

China Biodiesel International Holding Co., Ltd. (AIM: CBI), the leading producer of biodiesel focused on the Chinese market, announces its Interim Results for the six months ended 30 June 2007.

## Highlights

- Turnover increase of 15 per cent to RMB 52.66million(2006: RMB 45.73million)
- Successfully acquired government authorisation for three national patents and submitted applications for a further five patents
- Recognised in the Chinese National 11<sup>th</sup> Five-year Plan as the only 'Technologically Supporting Enterprise' in the biodiesel industry
- Received awards including "Provincial Experimental Innovative Enterprise" and "the Thirty Best Enterprises in Western Fujian Province"

CBI's chairman, Huodong Ye, commented: "This period has proved difficult for the global biodiesel industry due to the worldwide increase in the price of feedstock. This has led to an erosion in the profit margins of CBI. The Company has also suffered delays in the commissioning of its new plants, caused by severe weather conditions, which has also negatively impacted profits. Nevertheless, the Company is still profitable through effective management and our advanced and efficient production techniques. We expect some growth in the coming months, based on the continuing rise in fossil fuel prices, the continued growth within the biodiesel market, and the start of production at the new plants. Further government support and their friendly policies towards the biodiesel industry are also expected to encourage some growth.

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## Chairman's statement

### Overview

During the first half of 2007, CBI overcame a number of difficulties to continue its business development and provide a platform for continued growth for 2008 and beyond.

Globally we believe that the biodiesel industry experienced a difficult period due to the increasing price of raw materials. This significantly impacted CBI's margin. However, we were able to keep our costs low, compared to industry standards, due to our ability to use waste cooking oil as feedstock.

The abundant supply of fossil fuel in the Chinese domestic market caused a decrease in biodiesel demand in the first six months of the year. However the Company has been able to mitigate some of the impact of this by increasing our production of Biodiesel II, which has a higher value and price than Biodiesel III. The proportion of total production of Biodiesel II has increased to 33.02% for the first half of 2007 from 15.96% for the same period last year. This shift in our product mix has partially offset the effect of the increase in feedstock prices.

Despite the best efforts of the Company to stay on schedule for the construction of the new plants, external factors, such as persistent poor weather, has caused delays in commissioning the plant and commencing production. The Longyan plant extension saw trial production begin on August 23 and installation is now well underway at the Xiamen plant. A third plant, in Longyan with 100,000 tons capacity per annum, is in its design and preparation stage.

We are establishing relationships with a number of new suppliers of raw material, and with the increase in the fossil fuel global market price, CBI is becoming cautiously confident that it can improve gross margins and profit growth in 2008.

### **Operational review**

In the first half of 2007 production from our existing plants exceeded that of the same period last year on a like for like basis. Furthermore, higher quality products were produced creating an encouraging growth in sales value. To counteract the effects of the continuing rise in the price of feedstock, the Company has sought supplies from further domestic and foreign markets.

LYZE, one of CBI's subsidiaries, has acquired government authorization for three national patents and has submitted applications for five further patents. In addition, it was recognized in the Chinese National 11th Five-year Plan as the only "Technologically Supporting Enterprise" in the biodiesel industry. We are the only company in our sector expected to continue to receive financial subsidy from the Chinese government. The subsidies commenced payment in 2007. Owing to our innovative progress and strong market competitiveness, we have won further accolades including being a "Provincial Experimental Innovative Enterprise" and "the Thirty Best Enterprises in Western Fujian Province".

### **Financial review**

The revenue for the six months ended 30 June 2007 was RMB52.66 million (15 per cent up from 2006: RMB45.73 million), arising from the total output of 11,690 tons (4.2 per cent up from 2006: 11,215 tons). The increase in revenue was on the back of a rising average selling price; 10.53 per cent higher than last year. However, the margin was affected by the increased global price of feedstock. As a result, gross profit fell to RMB9.08 million (2006: RMB16.9 million), representing a margin of 17 per cent (2006:37 per cent).

Since CBI's listing on AIM last June, we have pursued a strategy to strengthen our management and comply with best practice corporate governance guidelines, this has led to an increase

however in administration expenses of two and a half times to RMB3.57 million. Financial costs fell to RMB 0.24 million (2006: RMB0.37 million), as a result of a lower bank loan.

## **Outlook**

With the continued growth of the economy in China there is an increased reliance on imported energy. Further the Chinese Government has recently listed the bio diesel industry into the National Mid-term and Long-term Development Plan, a reflection of the industries importance in the economic growth within China. As a consequence we expect future preferential financial and taxation policies that will support our industry and eventually be beneficial to the Company.

At the same time as constructing new production capacity we continue to improve our technology, management and marketing of our products. We are exploring both the purchase of used cooking oil and other oil products from both inside and outside of China in order to restore margins to historic levels. Furthermore, we are establishing more sales channels now for when our production capacity grows.

We have previously announced that we are now producing biodiesel at the Longyan extension where we are now capable of producing and selling from Longyan approximately 50,000 pa at full production. The completion of the Longyan extension was held up by poor weather conditions which is also affecting the construction of our new site at Xiamen where we expect to produce and sell another 50,000 pa when in full production. Today our best estimate as to when test production will start at Xiamen is H1 of 2008 and then increasing our output to full production that should be achieved before the end of 2008. The delays in production, together with higher selling prices, however continue to impact revenue with sales lower than previous expectations.

Recently our gross margins have been under pressure, as set out in our trading statement in August 2007. While this has stabilised, the improvement in margins as highlighted in August has yet to materialise. As a result of the growing demand for better quality produce, which we are capable of producing, we remain confident that by marginally reducing our total output, we can achieve margin improvement albeit at a slower rate than initially anticipated.

Our management team have been frustrated by these difficulties this year but we have learned much from the experience and this has made us more determined to make 2008 as successful as we know we all want it to be with a bright future ahead of us.

**Huodong Ye**

Chairman

20 September 2007

**CHINA BIODIESEL INTERNATIONAL HOLDING CO., LTD.**

**CONDENSED CONSOLIDATED INCOME STATEMENT  
FOR THE SIX MONTHS ENDED 30 JUNE 2007**

	Notes	6 months ended 30 June 2007 (unaudited) RMB	6 months ended 30 June 2006 (unaudited) RMB	Year ended 31 December 2006 (audited) RMB
Turnover	6	52,659,596	45,726,571	101,098,548
Cost of sales		<u>(43,572,193)</u>	<u>(28,823,176)</u>	<u>(71,191,170)</u>
Gross profit		9,087,403	16,903,395	29,907,378
Other income, net	7	1,591,753	1,982,608	4,212,324
Government grants	8	1,350,000	250,000	7,750,000
Distribution costs		(403,870)	(266,655)	(625,462)
Administrative expenses		(3,570,573)	(1,013,347)	(2,453,939)
Other operating expenses		<u>(98,162)</u>	<u>1,478</u>	<u>(22,658)</u>
Profit from operations		7,956,551	17,857,479	38,767,643
Finance income		199,031	6,986	246,310
Finance costs		(235,846)	(374,779)	(624,895)
Gain on disposal of an associate		<u>-</u>	<u>-</u>	<u>450,000</u>
Profit before income tax expense		7,919,736	17,489,686	38,839,058
Income tax expense	9	<u>(153,078)</u>	<u>(1,540,095)</u>	<u>(1,719,826)</u>
Profit for the period		<u>7,766,658</u>	<u>15,949,591</u>	<u>37,119,232</u>
Attributable to:				
- Equity holders of the Company		7,772,678	15,953,750	37,057,373
- Minority interests		<u>(6,020)</u>	<u>(4,159)</u>	<u>61,859</u>
		<u>7,766,658</u>	<u>15,949,591</u>	<u>37,119,232</u>
Dividends	19	<u>-</u>	<u>-</u>	<u>1,020,019</u>
Dividend per share	19	<u>-</u>	<u>-</u>	<u>0.0816</u>
Earnings per share	10			
Basic		<u>0.171</u>	<u>0.443</u>	<u>0.910</u>
Diluted		<u>0.170</u>	<u>0.443</u>	<u>0.909</u>

**CHINA BIODIESEL INTERNATIONAL HOLDING CO., LTD.**

**CONDENSED CONSOLIDATED BALANCE SHEET  
AS AT 30 JUNE 2007**

	Notes	30 June 2007 (unaudited) RMB	30 June 2006 (unaudited) RMB	31 December 2006 (audited) RMB
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment	11	114,331,603	26,920,313	43,617,764
Deposits for acquisition of property, plant and equipment		-	-	23,194,250
Payments for leasehold land held for own use under operating leases		9,100,557	753,143	8,836,715
Other intangible assets		3,010	3,456	3,233
Interests in an associate		-	1,550,000	-
Deferred tax assets		190,649	158,319	207,149
<b>Total non-current assets</b>		<u>123,625,819</u>	<u>29,385,231</u>	<u>75,859,111</u>
<b>Current assets</b>				
Inventories	12	7,476,855	4,002,428	6,170,567
Trade and other receivables	13	29,273,686	129,716,363	27,276,313
Cash and cash equivalents		37,906,325	4,779,968	69,326,379
<b>Total current assets</b>		<u>74,656,866</u>	<u>138,498,759</u>	<u>102,773,259</u>
<b>Total assets</b>		<u>198,282,685</u>	<u>167,883,990</u>	<u>178,632,370</u>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade and other payables	14	18,020,521	10,231,112	5,970,095
Current tax liabilities		1,600,730	1,441,782	1,590,471
Other financial liabilities	15	7,510,091	11,315,643	6,323,324
<b>Total current liabilities</b>		<u>27,131,342</u>	<u>22,988,537</u>	<u>13,883,890</u>
<b>Non-current liabilities</b>				
Other financial liabilities	15	447,019	601,914	617,924
<b>Total liabilities</b>		<u>27,578,361</u>	<u>23,590,451</u>	<u>14,501,814</u>
<b>TOTAL NET ASSETS</b>		<u>170,704,324</u>	<u>144,293,539</u>	<u>164,130,556</u>

**CHINA BIODIESEL INTERNATIONAL HOLDING CO., LTD.**  
**CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)**  
**AS AT 30 JUNE 2007**

	Notes	30 June 2007 (unaudited) RMB	30 June 2006 (unaudited) RMB	31 December 2006 (audited) RMB
<b>Capital and reserves attributable to equity holders of the Company</b>				
Share capital		3,632,941	3,632,941	3,632,941
Reserves		166,757,371	140,406,584	159,157,564
Dividends	19	-	-	1,020,019
Equity attributable to equity holders of the Company		<u>170,390,312</u>	<u>144,039,525</u>	<u>163,810,524</u>
Minority interests		<u>314,012</u>	<u>254,014</u>	<u>320,032</u>
<b>TOTAL EQUITY</b>		<u><u>170,704,324</u></u>	<u><u>144,293,539</u></u>	<u><u>164,130,556</u></u>

**CHINA BIODIESEL INTERNATIONAL HOLDING CO., LTD.**

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTHS ENDED 30 JUNE 2007**

	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 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)
At 30 June 2007 (Unaudited)	3,632,941	90,572,623	5,047,816	(1,479,919)	2,229,427	(121,330)	7,308,044	-	63,200,710	170,390,312	314,012	170,704,324
At 1 January 2006 (Audited)	8	-	4,927,808	-	-	(121,330)	2,529,491	-	24,169,231	31,505,208	258,173	31,763,381
Profit/(loss) for the period	-	-	-	-	-	-	-	-	15,953,750	15,953,750	(4,159)	15,949,591
Total recognised income and expenses	-	-	-	-	-	-	-	-	15,953,750	15,953,750	(4,159)	15,949,591
Issuance of bonus shares	2,879,992	-	(2,879,992)	-	-	-	-	-	-	-	-	-
Issuance of shares for placing	752,941	116,312,901	-	-	-	-	-	-	-	117,065,842	-	117,065,842
Share issue costs	-	(20,485,275)	-	-	-	-	-	-	-	(20,485,275)	-	(20,485,275)
Settlement of share issue costs by share-based payments paid by equity holder	-	(3,000,000)	3,000,000	-	-	-	-	-	-	-	-	-
Issuance of share options	-	(2,229,427)	-	-	2,229,427	-	-	-	-	-	-	-
At 30 June 2006 (Unaudited)	3,632,941	90,598,199	5,047,816	-	2,229,427	(121,330)	2,529,491	-	40,122,981	144,039,525	254,014	144,293,539

**CHINA BIODIESEL INTERNATIONAL HOLDING CO., LTD.**

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT  
FOR THE SIX MONTHS ENDED 30 JUNE 2007**

	Notes	6 months ended 30 June 2007 (unaudited) RMB	6 months ended 30 June 2006 (unaudited) RMB	Year ended 31 December 2006 (audited) RMB
Net cash flows from operating activities	16	8,171,268	11,851,238	29,591,412
Net cash used in investing activities		(39,178,448)	(15,118,304)	(59,407,295)
Net cash flows from/(used in) financing activities		<u>(240,003)</u>	<u>(1,411,992)</u>	<u>90,990,284</u>
Net (decrease)/increase in cash and cash equivalents		(31,247,183)	(4,679,058)	61,174,401
Cash and cash equivalents at beginning of period		69,326,379	9,459,026	9,459,026
Effect of foreign exchange rate changes		<u>(172,871)</u>	<u>-</u>	<u>(1,307,048)</u>
Cash and cash equivalents at end of period		<u><u>37,906,325</u></u>	<u><u>4,779,968</u></u>	<u><u>69,326,379</u></u>

# **CHINA BIODIESEL INTERNATIONAL HOLDING CO., LTD.**

## **NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2007**

### **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 Fujian Province, the PRC.

The 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 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 2006 (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.

In the current period, the Group has also applied, for the first time, the new standards, amendments and interpretation issued by the IASB (hereinafter collectively referred to as the “new IFRSs”) that are effective for the accounting periods beginning on or after 1 January 2007.

The adoption of these new IFRSs has had no material effect on how the results for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment is required.

The preparation of the Interim Financial Statements in conformity with International Financial Reporting Standards (“IFRSs”) issued by the IASB requires the management to make estimates and assumptions that affect the reported amounts of revenue, expenses, assets, liabilities, and disclosure of contingent liabilities at the date of the Interim Financial Statements. If in the future such estimates and assumptions, which are based on management’s best judgment at the date of the Interim Financial Statements, deviate from the actual circumstance, the original estimates and assumptions will be modified as appropriate in the period in which the circumstance change.

### **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
IFRS 8 – Operating segments	Effective for annual periods beginning on or after 1 January 2009
IFRIC interpretation 11 – Group and treasury share transactions	Effective for annual periods beginning on or after 1 March 2007
IFRIC interpretation 12 – Service concession arrangements	Effective for annual periods beginning on or after 1 January 2008
IFRIC interpretation 13 – Customer loyalty programmes	Effective for annual periods beginning on or after 1 July 2008
IFRIC interpretation 14 – The limit on a defined benefit asset, minimum funding requirements and their interaction	Effective for annual periods beginning on or after 1 January 2008

#### 4. SUBSIDIARIES

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

<b>Name</b>	<b>Place of incorporation and operations</b>	<b>Date of incorporation</b>	<b>Principal activities</b>	<b>Proportion of ownership interest</b>
Longyan Zhuoyue New Energy Development Co., Ltd. (“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 year are as follows:

	<b>6 months ended 30 June 2007 (unaudited) RMB</b>	<b>6 months ended 30 June 2006 (unaudited) RMB</b>	<b>Year ended 31 December 2006 (audited) RMB</b>
Revenue arises from:			
Sale of biodiesel products	52,609,596	45,706,071	100,479,548
Provision of technology services and others	<u>50,000</u>	<u>20,500</u>	<u>619,000</u>
	<u><u>52,659,596</u></u>	<u><u>45,726,571</u></u>	<u><u>101,098,548</u></u>

## 7. OTHER INCOME, NET

	<b>6 months ended 30 June 2007 (unaudited) RMB</b>	<b>6 months ended 30 June 2006 (unaudited) RMB</b>	<b>Year ended 31 December 2006 (audited) RMB</b>
Income from sale of used packaging materials	1,614,921	1,986,821	4,318,572
Loss from sale of auxiliary and scrap products	<u>(23,168)</u>	<u>(4,213)</u>	<u>(106,248)</u>
	<u><u>1,591,753</u></u>	<u><u>1,982,608</u></u>	<u><u>4,212,324</u></u>

## 8. GOVERNMENT GRANTS

Government grants represented the financial support from relevant government authorities in connection with research and development of biodiesel products.

## 9. INCOME TAX EXPENSE

	<b>6 months ended 30 June 2007 (unaudited) RMB</b>	<b>6 months ended 30 June 2006 (unaudited) RMB</b>	<b>Year ended 31 December 2006 (audited) RMB</b>
Provision of income tax expense for the period:			
- BVI	-	-	-
- PRC	153,078	1,540,095	1,719,826
	<u>153,078</u>	<u>1,540,095</u>	<u>1,719,826</u>

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 BVI.

Current tax expense of the Group represented the PRC enterprise income tax calculated at the standard income tax rate or preferential income tax rate on the assessable income.

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

	<b>6 months ended 30 June 2007 (unaudited) RMB</b>	<b>6 months ended 30 June 2006 (unaudited) RMB</b>	<b>Year ended 31 December 2006 (audited) RMB</b>
Profit before income tax expense	<u>7,919,736</u>	<u>17,489,686</u>	<u>38,839,058</u>
Expected tax charged based on the standard rate of enterprise income tax in the PRC of 33%	2,613,513	5,771,596	12,816,889
Tax exemption and concession	(3,322,357)	(4,260,160)	(11,256,902)
Tax effect of non-taxable revenue	-	(141,177)	(213,323)
Tax effect of non-deductible expenses	730,392	150,125	90,928
Effect of difference between standard rate and expected rate at realisation of temporary differences	<u>131,530</u>	<u>19,711</u>	<u>282,234</u>
Income tax expense	<u>153,078</u>	<u>1,540,095</u>	<u>1,719,826</u>

On 16 March 2007, the fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC ("new tax law") which will take effect on 1 January 2008. As a result of the new tax law, it is expected that the income tax rate applicable to the branch of LZNE will be reduced from 33% to 25% from 1 January 2008. Further, from 1 January 2008, the income tax rate of LZNE, XMBM and LYBM is expected to gradually increase from 15% to 25% over a five-year transition period. However, the new tax law has not set out the details as to how the existing preferential tax rate will gradually increase to the standard rate of 25%. The enactment of the new tax law is not expected to have any financial effect on the amount accrued in the balance sheet in respect of current tax payable.

## 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:

	<b>6 months ended 30 June 2007 (unaudited) RMB</b>	<b>6 months ended 30 June 2006 (unaudited) RMB</b>	<b>Year ended 31 December 2006 (audited) RMB</b>
<i>Earnings</i>			
Earnings for the purpose of basic earnings per share	7,772,678	15,953,750	37,057,373
Effect of dilutive potential ordinary shares	-	-	-
Earnings for the purpose of diluted earnings per share	<u>7,772,678</u>	<u>15,953,750</u>	<u>37,057,373</u>
<i>Number of shares</i>			
Weighted average number of ordinary shares for the purpose of basic earnings per share	45,411,765	36,051,998	40,705,883
Effect of dilutive potential ordinary shares:			
- share options	<u>74,665</u>	<u>310</u>	<u>63,023</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>45,486,430</u>	<u>36,052,308</u>	<u>40,768,906</u>
<i>Earnings per share</i>			
	<b>RMB</b>	<b>RMB</b>	<b>RMB</b>
Basic	<u>0.171</u>	<u>0.443</u>	<u>0.910</u>
Diluted	<u>0.170</u>	<u>0.443</u>	<u>0.909</u>

## 10. EARNINGS PER SHARE - Continued

The weighted average number of ordinary shares for the purpose of basic earnings per share for the period ended 30 June 2006 has been adjusted for the bonus shares issued on 22 June 2006.

## 11. PROPERTY, PLANT AND EQUIPMENT

	<b>30 June 2007 (unaudited) RMB</b>	<b>30 June 2006 (unaudited) RMB</b>	<b>31 December 2006 (audited) RMB</b>
Cost			
Buildings	3,057,216	3,057,216	3,057,216
Machineries	25,991,000	13,943,532	25,935,590
Motor vehicles	1,486,609	444,104	1,486,609
Furniture, fixtures and equipment	332,025	192,947	252,596
Construction in progress	89,150,921	12,721,068	17,186,268
	<u>120,017,771</u>	<u>30,358,867</u>	<u>47,918,279</u>
Accumulative depreciation	<u>(5,686,168)</u>	<u>(3,438,554)</u>	<u>(4,300,515)</u>
Net book value	<u>114,331,603</u>	<u>26,920,313</u>	<u>43,617,764</u>

The cost of construction in progress as at 30 June 2007 represented the accumulative expenditures on the new plants and production facilities located at Longyan and Xiamen which were still in progress at the balance sheet date.

As at 30 June 2007, the net carrying amount of machineries pledged as security for bank loan of RMB3,000,000 amounted to RMB 6,475,554 (31 December 2006: RMB6,925,155).

## 12. INVENTORIES

	<b>30 June 2007 (unaudited) RMB</b>	<b>30 June 2006 (unaudited) RMB</b>	<b>31 December 2006 (audited) RMB</b>
Raw materials and consumables	5,944,002	2,968,940	5,102,789
Work-in-progress	735,142	680,174	728,138
Finished goods	797,711	353,314	339,640
	<u>7,476,855</u>	<u>4,002,428</u>	<u>6,170,567</u>

### 13. TRADE AND OTHER RECEIVABLES

	<b>30 June 2007 (unaudited) RMB</b>	<b>30 June 2006 (unaudited) RMB</b>	<b>31 December 2006 (audited) RMB</b>
Trade debtors - third parties	25,720,161	22,113,479	24,610,743
Trade debtors - related companies	1,296,827	486,461	920,720
Deposit paid	402,254	417,299	442,843
Prepayments	14,410	7,619	26,940
Other receivables	320,014	364,566	275,067
Proceeds receivable from initial public offering	-	105,973,101	-
Amount due from related companies	1,500,000	-	1,000,000
Amount due from an equity holder	20,020	353,838	-
	<u>29,273,686</u>	<u>129,716,363</u>	<u>27,276,313</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 2007, all items in trade and other receivables were denominated in RMB. The directors consider that the carrying amount of trade and other receivables approximates their fair value.

### 14. TRADE AND OTHER PAYABLES

	<b>30 June 2007 (unaudited) RMB</b>	<b>30 June 2006 (unaudited) RMB</b>	<b>31 December 2006 (audited) RMB</b>
Trade creditors	2,049,821	1,120,253	232,009
Deferred income	700,000	848,500	750,000
Deposit received	413,177	502,030	64,292
Payroll payable	172,505	71,313	582,538
Other payables	566,958	6,838,400	635,089
Payable to contractors for acquisition of equipment	13,379,023	-	3,061,240
Value-added tax payable	739,037	850,616	644,927
	<u>18,020,521</u>	<u>10,231,112</u>	<u>5,970,095</u>

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

**15. OTHER FINANCIAL LIABILITIES**

	<b>30 June 2007 (unaudited) RMB</b>	<b>30 June 2006 (unaudited) RMB</b>	<b>31 December 2006 (audited) RMB</b>
Current other financial liabilities			
Bank loans due within one year			
- Secured by the Group's own machineries	3,000,000	3,000,000	3,000,000
- Guaranteed by a related company	3,000,000	8,000,000	3,000,000
- Unsecured	490,072	285,713	294,118
	<u>6,490,072</u>	<u>11,285,713</u>	<u>6,294,118</u>
Amount due to an equity holder	-	29,930	29,206
Dividend payable	1,020,019	-	-
	<u>7,510,091</u>	<u>11,315,643</u>	<u>6,323,324</u>
Non-current other financial liabilities			
Bank loans due over one year (unsecured)	447,019	601,914	617,924

As at 30 June 2007, other financial liabilities were denominated in RMB.

**16. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	<b>6 months ended 30 June 2007 (unaudited) RMB</b>	<b>6 months ended 30 June 2006 (unaudited) RMB</b>	<b>Year ended 31 December 2006 (audited) RMB</b>
Cash flows from operating activities			
Profit before income tax expense	7,919,736	17,489,686	38,839,058
Adjustments for:			
Interest income	(199,031)	(6,986)	(246,310)
Depreciation of property, plant and equipment	1,385,653	690,461	1,552,422
Amortisation of land lease payment	6,158	6,158	12,317
Amortisation of other intangible assets	223	223	446
Interest expense	235,846	374,779	624,895
Gain on disposal of an associate	-	-	(450,000)
Net cash flows from operating activities	<u>9,348,585</u>	<u>18,554,321</u>	<u>40,332,828</u>
Increase in inventories	(1,306,288)	(1,193,160)	(3,361,299)
Increase in trade and other receivables	(1,477,353)	(5,479,211)	(6,611,976)
Increase/(decrease) in trade and other payables	<u>1,732,643</u>	<u>502,261</u>	<u>(155,297)</u>
Cash generated from operations	8,297,587	12,384,211	30,204,256
Income tax paid	<u>(126,319)</u>	<u>(532,973)</u>	<u>(612,844)</u>
Net cash flows from operating activities	<u><u>8,171,268</u></u>	<u><u>11,851,238</u></u>	<u><u>29,591,412</u></u>

## 17. RELATED PARTIES TRANSACTIONS

During the six months ended 30 June 2007, 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 2007 (unaudited) RMB	6 months ended 30 June 2006 (unaudited) RMB	Year ended 31 December 2006 (audited) RMB
Companies in which directors or their close family members have an interest	Purchase from the Group	<u>1,755,428</u>	<u>1,917,972</u>	<u>5,189,422</u>
	Sales to the Group	<u>1,379,320</u>	<u>211,650</u>	<u>693,330</u>

The transactions mentioned above were conducted on an arms 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 2007 (31 December 2006: RMB 3,000,000) were guaranteed by a related company, which is controlled by close family members of the Company's directors.

## 18. CAPITAL COMMITMENT

As at 30 June 2007, the Group's commitments for the acquisition of property, plant and equipment and for capital injection into LYBM are listed as follows:

	30 June 2007 (unaudited) RMB	30 June 2006 (unaudited) RMB	31 December 2006 (audited) RMB
Contracted for but not provided			
- Purchase of equipment	18,902,861	6,704,000	30,181,217
- Acquisition of land use right	-	6,000,000	-
- Capital injection to LYBM by cash	<u>6,905,240</u>	<u>-</u>	<u>-</u>
	<u>25,808,101</u>	<u>12,704,000</u>	<u>30,181,217</u>

According to the Article of Association of LYBM, the remaining capital of RMB 6,905,240 should be injected within 2 years commencing on the date when it was officially incorporated, which was 28 February 2007.

## **19. DIVIDENDS**

The Annual General Meeting of the Company held on 21 June 2007 has resolved to declare a final dividend of RMB 0.0816 per Ordinary Share for the year ended 31 December 2006 with the waive of the dividend entitlements by Mr. Yehuodong, 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 2007.