

China Biodiesel International Holding Co., Ltd. ("CBI" or "the Company")
Interim results for the period ended 30 June 2008

China Biodiesel International Holding Co., Ltd. (AIM: CBI), a leading producer of biodiesel focused on the Chinese market, announces its interim results for the six months ended 30 June 2008.

Highlights

- Turnover up 70 per cent. to RMB 89.6 million (2007: RMB 52.7million) (RMB 1=£0.07324)
- Xiamen plant started trial production in June 2008, doubling annual capacity to 100,000 tonnes
- High-value B1 and B2 products account for 88.5 per cent. of total sales (2007: 29.4 per cent.)
- Average selling prices up 48.1 per cent. to RMB6,670.8 per ton

CBI Chairman, Huodong Ye, commented: "Although the price of feedstock in the biodiesel industry continued to rise during the first half of 2008, the Company remained profitable thanks to strict cost controls and the shift towards a higher-value product mix. Continuing market pressures mean the Company will face further challenges through the second half of the year, but we remain confident that following our successes during the first six months, we are well placed to continue maintaining our profit margins as well as to deliver further production increases. However we are aware of global financial events and the heightened volatility of the energy markets that could affect our short term activity and results.

For further information:

Gloria He, CFO: +86 (592) 7191103

James Wang, Company Secretary: +86 (592) 7191109

Allan Piper or Lei Jiang

First City (China) Ltd: +44 (0) 207 242 2666/ +852 2854 2666

Tom Price or Bobbie Hilliam

Evolution Securities: +44 (0) 20 7071 4300

Chairman's statement

Throughout the first half of 2008, prices of vegetable oil feedstocks increased steadily, peaking in June, before falling dramatically in July. CBI remained committed to maintaining margins in the face of challenging market conditions, primarily by sourcing cheaper feedstock and adapting its product mix to exploit the higher value of B1 and B2 biodiesels. These are used as a substitute for petrochemical products in the manufacturing industries, and are free of the pricing pressures imposed by government price controls on diesel fuel.

Against a background of rising fossil fuel prices, the Chinese Government acted to raise the retail price-cap imposed on diesel fuel by RMB1,000 per ton to RMB 7,040 per ton, effective from 20 June 2008. While this has had a positive impact on China Biodiesel's

revenues to a certain extent, the shift in the product mix means that the benefits have been limited – while B3 fuel oil now represents a very small proportion of production, the raising of the price cap has increased our transportation costs.

We are pleased to announce that the new plant in Xiamen, with an annual capacity of 50,000 tonnes, started its trial production in early June and is now on the way to commercial production, thereby doubling the Company's annual capacity to 100,000 tonnes.

Operational Review

Our average selling prices continued their upward trend as the sales volume of B1 and B2 increased to 88.5 per cent. of our total production, up from 34.1 per cent. in the same period of 2007. As a result, we partially offset the rising cost of feedstock and maintained our profit margin at 8.02 per cent.

Since the end of 2007, the Company has taken several measures to cope with the higher general demand for raw material and the continuing rise in prices. Firstly, the Company has secured more purchase volume from domestic suppliers, and secondly, many persons have been dispatched to overseas countries, such as Indonesia, Philippines, and Malaysia, to exploit supply opportunities in those markets. Therefore, more contracts have been signed with foreign vegetable oils refineries. The quantity of waste vegetable oils that have been purchased or secured by overseas contracts since this June has been over 3500 metric tonnes, which will mostly serve the new Xiamen plant.

Recently, we have completed commissioning of the Xiamen plant and have already started our sales promotion programme. Although production is still running at low levels, it is expected to increase steadily in the coming months.

Financial Review

Revenue for the six months ended 30 June 2008 increased by 70 per cent. to RMB89.5 million (2007: RMB52.7million); on sales volume up 14.78 per cent. to 13,418 tons (2007: 11,690 tons). Average selling prices rose 48.1 per cent. to RMB6,670.8 per ton (2007: RMB4,504.0 per ton) thanks to our successful shift towards greatly increased output of B1 and B2 products.

Average feedstock prices also increased significantly, rising 59.61 per cent. to RMB5,197 per ton, (2007: RMB 3,256 per ton). Other cost increases contributed to an overall 64.64 per cent. of the rise in our average production cost to RMB6,136 per ton (2007: RMB3,727 per ton).

The Company's gross margin for the period was 8.02 per cent. on gross profits of RMB 7.2 million (2007: RMB 9.1million).

Capital expenditure fell dramatically during the period, following the earlier completion of the main project work on the new Xiamen plant. Working capital efficiency improved, with trading accounts receivable down 18.25 per cent. to RMB10.3 million (2007: RMB12.60 million).

During the period, RMB14.0 million in Government grant was received by the Company (2007: RMB1.35million), of which 8.0 million was recognized in the income statement at this stage.

The completion of the Xiamen plant led to an increase in staff levels, which together with preparatory operations ahead of the trial production, helped contribute to a 74.5 per cent. increase in administration expenses to RMB 6.23million (2007:RMB3.57 million).

From 2008, the Longyan plant ceased to enjoy income tax exemptions and started to attract a corporate income tax rate of 12.5% (half of the statutory rate) under Chinese tax law, resulting in RMB1.61million of income tax in this period (2007:RMB0.15 million). The Xiamen plant is still in its income tax exemption period which will end by end of 2009.

Outlook

The challenges faced by China Biodiesel during the first half of the year have presented challenges to all of our competitors in the industry, however we have responded and continue to respond well to these challenges and remain well placed for continued growth. With Government price controls expected to remain in place for fuel oils, the Company will maintain its focus on the successful marketing of higher-value B1 and B2 products used as raw material for the chemical industry, recognising the need to maximise operational efficiencies to offset price fluctuations for those products.

Although vegetable oil feedstock prices fell dramatically in late July, carried inventories and previously contracted but still undelivered supplies will continue to keep price pressures on the Company during the second half, even though the management still expect a positive gross margin.

The Xiamen plant doubles the Company's annual design production capacity to 100,000 tonnes, but also brings a high depreciation cost so that we anticipate it will be several months before the plant becomes profitable in its own right.

The company's working capital was greatly reinforced by a bank loan of RMB 30 million in July. The one-year loan at the rate of 8.96 per cent. was provided by Chinese Industry Bank and is secured by the land-use right, building and equipment of the Xiamen plant. Accordingly, interest costs will increase by around RM 220,000 per month from August on.

In summary, despite strong competition and demanding market conditions, we believe the Company has successfully consolidated its position during the first half of the year, and positioned itself well to deal with future challenges. We remain confident of continued growth.

Financial statements

CHINA BIODIESEL INTERNATIONAL HOLDING CO., LTD.

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2008

| | Notes | 6 months ended 30 June 2008 (unaudited) RMB | 6 months ended 30 June 2007 (unaudited) RMB | Year ended 31 December 2007 (audited) RMB |
|----------------------------------|-------|---|---|--|
| Revenue | 6 | 89,512,293 | 52,659,596 | 124,590,090 |
| Cost of sales | | <u>(82,330,709)</u> | <u>(43,572,193)</u> | <u>(110,841,077)</u> |
| Gross profit | | 7,181,584 | 9,087,403 | 13,749,013 |
| Other income | 7 | 9,780,073 | 2,941,753 | 12,529,106 |
| Distribution costs | | (413,973) | (403,870) | (1,015,597) |
| Administrative expenses | | (6,231,311) | (3,570,573) | (8,087,065) |
| Other operating expenses | | <u>(86,747)</u> | <u>(98,162)</u> | <u>(144,882)</u> |
| Profit from operations | | 10,229,626 | 7,956,551 | 17,030,575 |
| Finance income | | 30,375 | 199,031 | 282,217 |
| Finance costs | | <u>(329,665)</u> | <u>(235,846)</u> | <u>(520,705)</u> |
| Profit before income tax expense | | 9,930,336 | 7,919,736 | 16,792,087 |
| Income tax expense | 9 | <u>(1,605,402)</u> | <u>(153,078)</u> | <u>(237,825)</u> |
| Profit for the period/year | | <u>8,324,934</u> | <u>7,766,658</u> | <u>16,554,262</u> |
| Attributable to: | | | | |
| - Equity holders of the Company | | 8,340,213 | 7,772,678 | 16,569,774 |
| - Minority interests | | <u>(15,279)</u> | <u>(6,020)</u> | <u>(15,512)</u> |
| | | <u>8,324,934</u> | <u>7,766,658</u> | <u>16,554,262</u> |
| Dividends | 18 | <u>-</u> | <u>-</u> | <u>456,089</u> |
| Earnings per share | 10 | | | |
| Basic | | <u>0.183</u> | <u>0.170</u> | <u>0.365</u> |
| Diluted | | <u>0.183</u> | <u>0.170</u> | <u>0.365</u> |

CHINA BIODIESEL INTERNATIONAL HOLDING CO., LTD.

**CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2008**

| | Notes | 30 June 2008 (unaudited) RMB | 30 June 2007 (unaudited) RMB | 31 December 2007 (audited) RMB |
|---|-------|---------------------------------------|---------------------------------------|---|
| Assets | | | | |
| Non-current assets | | | | |
| Property, plant and equipment | 11 | 154,412,595 | 114,331,603 | 157,359,553 |
| Deposits for acquisition of property, plant and equipment | | 6,405,361 | - | 4,649,915 |
| Payments for leasehold land held for own use under operating leases | | 14,050,531 | 9,100,557 | 8,853,858 |
| Other intangible assets | | 2,564 | 3,010 | 2,787 |
| Deferred tax assets | | 150,000 | 190,649 | 162,500 |
| Total non-current assets | | <u>175,021,051</u> | <u>123,625,819</u> | <u>171,028,613</u> |
| Current assets | | | | |
| Inventories | 12 | 23,021,737 | 7,476,855 | 8,443,232 |
| Trade and other receivables | 13 | 17,252,889 | 29,273,686 | 14,469,918 |
| Cash and cash equivalents | | 7,722,891 | 37,906,325 | 12,462,094 |
| Total current assets | | <u>47,997,517</u> | <u>74,656,866</u> | <u>35,375,244</u> |
| Total assets | | <u>223,018,568</u> | <u>198,282,685</u> | <u>206,403,857</u> |
| Liabilities | | | | |
| Current liabilities | | | | |
| Trade and other payables | 14 | 24,822,914 | 18,020,521 | 17,067,159 |
| Current tax liabilities | | 2,493,781 | 1,600,730 | 1,567,078 |
| Other financial liabilities | 15 | 8,657,007 | 7,510,091 | 8,115,859 |
| Total current liabilities | | <u>35,973,702</u> | <u>27,131,342</u> | <u>26,750,096</u> |
| Non-current liabilities | | | | |
| Other financial liabilities | 15 | - | 447,019 | 500,000 |
| Total liabilities | | <u>35,973,702</u> | <u>27,578,361</u> | <u>27,250,096</u> |
| NET ASSETS | | <u>187,044,866</u> | <u>170,704,324</u> | <u>179,153,761</u> |

CHINA BIODIESEL INTERNATIONAL HOLDING CO., LTD.

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 30 JUNE 2008

| | Notes | 30 June 2008 (unaudited) RMB | 30 June 2007 (unaudited) RMB | 31 December 2007 (audited) RMB |
|---|--------------|---|---|---|
| Capital and reserves attributable to equity holders of the Company | | | | |
| Share capital | | 3,632,941 | 3,632,941 | 3,632,941 |
| Reserves | | <u>183,122,684</u> | <u>166,757,371</u> | <u>175,216,300</u> |
| Equity attributable to equity holders of the Company | | 186,755,625 | 170,390,312 | 178,849,241 |
| Minority interests | | <u>289,241</u> | <u>314,012</u> | <u>304,520</u> |
| TOTAL EQUITY | | <u><u>187,044,866</u></u> | <u><u>170,704,324</u></u> | <u><u>179,153,761</u></u> |

CHINA BIODIESEL INTERNATIONAL HOLDING CO., LTD.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2008**

| | Equity attributable to equity holders of the Company | | | | | | | | | | | |
|---|---|------------------------------|------------------------------------|---|-------------------------------------|-------------------------------|--------------------------------|--------------------------|----------------------------------|--------------------------|-----------------------------------|----------------------|
| | Share capital RMB | Share premium RMB | Contributed surplus RMB | Foreign exchange reserve RMB | Share option reserve RMB | Merger reserve RMB | General reserve RMB | Dividends RMB | Retained earnings RMB | Sub-total RMB | Minority interests RMB | Total RMB |
| At 1 January 2008 (Audited) | 3,632,941 | 90,572,623 | 5,047,816 | (1,818,086) | 2,229,427 | (121,330) | 8,518,709 | 456,089 | 70,331,052 | 178,849,241 | 304,520 | 179,153,761 |
| Effect from translation of functional currency to presentation currency | - | - | - | 22,260 | - | - | - | - | - | 22,260 | - | 22,260 |
| Net income recognised directly in equity | - | - | - | 22,260 | - | - | - | - | - | 22,260 | - | 22,260 |
| Profit/(loss) for the period | - | - | - | - | - | - | - | - | 8,340,213 | 8,340,213 | (15,279) | 8,324,934 |
| Total recognised income and expenses | - | - | - | 22,260 | - | - | - | - | 8,340,213 | 8,362,473 | (15,279) | 8,347,194 |
| Provision for general reserve | - | - | - | - | - | - | 1,231,917 | - | (1,231,917) | - | - | - |
| Dividend declared | - | - | - | - | - | - | - | (456,089) | - | (456,089) | - | (456,089) |
| | - | - | - | 22,260 | - | - | 1,231,917 | (456,089) | 7,108,296 | 7,906,384 | (15,279) | 7,891,105 |
| At 30 June 2008 (Unaudited) | <u>3,632,941</u> | <u>90,572,623</u> | <u>5,047,816</u> | <u>(1,795,826)</u> | <u>2,229,427</u> | <u>(121,330)</u> | <u>9,750,626</u> | <u>-</u> | <u>77,439,348</u> | <u>186,755,625</u> | <u>289,241</u> | <u>187,044,866</u> |
| At 1 January 2007 (Audited) | 3,632,941 | 90,572,623 | 5,047,816 | (1,307,048) | 2,229,427 | (121,330) | 6,273,540 | 1,020,019 | 56,462,536 | 163,810,524 | 320,032 | 164,130,556 |
| Effect from translation of functional currency to presentation currency | - | - | - | (172,871) | - | - | - | - | - | (172,871) | - | (172,871) |
| Net income recognised directly in equity | - | - | - | (172,871) | - | - | - | - | - | (172,871) | - | (172,871) |
| Profit/(loss) for the period | - | - | - | - | - | - | - | - | 7,772,678 | 7,772,678 | (6,020) | 7,766,658 |
| Total recognised income and expenses | - | - | - | (172,871) | - | - | - | - | 7,772,678 | 7,599,807 | (6,020) | 7,593,787 |
| Provision for general reserve | - | - | - | - | - | - | 1,034,504 | - | (1,034,504) | - | - | - |
| Dividend distribution | - | - | - | - | - | - | - | (1,020,019) | - | (1,020,019) | - | (1,020,019) |
| | - | - | - | (172,871) | - | - | 1,034,504 | (1,020,019) | 6,738,174 | 6,579,788 | (6,020) | 6,573,768 |
| At 30 June 2007 (Unaudited) | <u>3,632,941</u> | <u>90,572,623</u> | <u>5,047,816</u> | <u>(1,479,919)</u> | <u>2,229,427</u> | <u>(121,330)</u> | <u>7,308,044</u> | <u>-</u> | <u>63,200,710</u> | <u>170,390,312</u> | <u>314,012</u> | <u>170,704,324</u> |

CHINA BIODIESEL INTERNATIONAL HOLDING CO., LTD.

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2008**

| | Notes | 6 months ended 30 June 2008 (unaudited) RMB | 6 months ended 30 June 2007 (unaudited) RMB | Year ended 31 December 2007 (audited) RMB |
|---|--------------|--|--|--|
| Net cash flows from operating activities | | 7,181,928 | 8,171,268 | 32,996,695 |
| Net cash flows used in investing activities | | (11,654,874) | (39,178,448) | (89,483,829) |
| Net cash flows from/(used in) financing activities | | <u>(288,517)</u> | <u>(240,003)</u> | <u>133,887</u> |
| Net decrease in cash and cash equivalents | | (4,761,463) | (31,247,183) | (56,353,247) |
| Cash and cash equivalents at beginning of period/year | | 12,462,094 | 69,326,379 | 69,326,379 |
| Effect of foreign exchange rate changes | | <u>22,260</u> | <u>(172,871)</u> | <u>(511,038)</u> |
| Cash and cash equivalents at end of period/year | | <u><u>7,722,891</u></u> | <u><u>37,906,325</u></u> | <u><u>12,462,094</u></u> |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. GENERAL

China Biodiesel International Holding Co., Limited (the “Company”) was incorporated in the British Virgin Islands (“BVI”) on 18 October 2005. Its registered office is at Nerine Chamber, PO Box 905, Road Town, Tortola, the British Virgin Islands. The shares of the Company were admitted to trading on the Alternative Investment Market (“AIM”) of the London Stock Exchange plc (the “Stock Exchange”) on 30 June 2006.

The principal activities of the Company and its subsidiaries (hereinafter collectively referred as “the Group”) are engaged in the manufacturing and sale of biodiesel products and the provision of services in connection with biodiesel distillation technologies in the People’s Republic of China (the “PRC”). The Group’s principal places of business are at Longyan and Xiamen, both cities are located in the Fujian Province, the PRC.

The condensed consolidated financial statements are presented in Renminbi (“RMB”) instead of Hong Kong dollars, which is the functional currency of the Company. The adoption of RMB as presentation currency of the Group is due to the fact that most of the Group’s business transactions are conducted in RMB.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements (the “Interim Financial Statements”) are prepared in accordance with International Accounting Standards (“IAS”) 34, Interim Financial Reporting issued by the International Accounting Standards Board (“IASB”). These Interim Financial Statements should be read in conjunction with the consolidated financial statements for the year ended 31 December 2007 (hereafter the “Annual Financial Statements”), as they provide an update of previously reported information.

The accounting policies and the methods of computation used in the Interim Financial Statements are consistent with those followed in the preparation of the Annual Financial Statements. During the period, the Group revised the estimated useful lives of certain property, plant and equipment, the details and effect of the change are disclosed in note 11.

In the current period, the Group has also applied, for the first time, the following new interpretations issued by the IASB that are effective for the current accounting period.

| | |
|--------------|---|
| IFRIC-Int 11 | IFRS 2 – Group and Treasury Share Transactions |
| IFRIC-Int 12 | Service Concession Arrangements |
| IFRIC-Int 14 | IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction |

The adoption of these new interpretations has had no material effect on the Group’s condensed consolidated financial statements for the six months ended 30 June 2008.

3. **POTENTIAL IMPACT ARISING ON THE NEW ACCOUNTING STANDARDS NOT YET EFFECTIVE**

The Group has not yet applied the following IFRSs that have been issued but not been effective. The directors of the Company anticipated that the application of these IFRSs will have no material impact on the Interim Financial Statements of the Group.

| | |
|---|---|
| IAS 23 Revised – Borrowing costs | Effective for annual periods beginning on or after 1 January 2009 |
| Amendments to IAS 32 and IAS 1 – Puttable Financial Instruments and Obligations Arising on Liquidation | Effective for annual periods beginning on or after 1 January 2009 |
| IAS 1 Revised – Presentation of Financial Statements | Effective for annual periods beginning on or after 1 January 2009 |
| IAS 27 Revised – Consolidated and Separate Financial Statements | Effective for annual periods beginning on or after 1 July 2009 |
| IAS 39 Amendment – Eligible Hedged Items | Effective for annual periods beginning on or after 1 July 2009 |
| Amendments to IFRS 1 and IAS 27 – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate | Effective for annual periods beginning on or after 1 January 2009 |
| IFRS 2 Amendment – Share-based Payments – Vesting Conditions and Cancellations | Effective for annual periods beginning on or after 1 January 2009 |
| IFRS 3 Revised – Business Combination | Effective for annual periods beginning on or after 1 July 2009 |
| IFRS 8 – Operating segments | Effective for annual periods beginning on or after 1 January 2009 |
| IFRIC Interpretation 13 – Customer Loyalty Arrangements | Effective for annual periods beginning on or after 1 July 2008 |
| IFRIC Interpretation 15 – Agreements for the Construction of Real Estate | Effective for annual periods beginning on or after 1 January 2009 |
| IFRIC Interpretation 16 – Hedges of a Net Investment in a Foreign Operation | Effective for annual periods beginning on or after 1 October 2008 |

4. SUBSIDIARIES

The subsidiaries of the Company, which have been included in the Interim Financial Statements, are as follows:

| <u>Name</u> | <u>Place of incorporation and operations</u> | <u>Date of incorporation</u> | <u>Principal activities</u> | <u>Proportion of ownership interest</u> |
|--|--|------------------------------|--|---|
| Longyan Zhuoyue New Energy Development Co., Limited (“LZNE”) | Longyan, Fujian Province, the PRC | 1 November 2001 | Manufacturing and sale of biodiesel products | 100% |
| Longyan Zhuoyue Biodiesel Technology Development Co., Limited (“ZBTD”) | Longyan, Fujian Province, the PRC | 21 April 2005 | Development of biodiesel technology, provision of technology consultancy and transfer of technology in respect of production of biodiesel products | 90% |
| Xiamen Zhuoyue Bio-mass Energy Co., Limited (“XZBM”) | Xiamen, Fujian Province, the PRC | 17 August 2006 | Manufacturing and sale of biodiesel products | 100% |
| Longyan Zhuoyue Bio-mass Energy Co., Limited (“LYBM”) | Longyan, Fujian Province, the PRC | 28 February 2007 | Manufacturing and sale of biodiesel products | 100% |

5. SEGMENT INFORMATION

No primary reporting format for reporting segment information is shown as significant portion of the business is related to the sale of biodiesel products. All revenues were generated from continuing operation.

No secondary reporting format for reporting segment information is shown as significant portion of products are sold and services are rendered to customers in the PRC.

6. TURNOVER

Turnover represents the net invoiced value of goods sold and service income earned by the Group. The amounts of each significant category of revenue recognised in turnover during the period/year are as follows:

| | 6 months ended 30 June 2008 (unaudited) RMB | 6 months ended 30 June 2007 (unaudited) RMB | Year ended 31 December 2007 (audited) RMB |
|--|--|--|--|
| Revenue arises from: | | | |
| Sale of biodiesel products | 89,462,293 | 52,609,596 | 124,490,090 |
| Provision of technology services and others | <u>50,000</u> | <u>50,000</u> | <u>100,000</u> |
| | <u><u>89,512,293</u></u> | <u><u>52,659,596</u></u> | <u><u>124,590,090</u></u> |

7. OTHER INCOME

| | 6 months ended 30 June 2008 (unaudited) RMB | 6 months ended 30 June 2007 (unaudited) RMB | Year ended 31 December 2007 (audited) RMB |
|---|--|--|--|
| Income from sale of used packaging materials | 1,760,073 | 1,591,753 | 3,949,106 |
| Government grants (note 8) | <u>8,020,000</u> | <u>1,350,000</u> | <u>8,580,000</u> |
| | <u><u>9,780,073</u></u> | <u><u>2,941,753</u></u> | <u><u>12,529,106</u></u> |

8. GOVERNMENT GRANTS

Government grants represented the financial support and rewards received from relevant government authorities in connection with the Group's production of biodiesel products.

9. INCOME TAX EXPENSE

The Company itself did not generate any taxable profit during the period. In the opinion of the management, the Company is not subject to income tax in the PRC or the BVI.

Current tax expense of the Group represented the PRC Income Tax Expense calculated at the standard income tax rate or preferential income tax rate on the assessable income. From 1 January 2008, the statutory income tax rate in the PRC changed from 33% to 25%.

The income tax expense during the period/year can be reconciled to profit per condensed consolidated income statement as follows:

| | 6 months ended 30 June 2008 (unaudited) RMB | 6 months ended 30 June 2007 (unaudited) RMB | Year ended 31 December 2007 (audited) RMB |
|--|--|--|--|
| Profit before income tax expense | <u>9,930,336</u> | <u>7,919,736</u> | <u>16,792,087</u> |
| Expected tax charged based on the standard rate of enterprise income tax in the PRC of 25% (2007: 33%) | 2,482,584 | 2,613,513 | 5,541,389 |
| Tax exemption and concession | (1,710,358) | (3,322,357) | (5,847,468) |
| Tax effect of non-deductible expenses | 833,176 | 730,392 | 532,255 |
| Effect of difference between standard rate and expected rate at realisation of temporary differences | <u>-</u> | <u>131,530</u> | <u>11,649</u> |
| Income tax expense | <u>1,605,402</u> | <u>153,078</u> | <u>237,825</u> |

10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

| | 6 months ended 30 June 2008 (unaudited) RMB | 6 months ended 30 June 2007 (unaudited) RMB | Year ended 31 December 2007 (audited) RMB |
|--|--|--|--|
| <i>Earnings</i> | | | |
| Earnings for the purpose of basic earnings per share | 8,340,213 | 7,772,678 | 16,569,774 |
| Effect of dilutive potential ordinary shares | - | - | - |
| | <u>8,340,213</u> | <u>7,772,678</u> | <u>16,569,774</u> |
| Earnings for the purpose of diluted earnings per share | <u>8,340,213</u> | <u>7,772,678</u> | <u>16,569,774</u> |
| <i>Number of shares</i> | | | |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | 45,411,765 | 45,411,765 | 45,411,765 |
| Effect of dilutive potential ordinary shares: | | | |
| - share options | - | 74,665 | - |
| | <u>45,411,765</u> | <u>45,486,430</u> | <u>45,411,765</u> |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | <u>45,411,765</u> | <u>45,486,430</u> | <u>45,411,765</u> |
| <i>Earnings per share</i> | | | |
| | RMB | RMB | RMB |
| Basic | <u>0.183</u> | <u>0.170</u> | <u>0.365</u> |
| Diluted | <u>0.183</u> | <u>0.170</u> | <u>0.365</u> |

The computation of diluted earnings per share for the six months ended 30 June 2008 does not assume the exercise of the Company's outstanding share options as the exercise price of those options is higher than the average market price of shares for the six months ended 30 June 2008.

11. PROPERTY, PLANT AND EQUIPMENT

| | 30 June 2008 (unaudited) RMB | 30 June 2007 (unaudited) RMB | 31 December 2007 (audited) RMB |
|-----------------------------------|---|---|---|
| Cost | | | |
| Buildings | 44,176,400 | 3,057,216 | 42,797,284 |
| Machineries | 117,543,708 | 25,991,000 | 114,645,582 |
| Motor vehicles | 1,742,546 | 1,486,609 | 1,742,546 |
| Furniture, fixtures and equipment | 837,270 | 332,025 | 361,783 |
| Construction in progress | <u>1,747,252</u> | <u>89,150,921</u> | <u>6,343,841</u> |
| | <u>166,047,176</u> | <u>120,017,771</u> | <u>165,891,036</u> |
| Accumulated depreciation | <u>(11,634,581)</u> | <u>(5,686,168)</u> | <u>(8,531,483)</u> |
| Net book value | <u>154,412,595</u> | <u>114,331,603</u> | <u>157,359,553</u> |

The cost of construction in progress as at 30 June 2008 represented the accumulative expenditures incurred on the construction of the new plants and production facilities located at Longyan and Xiamen, which were still under construction at the balance sheet date.

As at 30 June 2008, the net carrying amount of machineries pledged as security for bank loan of RMB4,850,000 (31 December 2007: RMB4,850,000) amounted to RMB12,558,824 (31 December 2007: RMB13,278,087).

During the six months ended 30 June 2008, the Group reviewed the current condition of certain property, plant and equipment, as a result, revised the estimated useful lives of (a) buildings with steel frame structure from 20 years to 30 years; (b) dynamic machineries acquired for the newly established production lines from 10 years to 5 years; and (c) machineries of static ones from 10 years to 15 years. The effect of the change in the estimated useful lives has been recognised prospectively with the effect of reducing depreciation charge of RMB425,701 in the current period.

12. INVENTORIES

| | 30 June 2008 (unaudited) RMB | 30 June 2007 (unaudited) RMB | 31 December 2007 (audited) RMB |
|-------------------------------|---|---|---|
| Raw materials and consumables | 15,478,705 | 5,944,002 | 4,474,668 |
| Work-in-progress | 2,982,005 | 735,142 | 2,177,817 |
| Finished goods | <u>4,561,027</u> | <u>797,711</u> | <u>1,790,747</u> |
| | <u>23,021,737</u> | <u>7,476,855</u> | <u>8,443,232</u> |

13. TRADE AND OTHER RECEIVABLES

| | 30 June 2008 (unaudited) RMB | 30 June 2007 (unaudited) RMB | 31 December 2007 (audited) RMB |
|-----------------------------------|---|---|---|
| Trade debtors - third parties | 9,242,506 | 25,720,161 | 12,030,154 |
| Notes receivables - third parties | 500,000 | - | - |
| Trade debtors - related companies | 562,324 | 1,296,827 | 565,099 |
| Deposit paid | 4,905,277 | 402,254 | 1,097,626 |
| Prepayments | 52,736 | 14,410 | 137,177 |
| Other receivables | 590,046 | 320,014 | 579,862 |
| Amount due from related companies | 1,400,000 | 1,500,000 | 60,000 |
| Amount due from an equity holder | - | 20,020 | - |
| | <u>17,252,889</u> | <u>29,273,686</u> | <u>14,469,918</u> |

Amounts due from related companies with non-trading nature and equity holder are unsecured, interest free and repayable on demand. Amounts due from related companies with trading nature are unsecured, interest free and with credit term of 60 days.

As at 30 June 2008, all items in trade and other receivables were denominated in RMB (31 December 2007: RMB). The directors consider that the carrying amount of trade and other receivables approximates their fair value.

14. TRADE AND OTHER PAYABLES

| | 30 June 2008 (unaudited) RMB | 30 June 2007 (unaudited) RMB | 31 December 2007 (audited) RMB |
|--|---|---|---|
| Trade creditors | 3,897,631 | 2,049,821 | 1,932,710 |
| Deferred income | 6,600,000 | 700,000 | 650,000 |
| Deposit received | 2,231,853 | 413,177 | 680,666 |
| Payroll payable | 416,443 | 172,505 | 277,154 |
| Other payables | 1,548,607 | 566,958 | 786,482 |
| Payable to contractors for acquisition of equipment | 8,736,225 | 13,379,023 | 11,968,476 |
| Dividend payable | 456,089 | - | - |
| Value-added tax payable | 936,066 | 739,037 | 771,671 |
| | <u>24,822,914</u> | <u>18,020,521</u> | <u>17,067,159</u> |

As at 30 June 2008, substantively all trade and other payables were denominated in RMB (31 December 2007: RMB). The directors consider that the carrying amount of trade and other payables approximates their fair value.

Included in deferred income is an amount of RMB6,000,000, which represented part of government rewards received by XZBM during the period for the energy XZBM planned to save through the production of biodiesel, a substitution of fossil diesel, within 1 year since commencement of formal production.

15. OTHER FINANCIAL LIABILITIES

| | 30 June 2008 (unaudited) RMB | 30 June 2007 (unaudited) RMB | 31 December 2007 (audited) RMB |
|---|---|---|---|
| Other financial liabilities - current | | | |
| Bank loans due within one year | | | |
| - Secured by the Group's own machineries | 4,850,000 | 3,000,000 | 4,850,000 |
| - Guaranteed by a related company | 3,000,000 | 3,000,000 | 3,000,000 |
| - Unsecured | 700,000 | 490,072 | 200,000 |
| | <u>8,550,000</u> | <u>6,490,072</u> | <u>8,050,000</u> |
| Amount due to a related party | - | - | 60,000 |
| Amount due to an equity holder | 107,007 | - | 5,859 |
| Dividend payable | - | 1,020,019 | - |
| | <u>8,657,007</u> | <u>7,510,091</u> | <u>8,115,859</u> |
| Other financial liabilities - non-current | | | |
| Bank loans due over one year (unsecured) | | | |
| | - | 447,019 | 500,000 |

As at 30 June 2008, other financial liabilities were denominated in RMB (31 December 2007: RMB).

16. RELATED PARTIES TRANSACTIONS

During the six months ended 30 June 2008, the Group entered into the following transactions with related parties who are not members of the Group.

| Entities | Type of transactions | Transaction amounts | | |
|---|-------------------------|---|---|---|
| | | 6 months ended 30 June 2008 (unaudited) RMB | 6 months ended 30 June 2007 (unaudited) RMB | Year ended 31 December 2007 (audited) RMB |
| Companies in which directors or their close family members have an interest | Purchase from the Group | <u>1,986,951</u> | <u>1,755,428</u> | <u>3,385,225</u> |
| | Sales to the Group | <u>707,271</u> | <u>124,480</u> | <u>508,038</u> |

16. RELATED PARTIES TRANSACTIONS - Continued

The transactions mentioned above were conducted on an arm's length basis and were at standard market prices. The Group has not made any impairment loss for bad debts in respect of related party debts nor has any guarantee been given or received during the current interim period regarding related party transactions.

In addition, the Group's bank loans in the amount of RMB3,000,000 as at 30 June 2008 (31 December 2007: RMB3,000,000) were guaranteed by a related company, which is controlled by close family members of the Company's directors.

Management considers that the directors of the Company are key management of the Group. The directors' emoluments for the six months ended 30 June 2008 were RMB1,111,215 (2007: RMB1,230,720)

17. CAPITAL COMMITMENTS

As at 30 June 2008, the Group's commitments for the acquisition of property, plant and equipment are listed as follows:

| | 30 June 2008 (unaudited) RMB | 30 June 2007 (unaudited) RMB | 31 December 2007 (audited) RMB |
|--|---|---|---|
| Contracted for but not provided - Purchase of equipment | <u>4,745,000</u> | <u>18,902,861</u> | <u>4,946,027</u> |

18. DIVIDENDS

The Annual General Meeting of the Company held on 4 June 2008 has resolved to declare a final dividend of RMB0.0365 per ordinary share for the year ended 31 December 2007 with the waive of the dividend entitlements by Mr. Yehudong, the major shareholder and the Chairman of the Board of Directors of the Company.

The directors do not recommend payment of a dividend in respect of the first half of 2008.

19. SUBSEQUENT EVENT

Pursuant to the circular No. 117 Caishui [2008] dated on 28 August 2008 issued by the State Administration of Taxation and the Enterprise Income Tax Law effective 1 January 2008, the PRC subsidiaries of the Company are qualified to a preferential enterprise income tax policy under which 10% of revenue generated from sale of biodiesel produced from waste oils will be exempted from enterprise income tax, subject to the approval from designated tax authority.