

**China Biodiesel International Holding Co., Ltd. (“CBI” or “the Company”)
Interim results for the six months ended 30 June 2009**

China Biodiesel International Holding Co., Ltd. (AIM: CBI), one of China’s leading renewable energy companies, focused on research and development, production, and marketing of biodiesel as a substitute, announces its interim results for the six months ended 30 June 2009.

Highlights

- Sales volumes up 12 per cent. to 15,018 tons (2008: 13,418 tons) while turnover down 34 per cent. to RMB 59.19 million (2008: RMB 89.51 million).
- Gross profit down 45 per cent. to RMB 3.92 million (2008: RMB 7.18 million);
- A “Postdoctoral R&D Working Station” was set up in Longyan plant;
- The Xiamen subsidiary was named as “an Advanced Unit with Recycling Economy”;
- Government grants and subsidies amounted to RMB 15.96 million.

CBI Chairman, Huodong Ye, commented: “The Company has quickly recovered from the difficulties incurred in 2008 and is pleased to report a positive operating profit for the first half of 2009. Shortly after the turbulence of 2008, caused by the international financial crisis, the Company has benefited from recovering opportunities in China in the first half of 2009. With the rebound of China’s economy, oil prices and the implementation of the new preferential VAT policy on the biodiesel industry, CBI’s sales have increased steadily after bottoming out in February. A strong promotion campaign and the restart of the Xiamen plant have also brought higher sales volume in recent months. Efficient cost control systems and an improved product mix continued to benefit profitability in the first six months of 2009. Against a background of uncertainty in the global economy and the business environment the management believes it is well prepared to lead the Company through the tough period ahead.”

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Chairman’s statement

The Company has quickly recovered from the difficulties of last year and is pleased to report an operating profit for the first half of 2009. The slump in fuel prices in the fourth quarter of 2008 and the consequential shrinking market demand in the energy sector dramatically affected CBI’s operation, causing an operating loss in the second half of 2008. The first quarter of 2009 was also difficult for CBI, with facilities running at a low level. However, with the rebound in demand, the Xiamen plant sales volumes increased steadily from March and achieved 15,018 tons for the half year, compared with 13,418 tons in the same period of 2008. Sales volumes were 10,347 tons in the second quarter, compared with 7,767 tons in the second quarter of 2008. By the end of the June 2009, the Longyan plant had returned to its average level of 2008 and the Xiamen plant’s operating loss has greatly reduced due to increasing shipping volumes.

Production flexibility has improved our product mix. BI and BII, substitutes for petrochemical materials, are still the main products of the Company, accounting for nearly 97 per cent. of the total sales volume. This helps reduce the impact on the Company of the government’s cap on the fuel price.

Support from the government was received during the period. During the first six months of the year, two subsidiaries of the Company successfully obtained “Comprehensive Utilization of Resources Verification” certificates, which means that they can be refunded the VAT paid on biodiesel products made from waste oil and also enjoy a deduction of 10% of biodiesel sales income from taxable profit. Both preferential taxation policies are of a recurring nature. The deduction will reduce our income taxation expense in the future. Further, government grants which meet certain criteria are also exempted from income tax. All of these preferential tax policies, applicable from 2009, ensure the Company will be more competitive in the future.

Opportunities exist even in difficult times. As most biodiesel companies have been greatly affected by the global financial crisis, CBI, with its highly regarded and good quality products, is well positioned to increase its market share in the domestic market. During the second quarter of 2009, both sales and sourcing of feedstock returned to normal levels and new suppliers and customers were acquired, which has further consolidated the Company’s position.

Looking to the future, China’s GDP is expected to grow at more than 7 per cent. in the year 2009 and

beyond, despite the current global recession. Further, China has embarked on price reforms on fossil fuel, which means that the domestic fuel price will become more sensitive to international markets. Meanwhile, the central government has attached greater importance to stimulating domestic consumption and to supporting clean energy industries. All of these initiatives should benefit the Company's operations in the future.

Operational Review

In the first half of 2009, many biodiesel companies suffered under the impact of the international financial crisis, but CBI has continued to work at consolidating its relationships with customers and improve our technical capabilities.

In the first six months, the shipping volume was 15,018 tons, 12 per cent. higher than in the same period of 2008. After a low level of 4,671 tons in the first quarter, sales volumes were 10,347 tons in the second quarter, even better than the 7,767 tons in the second quarter of 2008. B1 and B2 accounted for 97 per cent. of the total sales volumes, compared with 88 per cent. in the first half of 2008.

With the turn in the market, the average selling price has improved materially from the lowest point in December 2008. Meanwhile, the price of waste oils in China increased at nearly the same pace. Excitingly, the Company has expanded its procurement network to meet the increasing feedstock demand of two growing plants, finding more suppliers and purchasing from more areas around the country, and signing import contracts again from Southeast Asian countries.

Technology is always the key to success. In the first half, the Xiamen company utilized the quiet period to develop a technology for a downstream product. Also, the Longyan company set up a Postdoctoral R&D Working Station, which will be supported by the government and should become a platform to foster a good group of high-tech personnel and promote market competitiveness by achieving more scientific progress.

During this period, CBI continued to receive government grants and VAT rebate, totaling RMB 15.85 million. Additionally, as a government supported project, the Xiamen plant was honorably named by the municipal government as "an Advanced Unit with Recycling Economy".

Financial Review

Total sales volumes for the six months ended 30 June 2009 increased by 12 per cent. to 15,018 tons (2008: 13,418 tons). As the selling price fell by 41 per cent. to RMB 3,942 per ton (2008: RMB 6,671 per ton), revenue fell to RMB 59.19 million (2008: RMB 89.5 million).

Meanwhile average feedstock price fell to RMB 2,918 per ton (2008: RMB 5,197 per ton). As a result, the average production cost fell 41 per cent. to RMB 3,628 per ton (2008: RMB 6,136 per ton).

The Company's gross margin for the period was 6.61 per cent. with gross profits of RMB 3.92 million (2008: RMB 7.18 million).

During the period, RMB 8.44 million in Government grants and RMB 7.41 million in VAT rebate were received by the Company (2008: RMB 9.78million in government grants).

Selling expenses increased by 815 per cent. to RMB 3.78 million in the first half of 2009 (2008: RMB 0.41 million). Most of these were transportation expenses, caused by the fact that the Company adapted a new pricing policy and chose to take care of logistics to provide better customer service.

As a result of the Xiamen plant's suspension in the first four months, a depreciation expense of RMB 2.64 million had to be provided as an administrative expense; that led to a 23 per cent increase in administration expenses to RMB 7.69 million (2008: RMB 6.23 million).

Borrowing from bank increased by RMB 30 million in the second half of 2008, which made the interest increased by 272.39% to RMB 1.227 million (2008: RMB 0.33 million).

During the half year, cash generated from operating activities increased by 62.6 per cent. to RMB 11.68 million (2008: RMB 7.18 million). Meanwhile, with the ending of construction of Xiamen plant, the cash used in investing activities shrank by 66.14 per cent to RMB 3.94 million (2008: RMB 11.645 million). As a combine result, the net increase of cash and cash equivalents was RMB 6.0 million (2008: RMB -4.76 million)

Outlook

The recovery of the world economy is expected to be a long journey, and it is still too early to forecast that CBI's recovery will be sustained. There is still a lot of uncertainty about the future as the industry is open to the effects of turbulence in the international oil market. However, the management will continue to do its best to consummate the jobs of cost control, feedstock procurement and sales promotion. We expect that production volume will increase in the coming months, although it might take some time for the Xiamen plant to reach full production.

In the near future, before compulsory mixture of biodiesel is adopted in China, CBI will continue focusing on the B1 and B2 products, to avoid the diesel price cap and to maintain better margins. With the assistance of preferential government policies, our better known brand and broader market network, CBI will retain its confidence and continue to work hard to achieve further growth in the period ahead.

Financial statements**CHINA BIODIESEL INTERNATIONAL HOLDING CO., LTD.****CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2009**

	Notes	6 months ended 30 June 2009 (unaudited) RMB	6 months ended 30 June 2008 (unaudited) RMB
Revenue	6	59,187,986	89,512,293
Cost of sales		<u>(55,272,984)</u>	<u>(82,330,709)</u>
Gross profit		3,915,002	7,181,584
Other income	7	15,955,544	9,780,073
Distribution costs		(3,787,638)	(413,973)
Administrative expenses		(7,687,121)	(6,231,311)
Other operating expenses		<u>(11,306)</u>	<u>(86,747)</u>
Profit from operations		8,384,481	10,229,626
Finance income		112,398	30,375
Finance costs		<u>(1,227,643)</u>	<u>(329,665)</u>
Profit before income tax expense		7,269,236	9,930,336
Income tax expense	9	<u>(1,294,848)</u>	<u>(1,605,402)</u>
Profit for the period		5,974,388	8,324,934
Other comprehensive income			
Exchange difference on translation of foreign operations		<u>(22,766)</u>	<u>22,260</u>
Total comprehensive income for the period		<u>5,951,622</u>	<u>8,347,194</u>
Profit/(loss) for the period attributable to:			
- Owners of the parent		5,981,655	8,340,213
- Minority interests		<u>(7,267)</u>	<u>(15,279)</u>
		<u>5,974,388</u>	<u>8,324,934</u>
Total comprehensive income/(loss) for the period attributable to:			
- Owners of the parent		5,958,889	8,362,473
- Minority interests		<u>(7,267)</u>	<u>(15,279)</u>
		<u>5,951,622</u>	<u>8,347,194</u>
Dividends	18	<u>-</u>	<u>-</u>
Earnings per share	10		
Basic		<u>0.132</u>	<u>0.183</u>
Diluted		<u>0.132</u>	<u>0.183</u>

CHINA BIODIESEL INTERNATIONAL HOLDING CO., LTD.

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2009**

	Notes	30 June 2009 (unaudited) RMB	31 December 2008 (audited) RMB
Assets			
Non-current assets			
Property, plant and equipment	11	163,730,595	164,944,419
Deposits for acquisition of property, plant and equipment		2,273,438	-
Payments for leasehold land held for own use under operating leases	11	8,633,353	8,743,363
Other intangible assets		2,118	2,341
Deferred tax assets		244,415	711,518
		<u>174,883,919</u>	<u>174,401,641</u>
Total non-current assets			
Current assets			
Inventories	12	19,355,678	14,558,258
Trade and other receivables	13	17,092,646	23,252,801
Income tax recoverable		563,780	940,405
Cash and cash equivalents		23,470,989	17,492,467
		<u>60,483,093</u>	<u>56,243,931</u>
Total current assets			
		<u>235,367,012</u>	<u>230,645,572</u>
Liabilities			
Current liabilities			
Trade and other payables	14	8,810,278	9,540,460
Bank loans	15	37,850,000	38,350,000
		<u>46,660,278</u>	<u>47,890,460</u>
Total current liabilities			
		<u>46,660,278</u>	<u>47,890,460</u>
NET ASSETS		<u>188,706,734</u>	<u>182,755,112</u>

CHINA BIODIESEL INTERNATIONAL HOLDING CO., LTD.

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 30 JUNE 2009**

	Notes	30 June 2009 (unaudited) RMB	31 December 2008 (audited) RMB
Capital and reserves attributable to owners of the parent			
Share capital		3,632,941	3,632,941
Reserves		<u>184,800,556</u>	<u>178,841,667</u>
Equity attributable to owners of the parent		188,433,497	182,474,608
Minority interests		<u>273,237</u>	<u>280,504</u>
TOTAL EQUITY		<u><u>188,706,734</u></u>	<u><u>182,755,112</u></u>

CHINA BIODIESEL INTERNATIONAL HOLDING CO., LTD.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2009**

	Equity attributable to owners of the parent											
	Share capital (unaudited) RMB	Share premium (unaudited) RMB	Contributed surplus (unaudited) RMB	Foreign exchange reserve (unaudited) RMB	Share option reserve (unaudited) RMB	Merger reserve (unaudited) RMB	General reserve (unaudited) RMB	Proposed dividends (unaudited) RMB	Retained earnings (unaudited) RMB	Sub-total (unaudited) RMB	Minority interests (unaudited) RMB	Total (unaudited) RMB
At 1 January 2009	3,632,941	90,572,623	5,047,816	(1,864,352)	2,229,427	(121,330)	10,153,277	-	72,824,206	182,474,608	280,504	182,755,112
Total comprehensive income/(loss)	-	-	-	(22,766)	-	-	-	-	5,981,655	5,958,889	(7,267)	5,951,622
Provision for general reserve	-	-	-	-	-	-	1,307,869	-	(1,307,869)	-	-	-
	-	-	-	(22,766)	-	-	1,307,869	-	4,673,786	5,958,889	(7,267)	5,951,622
At 30 June 2009	<u>3,632,941</u>	<u>90,572,623</u>	<u>5,047,816</u>	<u>(1,887,118)</u>	<u>2,229,427</u>	<u>(121,330)</u>	<u>11,461,146</u>	<u>-</u>	<u>77,497,992</u>	<u>188,433,497</u>	<u>273,237</u>	<u>188,706,734</u>
At 1 January 2008	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
Total comprehensive income/(loss)	-	-	-	22,260	-	-	-	-	8,340,213	8,362,473	(15,279)	8,347,194
Provision for general reserve	-	-	-	-	-	-	1,231,917	-	(1,231,917)	-	-	-
Dividend distribution	-	-	-	-	-	-	-	(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	<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>

CHINA BIODIESEL INTERNATIONAL HOLDING CO., LTD.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE SIX MONTHS ENDED 30 JUNE 2009**

	Notes	6 months ended 30 June 2009 (unaudited) RMB	6 months ended 30 June 2008 (unaudited) RMB
Net cash flows from operating activities		11,675,783	7,181,928
Net cash flows used in investing activities		(3,946,852)	(11,654,874)
Net cash flows used in financing activities		<u>(1,727,643)</u>	<u>(288,517)</u>
Net increase/(decrease) in cash and cash equivalents		6,001,288	(4,761,463)
Cash and cash equivalents at beginning of period		17,492,467	12,462,094
Effect of foreign exchange rate changes		<u>(22,766)</u>	<u>22,260</u>
Cash and cash equivalents at end of period		<u><u>23,470,989</u></u>	<u><u>7,722,891</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 to 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”), which is the functional currency of the Company and its subsidiaries.

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”).

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 for the year ended 31 December 2008 except as described below.

In the current period, the Group has applied, for the first time, the following new standards, amendments and interpretations (“new IFRSs”) issued by the IASB that are effective for the Group’s financial year beginning on 1 January 2009.

IFRSs (Amendments)	Improvements to IFRSs May 2008
IFRSs (Amendments)	Improvements to IFRSs April 2009
Amendments to IFRS 1 and IAS 27	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
Amendments to IFRS 2	Share-based Payment – Vesting Conditions and Cancellations
Amendments to IFRS 7	Financial Instruments: Disclosure – Improving Disclosures about Financial Instruments
IFRS 8	Operating Segments
IAS 1 (Revised)	Presentation of Financial Statements
IAS 23 (Revised)	Borrowing Costs
Amendments to IAS 32 and IAS 1	Puttable Financial Instruments and Obligations Arising on Liquidation
IFRIC - Interpretation 13	Customer Loyalty Programmes
IFRIC - Interpretation 15	Agreements for the Construction of Real Estate
IFRIC - Interpretation 16	Hedges of a Net Investment in a Foreign Operation

The adoption of the new IFRSs, except for changes in presentation according to IAS 1 (Revised) as described below, had no material effect on the results or financial position of the Group for current or prior accounting periods and therefore no prior period adjustment has been recognised.

IAS 1 (Revised) separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity

presented as a single line. In addition, the standard introduces the statement of comprehensive income which presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present one single statement. Comparative figures have been restated or included in order to achieve a consistent presentation. The change in presentation has no effect on reported financial performance and financial position of the Group for any period presented.

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.

IFRSs (Amendments)	Improvements to IFRSs May 2008 ¹
IFRSs (Amendments)	Improvements to IFRSs April 2009 ²
IFRS 1 (Revised)	First-time Adoption of International Financial Reporting Standards ³
Amendments to IFRS 1	Additional Exemptions for First-time Adopters ⁴
Amendments to IFRS 2	Share-based Payment – Group Cash-settled Share-based Payment Transactions ⁴
IFRS 3 (Revised)	Business Combinations ³
IAS 27 (Revised)	Consolidated and Separate Financial Statements ³
Amendment to IAS 39	Eligible Hedged Items ³
Amendments to IFRIC – Interpretation 9 and IAS 39	Embedded Derivatives ⁵
IFRIC – Interpretation 17	Distributions of Non-cash Assets to Owners ³
IFRIC – Interpretation 18	Transfers of Assets from Customers ⁶

¹ Amendments to IFRS 5 effective for annual periods beginning on or after 1 July 2009

² Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate

³ Effective for annual periods beginning on or after 1 July 2009

⁴ Effective for annual periods beginning on or after 1 January 2010

⁵ Effective for annual periods ending on or after 30 June 2009

⁶ Effective for transfers of assets from customers received on or after 1 July 2009

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	Construction of production site in progress	100%
Xiamen Huoda Industry and Trade Co., limited (“XHIT”) (i)	Xiamen, Fujian Province, the PRC	22 April 2009	Construction of production facilities in progress	100%

(i) XHIT was incorporated with limited liability and its 100% share equity was owned by LZNE.

5. SEGMENT INFORMATION

On first-time adoption of IFRS 8 “Operating segments” which requires an entity to report operating segments in a manner consistent with the internal reporting provided to the chief operating decision-maker, there was no additional reportable segment identified for the Group as the Group as a whole forms an operating segment engaged in producing and marketing of biodiesel products in the PRC. In addition, the Group’s turnover and operating profit are almost entirely derived from its operations in the PRC. As a result, no segment analysis has been presented.

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 are as follows:

	6 months ended 30 June 2009 (unaudited) RMB	6 months ended 30 June 2008 (unaudited) RMB
Revenue arises from:		
Sale of biodiesel products	59,137,986	89,462,293
Provision of technology services and others	50,000	50,000
	<u>59,187,986</u>	<u>89,512,293</u>

7. OTHER INCOME

	6 months ended 30 June 2009 (unaudited) RMB	6 months ended 30 June 2008 (unaudited) RMB
Income from sale of used packaging materials	110,188	1,760,073
Government grants and subsidies (note 8)	15,845,356	8,020,000
	<u>15,955,544</u>	<u>9,780,073</u>

8. GOVERNMENT GRANTS AND SUBSIDIES

Government grants and subsidies represented the financial support from relevant government authorities for the encouragement of the Group's engagement in energy-saving industry and research and development of biodiesel products. Pursuant to relevant notices issued by the Ministry of Finance of the PRC for energy saving biodiesel producers, the Group engaged in the production and sale of biofuel and biodiesel is entitled to financial rewards of which amount is determined by government authorities by reference either to production capacity the Group has or to the volume of biodiesel produced and sold. Also pursuant to a VAT regulation circular which was issued by the Ministry of Finance in the PRC on 9 December 2008, both XZBM and LZNE, being producers of biodiesel products by using waste oil, are eligible to claim for refund of VAT paid from sale of biodiesel products since 1 July 2008. There are no unfulfilled conditions or contingencies relating to these grants and subsidies.

8. GOVERNMENT GRANTS AND SUBSIDIES - Continued

	6 months ended 30 June 2009 (unaudited) RMB	6 months ended 30 June 2008 (unaudited) RMB
Grants rewarded for the usage of non-grain materials in the production of biodiesel products	8,440,000	8,020,000
Refunded value-added tax (“VAT”) paid for sale of biodiesel products	<u>7,405,355</u>	<u>-</u>
	<u>15,845,355</u>	<u>8,020,000</u>

9. INCOME TAX EXPENSE

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

According to the PRC tax rules and regulations effective on 1 January 2008, LZNE and its own subsidiaries, ZBTD and XHIT, as well as LZBM, the Company’s another subsidiary, are subject to PRC Enterprise Income Tax (“EIT”) at the standard rate of 25% in the period (2008: 25%). XZBM, the Company’s another subsidiary, is established in the Xiamen Special Economic Zone and is subject to EIT at a rate of 20%, which is the standard tax rate in the special economic zone in fiscal year 2009 (2008: 18%).

The standard EIT rate applicable to XZBM will be gradually increased from 20% to 25% during the next three-year transitional period as follows:

Year	Applicable EIT rate
2010	22%
2011	24%
2012	25%

Both LZNE and XZBM, being wholly owned foreign enterprises (“WOFEs”) with their principal activities in production and over 10-year operating period, are eligible to enjoy tax exemption and tax reductions given to a WOFE. In particular, LZNE is eligible to 50% reduction of EIT standard rate for the three fiscal years 2008, 2009 and 2010 while XZBM is eligible to full exemption from EIT for two fiscal years 2008 and 2009 and 50% reduction of EIT standard rate for the following three fiscal years. In addition, according to the tax circular issued by the State Administration of Taxation in the PRC (“SAT”) dated 10 April 2009, being engaging in resources comprehensive utilisation, both entities are qualified to be further eligible for another preferential tax policy under which 10% reduction is applied to their revenue generated from sale of products by utilising waste or recycled materials in the calculation of the assessable income since 1 January 2009.

9. INCOME TAX EXPENSE - Continued

Previously, management considered that both LZNE and XZBM shall be eligible for either of the above tax preferential policies in 2008 and opted for the latter option (i.e., the one related to these subsidiaries being engaged in resources comprehensive utilisation). However, accordingly to further verification from the local tax authorities on 30 August 2009, these Group's subsidiaries could only enjoy the former tax preferential policies (i.e., the one related to these subsidiaries being qualified WOFEs) in 2008. The under-provision of EIT arising from the above, together with the impact on exemption of EIT relating to government grants granted in 2008 as described below, has been reflected in the current year's tax provision.

LZBM, being WOFE with its principal activities in production and over 10-year operating period, is eligible to a preferential tax policy of full exemption from EIT for two fiscal years 2008 and 2009 and 50% reduction of EIT standard rate for the following three fiscal years.

Besides, pursuant to a circular jointly issued by the Ministry of Finance in the PRC and the SAT dated 16 June 2009, government grants that were granted on or after 1 January 2008 are qualified for EIT exemption if the following criteria are met: (1) the entities receiving the grants can provide approval documentation issued by relevant government authorities in which usage of the grants are specified; (2) there are detailed promulgations issued by relevant government authorities to manage the use of the grants and (3) the grants, together with the expenditures associated with the grants, are accounted for separately in the books of the entities receiving the grants. However, the circular also states that the expenses associated with the grants, and the depreciation and amortisation charges in connection with the non-current assets acquired by the entities by utilising the grants, are not deductible for the purpose of EIT calculation.

The grant in the amount of RMB8.44 million (2008: RMB8.02 million) granted for usage of non-grain materials in the production of biodiesel products meets the above criteria and local tax authority has approved the EIT exemption related to such grant received by the Group since 1 January 2008.

Income tax expense of the Group for the period represents the EIT calculated at the applicable income tax rate on the assessable income.

	6 months ended 30 June 2009 (unaudited) RMB	6 months ended 30 June 2008 (unaudited) RMB
Current tax		
- tax for the period	322,945	1,592,902
- under provision in respect of prior years	504,799	-
	<u>827,744</u>	<u>1,592,902</u>
Deferred tax		
- current period	189,802	12,500
- attributable to decrease in tax rate	277,302	-
	<u>467,104</u>	<u>12,500</u>
Income tax expense	<u><u>1,294,848</u></u>	<u><u>1,605,402</u></u>

9. INCOME TAX EXPENSE - Continued

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

6 months ended 30 June 2009	6 months ended 30 June 2008
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	(unaudited) RMB	(unaudited) RMB
Profit before income tax expense	<u>7,269,236</u>	<u>9,930,336</u>
Expected tax charged based on the standard rate of enterprise income tax in the PRC of 25% (2008: 25%)	1,817,309	2,482,584
Tax exemption and concession	(2,873,166)	(1,710,358)
Tax effect of tax losses not recognised	1,332,615	-
Tax effect of non-deductible expenses	235,989	833,176
Effect on opening deferred tax balances resulting from an decrease in applicable tax rate	277,302	-
Under provision in respect of prior years	<u>504,799</u>	<u>-</u>
Income tax expense	<u>1,294,848</u>	<u>1,605,402</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 2009 (unaudited) RMB	6 months ended 30 June 2008 (unaudited) RMB
<i><u>Earnings</u></i>		
Earnings for the purpose of basic earnings per share	5,981,655	8,340,213
Effect of dilutive potential ordinary shares	-	-
Earnings for the purpose of diluted earnings per share	<u>5,981,655</u>	<u>8,340,213</u>
<i><u>Number of shares</u></i>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	45,411,765	45,411,765
Effect of dilutive potential ordinary shares: - share options	-	-
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>45,411,765</u>	<u>45,411,765</u>
<i><u>Earnings per share</u></i>		
Basic	<u>0.132</u>	<u>0.183</u>
Diluted	<u>0.132</u>	<u>0.183</u>

The computation of diluted earnings per share for the six months ended 30 June 2009 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 2009.

11. PROPERTY, PLANT AND EQUIPMENT AND PAYMENTS FOR LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASES

	30 June 2009 (unaudited) RMB	31 December 2008 (audited) RMB
Cost		
Buildings	45,607,995	45,607,995
Machineries	123,113,687	122,396,235
Motor vehicles	1,742,546	1,742,546
Furniture, fixtures and equipment	843,946	827,022
Construction in progress	14,765,575	11,326,524
	<u>186,073,749</u>	<u>181,900,322</u>
Accumulated depreciation	<u>(22,343,154)</u>	<u>(16,955,903)</u>
Net book value	<u>163,730,595</u>	<u>164,944,419</u>

The Group has pledged leasehold land, buildings and certain machineries having net book values of RMB5,861,712, RMB17,928,060 and RMB57,810,642 (2008: RMB5,933,824, RMB18,285,118 and RMB59,815,503) respectively to secure loans granted to the Group.

12. INVENTORIES

	30 June 2009 (unaudited) RMB	31 December 2008 (audited) RMB
Raw materials and consumables	8,558,147	6,404,014
Work-in-progress	3,383,226	2,278,504
Finished goods	7,414,305	5,875,740
	<u>19,355,678</u>	<u>14,558,258</u>

During the period, there was a significant increase in the net realisable value of inventories due to recovery in economy. As a result, a reversal of write-down of inventories of RMB3,777,013 (2008: nil) has been recognised and included in the cost of sales in current period.

13. TRADE AND OTHER RECEIVABLES

	30 June 2009 (unaudited) RMB	31 December 2008 (audited) RMB
Trade debtors – third parties	2,283,951	8,828,971
Trade debtors – related companies	1,070,879	872,434
	<u>3,354,830</u>	<u>9,701,405</u>
Notes receivable – third parties	2,460,657	2,150,000
Deposits paid	485,099	477,342

Prepayments	23,888	71,810
Other receivables	289,216	945,163
VAT receivable and refundable	6,321,616	6,190,852
Amounts due from related companies	3,560,000	3,560,000
Amount due from a shareholder	597,340	156,229
	<u>17,092,646</u>	<u>23,252,801</u>

Amounts due from third parties are unsecured, interest-free and with no specific credit terms granted.

Related company is a company in which the director has an interest. The amounts due from related companies with non-trading nature are unsecured, interest-free and repayable on demand. Amounts due from related companies with trading nature are unsecured, interest-free and with no specific credit terms granted (2008: no specific credit terms).

As at 30 June 2009, all items in trade and other receivables were denominated in RMB (2008: RMB). The directors consider that the carrying amount of trade and other receivables approximates their fair value.

14. TRADE AND OTHER PAYABLES

	30 June 2009 (unaudited) RMB	31 December 2008 (audited) RMB
Trade creditors	1,106,056	1,905,779
Deferred income	500,000	550,000
Deposits received	2,966,810	198,128
Payroll payable	502,231	580,562
Other payables	1,264,717	1,132,065
Payable to contractors for acquisition of property, plant and equipment	2,061,106	4,899,833
VAT payable	<u>409,358</u>	<u>274,093</u>
	<u>8,810,278</u>	<u>9,540,460</u>

As at 30 June 2009, substantively all trade and other payables were denominated in RMB (2008: RMB). The directors consider that the carrying amount of trade and other payables approximates their fair value.

15. BANK LOANS

	30 June 2009 (unaudited) RMB	31 December 2008 (audited) RMB
Bank loans		
- Secured by the Group's own machineries	4,850,000	4,850,000
- Secured by the Group's buildings and leasehold land	30,000,000	30,000,000
- Guaranteed by a related company	3,000,000	3,000,000
- Unsecured	-	500,000
	<u>37,850,000</u>	<u>38,350,000</u>

As at 30 June 2009, other financial liabilities were denominated in RMB (2008: RMB).

16. RELATED PARTIES TRANSACTIONS

During the six months ended 30 June 2009, 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 2009 (unaudited) RMB	6 months ended 30 June 2008 (unaudited) RMB
Companies in which directors or their close family members have an interest	Purchase from the Group	<u>878,900</u>	<u>1,986,951</u>
	Sale to the Group	<u>297,111</u>	<u>707,271</u>

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 2009 (2008: RMB3,000,000) were guaranteed by a related company, which is controlled by close family members of the Company's directors.

The remuneration of key management personnel, being the directors of the Group, for the six months ended 30 June 2009 amounted to RMB650,854 (2008: RMB1,111,215).

17. CAPITAL COMMITMENTS

As at 30 June 2009, the Group's commitments for the acquisition of property, plant and equipment are listed as follows:

	30 June 2009 (unaudited) RMB	31 December 2008 (audited) RMB
Contracted for but not provided - Property, plant and equipment	<u>1,345,000</u>	<u>4,745,000</u>

18. DIVIDENDS

The directors do not recommend payment of dividend in respect of the first half of 2009 (2008: RMB nil).

19. SUBSEQUENT EVENTS

In July 2009, the Group repaid the original bank borrowing of RMB30 million and obtained a new bank borrowing of RMB16 million with a term of one year commencing from 17 July 2009.