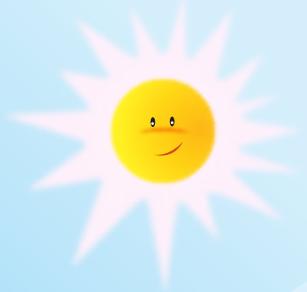


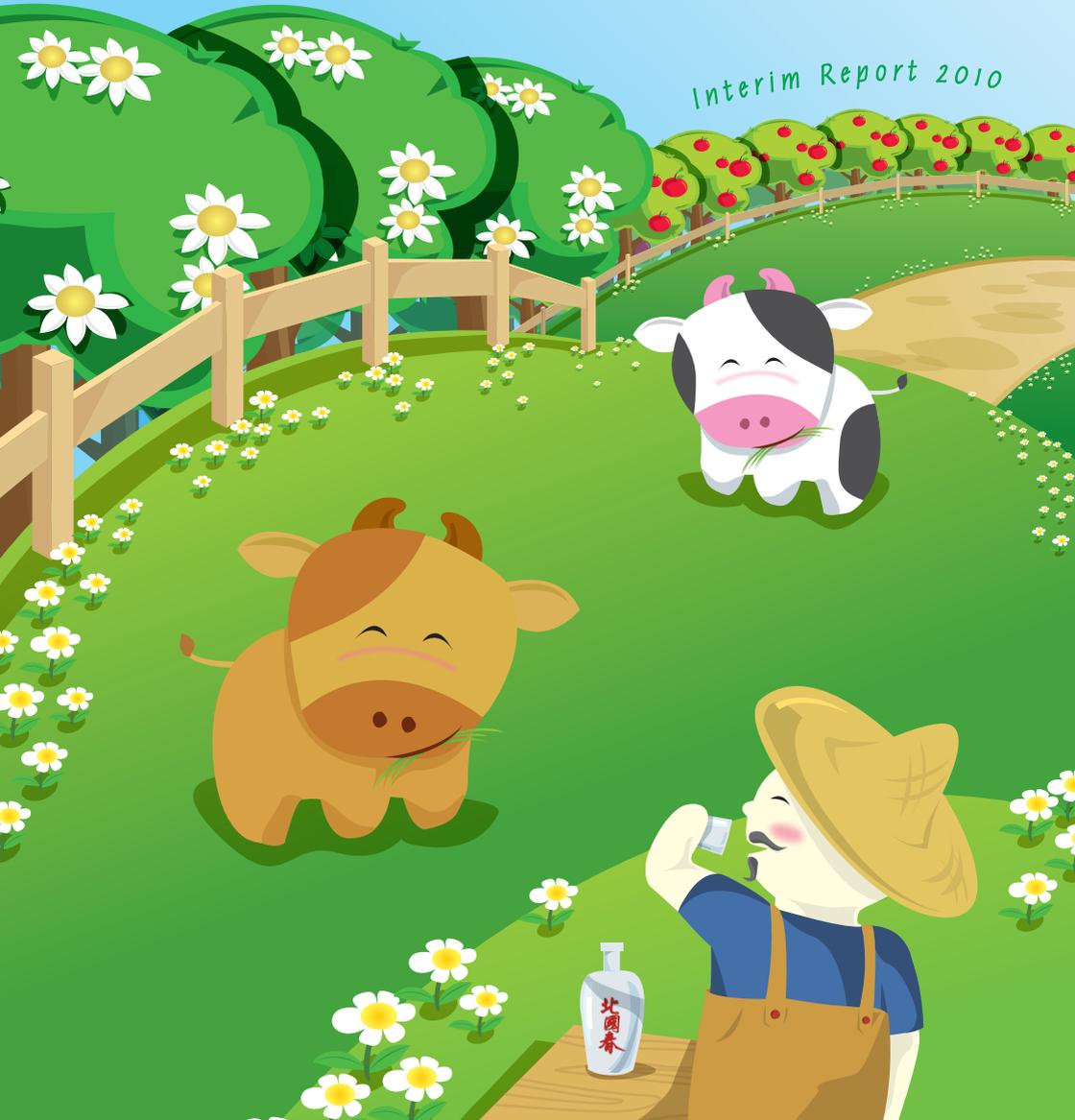


BIO-DYNAMIC GROUP LIMITED
生物動力集團有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock code: 039



Interim Report 2010



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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

	Notes	Six months ended 30 June 2010 (Unaudited) HK\$'000	2009 (Unaudited) (Restated) 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

	Notes	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) (Restated) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	317,850	335,063
Prepaid land lease payments	12	32,167	32,370
Other intangible assets	13	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	14	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	15	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	16	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



INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2010

	Attributable to owners of the parent						Total	Non-controlling interests	Total equity
	Issued capital	Share premium account	Share option reserve	Merger reserve	Exchange fluctuation reserve	Accumulated losses			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000			
At 1 January 2009									
As previously reported	57,301	369,232	24,277	2,150	19,156	(256,453)	215,663	54,296	269,959
Adjustments arising from corporate reorganisation (note 1.2)	-	-	-	13,099	1,439	(7,205)	7,333	2,422	9,755
At 1 January 2009, as restated	57,301	369,232	24,277	15,249	20,595	(263,658)	222,996	56,718	279,714
Total comprehensive loss (Restated)	-	-	-	-	(199)	(13,522)	(13,721)	(1,168)	(14,889)
Issue of shares	150	1,777	(1,494)	-	-	-	433	-	433
Equity-settled share option arrangement	-	-	5,207	-	-	-	5,207	-	5,207
At 30 June 2009 (Unaudited and as restated)	57,451	371,009	27,990	15,249	20,396	(277,180)	214,915	55,550	270,465
At 1 January 2010									
As previously reported	61,351	386,276	25,517	2,150	19,154	(309,587)	184,861	45,523	230,384
Adjustments arising from corporate reorganisation (note 1.2)	-	-	-	34,315	1,455	(5,895)	29,875	2,881	32,756
At 1 January 2010, as restated	61,351	386,276*	25,517*	36,465*	20,609*	(315,482)*	214,736	48,404	263,140
Total comprehensive loss	-	-	-	-	1,553	(6,528)	(4,975)	569	(4,406)
Contribution from a non-controlling shareholder to a subsidiary	-	-	-	-	-	-	-	11,234	11,234
Acquisition of subsidiaries	7,855	29,145	-	(37,000)	-	-	-	-	-
Issue of shares	10,452	31,784	(1,396)	-	-	-	40,840	-	40,840
Equity-settled share option arrangement	-	-	498	-	-	-	498	-	498
At 30 June 2010 (Unaudited)	79,658	447,205*	24,619*	(535)*	22,162*	(322,010)*	251,099	60,207	311,306

* These reserve accounts comprise the consolidated reserves of HK\$171,441,000 (31 December 2009: HK\$153,385,000) in the interim condensed consolidated statement of financial position.



INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2010

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
		(Restated)
	HK\$'000	HK\$'000
Net cash flows from/(used in) operating activities	5,017	(6,262)
Net cash flows used in investing activities	(19,060)	(629)
Net cash flows from financing activities	15,458	242
	<hr/>	<hr/>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	1,415	(6,649)
Effect of foreign exchange rate changes, net	(270)	170
Cash and cash equivalents at beginning of period	15,201	7,912
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	16,346	1,433
	<hr/> <hr/>	<hr/> <hr/>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	16,346	1,433
	<hr/> <hr/>	<hr/> <hr/>



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 (note 20(c)). 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 HK\$'000	The Rightsouth Group HK\$'000	Total HK\$'000	Consolidated adjustments HK\$'000	As restated 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 HK\$'000	The Rightsouth Group HK\$'000	Total HK\$'000	Consolidated adjustments HK\$'000	As restated 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)
	<u> </u>	<u> </u>	<u> </u>		<u> </u>
OTHER COMPREHENSIVE INCOME/(LOSS)					
Exchange differences on translation of foreign operations	(268)	3	(265)		(265)
	<u> </u>	<u> </u>	<u> </u>		<u> </u>

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



BIO-DYNAMIC GROUP LIMITED

Amendments to HKFRS 5 included in *Improvements to HKFRSs* issued in October 2008

HKAS 39 Amendments

Annual Improvements Project

HK-Interpretation 4 amendment

HK(IFRIC)-Int 9

HK(IFRIC)-Int 17

Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to Sell the Controlling Interest in a Subsidiary*

Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement – Embedded Derivatives Improvements to HKFRSs 2009*

Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases

Reassessment of Embedded Derivatives

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 HK\$'000	Wine and liquor HK\$'000	Total 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 HK\$'000	Wine and liquor HK\$'000	Total 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)
	<u>(8,537)</u>	<u>1,959</u>	<u>(6,578)</u>
Corporate and other unallocated expenses			<u>(8,317)</u>
Loss before tax			<u>(14,895)</u>

* All revenue are from external customers.

5. REVENUE AND OTHER INCOME

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

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)
	<u>2,419</u>	<u>703</u>



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
	<u> </u>	<u> </u>

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)
	<u> </u>	<u> </u>

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.



11. PROPERTY, PLANT AND EQUIPMENT

	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) (Restated) HK\$'000
Carrying amount at 1 January	335,063	358,131
Additions	3,427	2,192
Impairment	–	(10,126)
Disposals	(10,969)	(2,867)
Depreciation charge for the period/year	(12,712)	(12,247)
Exchange realignment	3,041	(20)
	317,850	335,063
Carrying amount at 30 June/31 December	317,850	335,063
At 30 June/31 December:		
Cost	373,225	377,219
Accumulated amortisation and impairment	(55,375)	(42,156)
Net carrying amount at 30 June/31 December	317,850	335,063

12. PREPAID LAND LEASE PAYMENTS

	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
Carrying amount at 1 January	33,369	34,370
Amortisation provided during the period/year	(502)	(999)
Exchange realignment	308	(2)
Carrying amount at 30 June/31 December	33,175	33,369
Current portion included in prepayments, deposits and other receivables	(1,008)	(999)
Non-current portion	32,167	32,370

The leasehold land is held under medium term leases and is situated in Mainland China.

**13. OTHER INTANGIBLE ASSETS**

	Technology <i>HK\$'000</i>	Trademark <i>HK\$'000</i>	Customer base <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost at 1 January 2010, net of accumulated amortisation and impairment	59,669	15,534	–	75,203
Amortisation provided during the period	(1,085)	(284)	–	(1,369)
Exchange realignments	–	143	–	143
At 30 June 2010 (Unaudited)	58,584	15,393	–	73,977
At 30 June 2010:				
Cost	95,888	27,887	27,998	151,773
Accumulated amortisation and impairment	(37,304)	(12,494)	(27,998)	(77,796)
Net carrying amount	58,584	15,393	–	73,977
Cost at 1 January 2009, net of accumulated amortisation and impairment	61,839	16,100	–	77,939
Amortisation provided during the year	(2,170)	(565)	–	(2,735)
Exchange realignments	–	(1)	–	(1)
At 31 December 2009 (Audited)	59,669	15,534	–	75,203
At 31 December 2009:				
Cost	95,888	27,633	27,742	151,263
Accumulated amortisation and impairment	(36,219)	(12,099)	(27,742)	(76,060)
Net carrying amount	59,669	15,534	–	75,203

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. During the six months ended 30 June 2010, no impairment provision on non-financial assets has been made.



14. TRADE RECEIVABLES

Other than the cash and credit card sales, the Group allows a credit period which is generally one month, extending up to three months for major customers. Each customer has a maximum credit limit.

None of the above trade receivables is either past due or impaired. The age of the trade receivables as at the end of the reporting period is within three months.

15. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) (Restated) HK\$'000
Within 1 month	57,879	1,422
1 to 2 months	6,873	5,808
2 to 3 months	1,173	9
Over 3 months	2,683	1,698
	68,608	8,937

The trade payables are non-interest-bearing and are normally settled on 30-day terms. The carrying amounts of these balances approximate to their fair values.

16. SHARE CAPITAL

	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
Authorised: 4,000,000,000 (2009: 1,000,000,000) ordinary shares of HK\$0.1 each	400,000	100,000
Issued and fully paid: 796,583,263 (2009: 613,507,000) ordinary shares of HK\$0.1 each	79,658	61,351



During the six months period ended 30 June 2010, the movements in share capital were as follows:

- (a) The subscription rights attaching to 1,320,000 share options were exercised at the subscription price of HK\$0.288 per share, resulting in the issue of 1,320,000 shares of HK\$0.1 each for a total cash consideration, before expenses, of HK\$380,000.
- (b) The subscription rights attaching to 200,000 share options were exercised at the subscription price of HK\$0.19 per share, resulting in the issue of 200,000 shares of HK\$0.1 each for a total cash consideration, before expenses, of HK\$38,000.
- (c) On 12 January 2010, the Group acquired 100% equity interests in Rightsouth. 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.
- (d) 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\$40,421,000.

17. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from six months to five years.

The Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) (Restated) HK\$'000
Within one year	3,114	3,372
In the second to fifth years	5,330	4,941
	8,444	8,313



18. COMMITMENTS

	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
Contracted, but not provided for:		
Acquisition of Power Range Holdings Limited ("Power Range")*	66,000	–
Acquisition of trademarks	2,272	2,272
Purchase of machinery	149	–
	68,421	2,272

- * 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 at a consideration of HK\$66,000,000. The consideration is to 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.

19. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions detailed elsewhere in these interim condensed consolidated financial statements, the Group had the following transactions with a related party during the period:

	Six months ended 30 June 2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Rental paid/payable to a related company *	180	180

- * The rental expense was charged at a rate of HK\$30,000 per month.



(b) Compensation of key management personnel of the Group:

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Short term employee benefits	694	1,060
Post-employment benefits	5	5
Equity-settled share option expense	419	3,269
	<hr/>	<hr/>
Total compensation paid to key management personnel	1,118	4,334
	<hr/> <hr/>	<hr/> <hr/>

20. EVENTS AFTER THE REPORTING PERIOD

- (a) On 12 July 2010, a total of 6,800,000 share options were granted to certain of the employees of the Company. The exercise price of options granted is HK\$0.62 per share.
- (b) 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\$36,000,000. The consideration is to 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\$18,000,000 upon occurrence of certain events. As at the date of approval of the interim condensed consolidated financial statements, the acquisition has not completed yet.
- (c) On 6 August 2010, 90,000,000 new shares of HK\$0.1 each were issued at HK\$0.48 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\$42,380,000.

21. APPROVAL OF THE FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by the board of directors of the Company on 24 August 2010.



INDEPENDENT AUDITORS' REVIEW REPORT

ERNST & YOUNG 安 永

To the board of directors of BIO-DYNAMIC GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim condensed consolidated financial statements set out on pages 2 to 18, which comprises the interim condensed consolidated statement of financial position of BIO-DYNAMIC GROUP LIMITED and its subsidiaries as at 30 June 2010 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six months period then ended, and the explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants.

The directors are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards, or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review 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. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



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.

Ernst & Young

Certified Public Accountants

24 August 2010



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 report.

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 report.

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.



OTHER INFORMATION

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 June 2010, the interests and short positions of the directors in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long positions in ordinary shares of the Company:

Name of director	Number of shares held, capacity and nature of interest		Total	Percentage of the Company's issued share capital
	Directly beneficially owned	Through spouse		
Mr. Lo Peter	3,160,000	–	3,160,000	0.40
Mr. Li Wentao	950,000	–	950,000	0.12
Mr. Sun David Lee	1,320,000	230,000	1,550,000	0.19
Mr. Zhao Difei	2,220,000	–	2,220,000	0.28
Mr. Li Jian Quan	4,296,000	–	4,296,000	0.54
Mr. Lu Gui Pin	6,432,000	–	6,432,000	0.81
Mr. Yeung Ting-Lap Derek Emory	200,000	–	200,000	0.02
	<u>18,578,000</u>	<u>230,000</u>	<u>18,808,000</u>	<u>2.36</u>



Long positions in share options of the Company:

Name of director	Number of options directly beneficially owned
Mr. Lo Peter	5,000,000
Mr. Li Wentao	4,050,000
Mr. Sun David Lee	2,680,000
Mr. Zhao Difei	3,000,000
Mr. Lu Gui Pin	2,400,000
Mr. Yeung Ting-Lap Derek Emory	100,000
Dr. Loke Yu	300,000
Mr. Zuchowski Sam	300,000
	17,830,000

Save as disclosed above, as at 30 June 2010, none of the directors had registered an interest or short position in the shares, underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section "Share option scheme" below, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouses or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants for their contribution to, and continuing efforts to promote the interests of, the Group. The Scheme was adopted on 23 May 2007 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. Details of the Scheme are set out in the published annual report of the Company for the year ended 31 December 2009.



The following table discloses movements in the Company's share options outstanding during the six months ended 30 June 2010:

Name or category of participant	Number of share options			At 30 June 2010	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK\$ per share	Price of the Company's shares at grant date HK\$ per share
	At 1 January 2010	Granted during the period	Exercised during the period					
Directors								
Mr. Lo Peter	1,660,000	-	-	1,660,000	31-10-08	31-10-08 to 30-10-11	0.288	0.28
	1,660,000	-	-	1,660,000	31-10-08	31-10-09 to 30-10-12	0.288	0.28
	-	840,000	-	840,000	26-04-10	26-04-11 to 25-04-14	0.73	0.71
	-	840,000	-	840,000	26-04-10	26-04-12 to 25-04-15	0.73	0.71
	<u>3,320,000</u>	<u>1,680,000</u>	<u>-</u>	<u>5,000,000</u>				
Mr. Li Wentao	1,550,000	-	-	1,550,000	31-10-08	31-10-08 to 30-10-11	0.288	0.28
	2,500,000	-	-	2,500,000	31-10-08	31-10-09 to 30-10-12	0.288	0.28
	<u>4,050,000</u>	<u>-</u>	<u>-</u>	<u>4,050,000</u>				
Mr. Sun David Lee	1,660,000	-	(1,320,000)	340,000	31-10-08	31-10-08 to 30-10-11	0.288	0.28
	1,660,000	-	-	1,660,000	31-10-08	31-10-09 to 30-10-12	0.288	0.28
	-	340,000	-	340,000	26-04-10	26-04-11 to 25-04-14	0.73	0.71
	-	340,000	-	340,000	26-04-10	26-04-12 to 25-04-15	0.73	0.71
	<u>3,320,000</u>	<u>680,000</u>	<u>(1,320,000)</u>	<u>2,680,000</u>				
Mr. Zhao Difei	750,000	-	-	750,000	31-10-08	31-10-08 to 30-10-11	0.288	0.28
	2,250,000	-	-	2,250,000	31-10-08	31-10-09 to 30-10-12	0.288	0.28
	<u>3,000,000</u>	<u>-</u>	<u>-</u>	<u>3,000,000</u>				
Mr. Lu Gui Pin	600,000	-	-	600,000	31-10-08	31-10-08 to 30-10-11	0.288	0.28
	1,800,000	-	-	1,800,000	31-10-08	31-10-09 to 30-10-12	0.288	0.28
	<u>2,400,000</u>	<u>-</u>	<u>-</u>	<u>2,400,000</u>				



Name or category of participant	Number of share options				Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK\$ per share	Price of the Company's shares at grant date HK\$ per share
	At 1 January 2010	Granted during the period	Exercised during the period	At 30 June 2010				
Mr. Yeung Ting-Lap	100,000	–	(100,000)	–	11-02-09	11-02-09 to 10-02-12	0.19	0.187
Derek Emory	100,000	–	(100,000)	–	11-02-09	11-02-10 to 10-02-13	0.19	0.187
	–	50,000	–	50,000	26-04-10	26-04-11 to 25-04-14	0.73	0.71
	–	50,000	–	50,000	26-04-10	26-04-12 to 25-04-15	0.73	0.71
	<u>200,000</u>	<u>100,000</u>	<u>(200,000)</u>	<u>100,000</u>				
Dr. Loke Yu	100,000	–	–	100,000	11-02-09	11-02-09 to 10-02-12	0.19	0.187
	100,000	–	–	100,000	11-02-09	11-02-10 to 10-02-13	0.19	0.187
	–	50,000	–	50,000	26-04-10	26-04-11 to 25-04-14	0.73	0.71
	–	50,000	–	50,000	26-04-10	26-04-12 to 25-04-15	0.73	0.71
	<u>200,000</u>	<u>100,000</u>	<u>–</u>	<u>300,000</u>				
Mr. Zuchowski Sam	100,000	–	–	100,000	11-02-09	11-02-09 to 10-02-12	0.19	0.187
	100,000	–	–	100,000	11-02-09	11-02-10 to 10-02-13	0.19	0.187
	–	50,000	–	50,000	26-04-10	26-04-11 to 25-04-14	0.73	0.71
	–	50,000	–	50,000	26-04-10	26-04-12 to 25-04-15	0.73	0.71
	<u>200,000</u>	<u>100,000</u>	<u>–</u>	<u>300,000</u>				
	<u>16,690,000</u>	<u>2,660,000</u>	<u>(1,520,000)</u>	<u>17,830,000</u>				
Other employees								
In aggregate	4,088,000	–	–	4,088,000	31-10-08	31-10-08 to 30-10-11	0.288	0.28
	7,445,000	–	–	7,445,000	31-10-08	31-10-09 to 30-10-12	0.288	0.28
	–	2,930,000	–	2,930,000	26-04-10	26-04-11 to 25-04-14	0.73	0.71
	–	2,930,000	–	2,930,000	26-04-10	26-04-12 to 25-04-15	0.73	0.71
	<u>11,533,000</u>	<u>5,860,000</u>	<u>–</u>	<u>17,393,000</u>				
	<u>28,223,000</u>	<u>8,520,000</u>	<u>(1,520,000)</u>	<u>35,223,000</u>				



Notes to the table of share options outstanding during the period:

- * The vesting period of the share options is from the date of grant until the commencement of the exercise period.
- ** The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.
- *** The weighted average closing price of the Company's shares immediately before the exercise dates of the share options was HK\$0.75. The closing price of the Company's shares immediately before the date on which the options were granted during the period was HK\$0.71.

The fair value of the share options granted during the period was approximately HK\$3,762,000. The fair value of equity-settled share options granted during the period was estimated as at the date of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	Vest on 26 April 2011	Vest on 26 April 2012
Dividend yield (%)	–	–
Expected volatility (%)	113.25	104.39
Historical volatility (%)	113.25	104.39
Risk-free interest rate (%)	1,686	2,063
Expected life of options (<i>year</i>)	4	5
Weighted average share price (<i>HK\$</i>)	0.73	0.73

The Group recognised a share option expense of approximately HK\$498,000 (2009: HK\$5,207,000) during the six months ended 30 June 2010.

Subsequent to the end of the reporting period, on 12 July 2010, a total of 6,800,000 share options were granted to certain of the employees of the Company in respect of their services to the Group in the forthcoming year. These share options vest on 12 July 2011 and 12 July 2012 and have an exercise price of HK\$0.62 per share and an exercise period ranging from 12 July 2011 to 11 July 2015. The closing price of the Company's shares at the date of grant was HK\$0.62 per share.



SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 30 June 2010, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
China Enterprise Capital Limited (note 2)	Interest of controlled corporations	402,516,263	50.53
Orientelite Investments Limited (note 3)	Beneficial owner	195,000,000	24.48
	Interest of a controlled corporation	128,960,000	16.19
CEC Agricapital Group Limited	Beneficial owner	128,960,000	16.19
CEC F&B Limited (note 4)	Interest of a controlled corporation	78,556,263	9.86
China Food and Beverage Group Limited	Beneficial owner	78,556,263	9.86
Ms. Wong Hui-Hung (note 5)	Beneficial owner	150,000,000	18.83

Notes:

- (1) The calculation of the percentage figures is based on the relevant number of shares as a percentage of the number of shares of the Company in issue as at 30 June 2010.
- (2) China Enterprise Capital Limited owns 100% Orientelite Investments Limited, which in turn owns 100% of CEC Agricapital Group Limited. China Enterprise Capital Limited also indirectly holds approximately 88.6% of the issued share capital of China Food and Beverage Group Limited. Accordingly, China Enterprise Capital Limited is taken under the SFO to be interested in the shares in which Orientelite Investments Limited, CEC Agricapital Group Limited and China Food and Beverage Group Limited have an interest.
- (3) Orientelite Investments Limited owns 100% of CEC Agricapital Group Limited. Accordingly, Orientelite Investments Limited is taken under the SFO to be interested in the shares which CEC Agricapital Group Limited has an interest.



- (4) CEC F&B Limited owns 88.6% of the issued share capital of China Food and Beverage Group Limited. Accordingly, CEC F&B Limited is taken under the SFO to be interested in the shares which China Food and Beverage Group Limited has an interest.
- (5) The 150,000,000 shares are the consideration shares to be allotted, subject to conditions precedent, to Ms. Wong Hui-Hung pursuant to the sale and purchase agreement between the Company and Ms. Wong Hui-Hung, details of which are provided in the circular of the Company dated 23 August 2010.

Save as disclosed above, as at 30 June 2010, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

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

Peter Lo

Chairman

Hong Kong, 24 August 2010