK$'000*
LOSS FOR THE PERIOD	**(6,432)**	(14,624)
Exchange differences on translation of foreign operations	**2,026**	(265)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	**2,026**	(265)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	**(4,406)**	(14,889)
Attributable to:		
Owners of the parent	**(4,975)**	(13,721)
Non-controlling interests	**569**	(1,168)
	(4,406)	(14,889)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2010

	30 June 2010 (Unaudited)	31 December 2009 (Audited) (Restated)
	HK$'000	*HK$'000*
NON-CURRENT ASSETS		
Property, plant and equipment	**317,850**	335,063
Prepaid land lease payments	**32,167**	32,370
Other intangible assets	**73,977**	75,203
Prepayments for acquisition of property, plant and equipment	**1,455**	1,442
Total non-current assets	**425,449**	444,078
CURRENT ASSETS		
Inventories	**81,851**	26,429
Trade receivables	**4,518**	3,325
Prepayments, deposits and other receivables	**40,247**	18,489
Due from related parties	**806**	846
Pledged deposits	**20,776**	20,776
Cash and cash equivalents	**16,346**	15,201
Total current assets	**164,544**	85,066
CURRENT LIABILITIES		
Trade payables	**68,608**	8,937
Other payables and accruals	**88,290**	102,146
Interest-bearing bank and other borrowings	**49,291**	82,909
Due to related parties	**9,889**	9,329
Due to a non-controlling shareholder of a subsidiary	**34,389**	34,072
Tax payable	**1,265**	1,268
Total current liabilities	**251,732**	238,661
NET CURRENT LIABILITIES	**(87,188)**	(153,595)
TOTAL ASSETS LESS CURRENT LIABILITIES	**338,261**	290,483
NON-CURRENT LIABILITIES		
Deferred tax liability	**14,646**	14,917
Deferred income	**12,309**	12,426
Total non-current liabilities	**26,955**	27,343
Net assets	**311,306**	263,140
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**79,658**	61,351
Reserves	**171,441**	153,385
	251,099	214,736
Non-controlling interests	**60,207**	48,404
Total equity	**311,306**	263,140

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2010

1.1 BASIS OF PRESENTATION

At 30 June 2010, the Group had net current liabilities of HK$87,188,000, inclusive of bank and other borrowings of HK$49,291,000 which were due for repayment or renewal within the next 12 months. The Group incurred a consolidated net loss of HK$6,432,000 for the six months ended 30 June 2010.

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 Company further raised net proceeds of approximately HK$42,380,000 by way of placing 90,000,000 new shares at HK$0.48 each on 6 August 2010. Moreover, the Group obtained additional bank facilities of approximately HK$45,852,000 subsequent to 30 June 2010.

In light of the measures above and the continuous financial support provided by the ultimate holding company, 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 interim condensed consolidated 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 interim condensed consolidated financial statements.

1.2 CORPORATE REORGANISATION

During the period, the Company acquired 100% equity interests in Rightsouth Limited ("Rightsouth") from China Food and Beverage Group Limited ("China Food") at a consideration of HK$37,000,000 by way of allotment and issue of 78,556,263 shares at HK$0.471 each (the "Acquisition"). Rightsouth and its subsidiaries (the "Rightsouth Group") are mainly engaged in the sales and distribution of wine and liquor in the People's Republic of China (the "PRC"). Further details of the Acquisition have been set out in the circular of the Company dated 24 December 2009. The Acquisition was completed on 12 January 2010.

As the Company and China Food are ultimately controlled by China Enterprise Capital Limited, the Acquisition should be regarded as a business combination under common control. As such, the interim condensed consolidated financial statements of the Group have been prepared using the principles of merger accounting in accordance with Accounting Guideline 5 *Merger Accounting for Common Control Combinations* ("AG 5") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as if the Acquisition had occurred at the beginning of the year ended 31 December 2009.

In accordance with AG 5, the comparative amounts of the interim condensed consolidated financial statements of the Group have been restated to include the financial statement items of the Rightsouth Group. The effects of the Acquisition to the Group's comparative financial statements, which extracts the items being restated only, are as follows:

(a) Effect on the interim condensed consolidated statement of financial position as at 31 December 2009:

	As previously reported	**The Rightsouth Group**	**Total**	**Consolidated adjustments**	**As restated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS					
Property, plant and equipment	333,714	1,349	335,063		335,063
CURRENT ASSETS					
Inventories	5,854	20,575	26,429		26,429
Trade receivables	48	3,277	3,325		3,325
Prepayments, deposits and other receivables	15,245	3,244	18,489		18,489
Due from related parties	263	1,198	1,461	(615)	846
Pledged deposits	–	20,776	20,776		20,776
Cash and cash equivalents	10,308	4,893	15,201		15,201
CURRENT LIABILITIES					
Trade payables	2,969	5,968	8,937		8,937
Other payables and accruals	99,562	2,584	102,146		102,146
Interest-bearing bank and other borrowings	79,502	3,407	82,909		82,909
Due to related parties	615	9,329	9,944	(615)	9,329
Tax payable	–	1,268	1,268		1,268
EQUITY					
Equity attributable to owners of the parent					
Issued capital	61,351	36,515	97,866	(36,515)	61,351
Reserves	123,510	(6,640)	116,870	36,515	153,385
Non-controlling interests	45,523	2,881	48,404		48,404

(b) Effect on the interim condensed consolidated income statement and interim condensed consolidated statement of comprehensive income for the six months ended 30 June 2009:

	As previously reported	The Rightsouth Group	Total	Consolidated adjustments	As restated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE	–	53,566	53,566		53,566
Cost of sales	–	(46,549)	(46,549)		(46,549)
Other income	230	3,370	3,600		3,600
Selling and distribution costs	–	(6,860)	(6,860)		(6,860)
Administrative expenses	(16,381)	(1,568)	(17,949)		(17,949)
OTHER COMPREHENSIVE INCOME/(LOSS)					
Exchange differences on translation of foreign operations	(268)	3	(265)		(265)

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 2009.

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 2009, except for the adoption of the new standards and interpretations as of 1 January 2010, noted below.

HKFRS 1(Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards Additional Exemptions for First-time Adopters*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Vesting Conditions and Cancellations*
HKFRS 3 (Revised)	*Business Combinations*
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation- Classification of Rights Issues*

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*
HKAS 39 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement – Embedded Derivatives*
Annual Improvements Project	*Improvements to HKFRSs 2009*
HK-Interpretation 4 amendment	*Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases*
HK(IFRIC)-Int 9	*Reassessment of Embedded Derivatives*
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*

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.

4. OPERATING SEGMENT INFORMATION

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

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

(b) the wine and liquor segment is engaged in sales and distribution of wine and liquor products.

No intersegment sale and transfer was transacted for the six months ended 30 June 2010 and 2009.

The following tables present revenue and profit information regarding the Group's operating segments for the six months ended 30 June 2010 and 2009.

	Ethanol	**Wine and liquor**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Six months ended 30 June 2010 (Unaudited)			
Segment revenue*	**177,491**	**53,243**	**230,734**
Segment results	**(3,280)**	**(348)**	**(3,628)**
Other income	**918**	**1,322**	**2,240**
Finance costs	**(2,331)**	**(88)**	**(2,419)**
	(4,693)	**886**	**(3,807)**
Corporate and other unallocated expenses			**(2,896)**
Loss before tax			**(6,703)**

	Ethanol	Wine and liquor	Total
	HK$'000	*HK$'000*	*HK$'000*
Six months ended 30 June 2009 (Unaudited and as restated)			
Segment revenue*	–	53,566	53,566
Segment results	(8,064)	(1,411)	(9,475)
Other income	230	3,370	3,600
Finance costs	(703)	–	(703)
	(8,537)	1,959	(6,578)
Corporate and other unallocated expenses			(8,317)
Loss before tax			(14,895)

* All revenue are from external customers.

5. REVENUE AND OTHER INCOME

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited) (Restated)
	HK$'000	*HK$'000*
Revenue		
Sale of goods	**230,734**	53,566
Other income		
Government grants	**380**	563
Interest income on a loan receivable	**–**	101
Others	**1,860**	2,936
	2,240	3,600

6. FINANCE COSTS

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank loans and other loans wholly repayable within five years	**2,419**	2,004
Less: interest capitalised	**–**	(1,301)
	2,419	703

7. LOSS BEFORE TAX

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
		(Restated)
	HK$'000	*HK$'000*
Depreciation	**12,712**	3,207
Amortisation of other intangible assets	**1,369**	1,367
Amortisation of prepaid land lease payments	**502**	499

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 third year exemption in 2010 whether or not it has assessable profit.

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Deferred tax credit for the period	**(271)**	(271)

9. **DIVIDENDS**

The directors do not recommend the payment of any dividend for the six months ended 30 June 2010 (2009: Nil).

10. **LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT**

The calculation of basic loss per share amounts is based on the loss for the period attributable to owners of the parent of HK$6,528,000 (2009: HK$13,522,000) and the weighted average of 694,738,136 (2009: 573,056,724) ordinary shares in issue during the period.

Dilutive loss per share amounts for the six months ended 30 June 2010 and 2009 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

For the six months ended 30 June 2010 (the "Period"), the Group's revenue was approximately HK$230.7 million, representing an increase of 330.7% over the corresponding period last year. Loss attributable to owners of the parent was approximately HK$6.5 million, representing a decrease of 51.7% over the corresponding period last year. Loss per share for the Period was HK0.9 cents (2009: HK2.4 cents as restated).

The substantial increase in revenue was mainly attributable to the commencement of production of the Group's Harbin production facility in December 2009.

The substantial decrease in selling and distribution costs to revenue ratio from 12.8% to 3.6% was because the ethanol segment has relatively lower selling and distribution costs to revenue ratio than that of the wine and liquor segment.

The decrease in administrative expenses by 17.8% over the corresponding period last year was due to the net effect of (i) the decrease in recognition of share option expenses of approximately HK$4.7 million, and (ii) the increase in expenses following the commencement of production of the Group's Harbin production facility in December 2009.

The increase in finance cost by 244.1% over the corresponding period last year was because there was no interest capitalised by the Group following the commencement of production of the Group's Harbin production facility in December 2009.

The performance of the Group's ethanol segment and wine and liquor segment during the Period is set out below.

During the Period, the ethanol segment recorded revenue of approximately HK$177.5 million. The Group's Harbin production facility is designed to have an annual production capacity of 60,000 tonnes. During the Period, the ethanol production output was approximately 25,258 tonnes, representing an utilisation rate of 84.2%. This represented the support and recognition of the Group's ethanol products by its customers following the Group's commencement in production of the Harbin production capacity. The well recognition of the Group's ethanol brand name has provided a strong foundation to the Group to maintain its market position.

The Group completed the acquisition of the Rightsouth Limited and its subsidiaries (the "Rightsouth Group") on 12 January 2010. The Rightsouth Group is principally engaged in the sales and distribution of wine and liquor products in the PRC. During the Period, the wine and liquor segment recorded revenue of approximately HK$53.2 million (2009: HK$53.6 million). Despite the slightly decrease in revenue, the gross profit margin improved from 13.1% to 14.9% due to change in product mix. The Group will continue to improve the product mix and focus on higher margin products to grow its business, through various measures including establishing new brands, introducing mid to high-end well-recognised brands through licensing and acquiring brands which can enrich the Group's brand portfolio and product offerings.

Prospects

In year 2010, the Group focuses on business expansion involving product diversification so as to strengthen the competitiveness of the Group in the ethanol industry.

Following the acquisition of the Rightsouth Group on 12 January 2010, in order to enrich the brand portfolio of the Group's wine and liquor segment, on 28 June 2010, the Company entered into a sale and purchase agreement with an independent third party for the acquisition of the entire issued share capital of Power Range Holdings Limited at a consideration of HK$66.0 million (the "Power Range Acquisition"). The consideration will be satisfied by the Company through the allotment and issuance of 150,000,000 shares of the Company, at an issue price of HK$0.44 per share. Power Range Holdings Limited and its subsidiaries are principally engaged in the distribution of liquor through a distribution network in the PRC. The brands of liquor being sold mainly include 典藏酒鬼 (Diancang Jiugui) and 小湘泉 (Xiaoxiangquan).

On 4 August 2010, the Company entered into a sale and purchase agreement with an independent third party for the acquisition of the entire issued share capital of Keen Vitality Holdings Limited at a consideration of HK$36.0 million (the "Keen Vitality Acquisition"). The consideration will be satisfied by the Company through the allotment and issuance of 60,000,000 shares of the Company, at an issue price of HK$0.60 per share. The consideration shall be adjusted upwards by an amount of HK$18.0 million upon occurrence of certain events. Keen Vitality Holdings Limited holds an intellectual property which involves a technique and know-how that utilises liquid waste from the ethanol production process, corn stalk and bacteria or a combination of bacteria to produce high-protein forage.

Details of the Power Range Acquisition and the Keen Vitality Acquisition were set out in the Company's circular dated 23 August 2010 and 17 August 2010, respectively. As certain conditions precedent as set out in the sale and purchase agreement of these two transactions have not been fulfilled, the Power Range Acquisition and the Keen Vitality Acquisition have not been completed as at the date of this announcement.

Going forward, the Group will continue to look for other suitable investment opportunities in the ethanol sector in the PRC that can benefit the Group in the long term. The Group will also place emphasis on the improvement of operational efficiency and cost control in order to improve its financial performance and position.

Liquidity, Financial Resources and Capital Structure

During the Period, the issued share capital of the Company increased by 183,076,263 shares to 796,583,263 shares. On 12 January 2010, a total of 78,556,263 shares at HK$0.471 each were allotted and issued as consideration for acquiring the Rightsouth Group. On 25 January 2010, the Company 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. In

April 2010, the subscription rights attaching to 1,520,000 share options were exercised, resulting in the issue of 1,520,000 shares for a total cash consideration of approximately HK$0.42 million. Apart from options to subscribe for shares in the Company, there were no other capital instruments in issue.

As at 30 June 2010, the Group has equity attributable to owners of the parent of approximately HK$251.1 million (31 December 2009: HK$214.7 million as restated). Non-current assets of the Group as at 30 June 2010 amounted to approximately HK$425.4 million (31 December 2009: HK$444.1 million as restated). Due to the above-mentioned fund raising exercise and the cash flows generated from the Harbin production facility, the net current liabilities of the Group reduced from HK$153.6 million as at 31 December 2009 to HK$87.2 million as at 30 June 2010.

As at 30 June 2010, the Group's cash and cash equivalents (excluding pledged deposits) amounted to approximately HK$16.3 million (31 December 2009: HK$15.2 million as restated), which were denominated in Hong Kong dollars and Renminbi. The Group's borrowings included bank loans of approximately HK$22.2 million (31 December 2009: HK$56.1 million as restated), other borrowings of approximately HK$27.1 million (31 December 2009: HK$26.8 million), amounts due to related parties of approximately HK$9.9 million (31 December 2009: HK$9.3 million as restated) and an amount due to a non-controlling shareholder of a subsidiary of approximately HK$34.4 million (31 December 2009: 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% (31 December 2009: 4.86% and 6.37% as restated). Other borrowings bear interest rates ranging between 0 % and 6.37% (31 December 2009: 0% and 9.72%). The amounts due to related parties and a non-controlling shareholder of a subsidiary are interest-free. The gearing ratio of the Group as at 30 June 2010, calculated as net debt divided by equity attributable to owners of the parent plus net debt, was 45% (31 December 2009: 47% as restated).

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

Subsequent to the end of the reporting period, on 6 August 2010, the Company further raised net proceeds of approximately HK$42.4 million by way of a top-up placing of 90,000,000 shares at HK$0.48 each. The net proceeds will be used for the Group's general working capital purposes. In July 2010, the Group obtained a banking facility of approximately HK$45.9 million. Such bank facility remained undrawn as at the date of this announcement.

Having considered the capital raised during the Period and subsequent to the end of the reporting period, the available and undrawn banking facilities, the current bank and other borrowings 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 30 June 2010, the Group's bank loan of approximately HK$18.8 million (31 December 2009: HK$18.6 million) and HK$3.4 million (31 December 2009: HK$3.4 million as restated) were secured by a pledged deposit of approximately HK$20.8 million held by a subsidiary of the Group and charges over a building held by a fellow subsidiary of the Group, respectively.

The Group's secured bank loan of approximately HK$34.1 million as at 31 December 2009 has been repaid during the Period.

As at 30 June 2010, the Group had no material contingent liabilities (31 December 2009: Nil).

Employee and Remuneration Policy

As at 30 June 2010, the Group had approximately 475 (2009: 390 as restated) employees in Hong Kong and the PRC with total staff costs amounted to approximately HK$10.2 million (2009: HK$10.4 million as restated). 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' REVIEW REPORT

The following is an extract of the independent auditors' review report on the Group's interim condensed consolidated financial statements for the six months ended 30 June 2010:

"**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 1.1 to the interim condensed consolidated financial statements which indicates that the Group incurred a consolidated net loss of HK$6,432,000 during the six months ended 30 June 2010, and, as at that date, the Group's consolidated current liabilities exceeded its consolidated current assets by HK$87,188,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern."

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2010.

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 2010.

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 2010.

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

Hong Kong, 24 August 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.