

China Biodiesel

Press Announcement



FOR IMMEDIATE RELEASE

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China Biodiesel International Holding Co Limited

Interim results for the six months ended 30 June 2006

LONGYAN CITY, FUJIAN PROVINCE, CHINA - China Biodiesel International Holding Co., Ltd. ("CBI" or "the Company"), announces its interim results for the six months ended 30 June 2006, its first results since listing on AIM.

Financial Highlights

Figures in RMB '000s	% growth	Six months ended 30 June	
		2006	2005
Revenue	+ 104	45,727	22,390
Gross profit	+ 129	16,903	7,383
Profit before tax	+ 158	17,490	6,768
Profit for the period	+ 151	15,950	6,361
Earnings per share	+ 144	0.44	0.18

Operational Highlights

- Second Longyan plant on target to commence full scale production by the end of 2006 following successful August trials;
- Second plant expected to increase capacity from 20,000 to 50,000 tonnes per annum;
- Development of new technologies means improved conversion rates by 2% and reduced energy costs by 20%;
- Transportation costs reduced due to customers taking responsibility for their own delivery;
- Improved environmental awareness and a rise in fossil fuel prices have led to increased demand; and
- Foreign demand has seen the export of CBI biodiesel to Norway.

Huodong Ye, Chairman, commented:

"Given a favourable political and market background for biodiesel in China, we remain extremely positive about our future prospects and we expect to see continued growth going forward."

CONTACTS

Bankside:
Simon Bloomfield or Samantha Kinghorn

020-7367-8888

Chairman's statement

Strategic Overview

I am pleased to report that China Biodiesel International Holding Co., Ltd. has made good progress in the first half of this financial year, a period during which the company successfully floated on AIM.

Most of the sales for this period came from repeat business, however, we have also set up three new sales agencies in the provinces of Jiangxi and Guandong, and in Sanming City, all of which have started to attract new customers.

The Chinese government continues to support the development of the biodiesel industry and after the period end to which this report relates, CBI was recently included in the list of "Top 10 Energy Efficiency Projects in China" by the National Development and Reform Committee. In addition, the Company was awarded a RMB 4.9 million Government grant, and, as the leading enterprise in this sector, the company anticipates receiving further support from the Government in the future.

Although the Company's main focus continues to be on the Chinese market, it has experienced international interest in its products. In May 2006, CBI exported an order to Norway and is currently in negotiation with potential customers in France and Austria.

During the first half of the year, the company successfully negotiated contracts with suppliers to ensure that all its raw material needs will be met for the remainder of 2006 and beyond.

The Company has increased its spending on research and development and, as a result, CBI has experienced various technological breakthroughs. Consequently, in February 2006, the Company applied for three patents on its equipment and production process. The new technology improves the conversion rate of waste oil to biodiesel by two per cent. and reduces energy costs by 20 per cent., thereby enhancing the Company's productivity and overall competitiveness.

In order to fulfil its strategic objective of increasing production capacity, CBI has advanced the second phase of its Longyan project, where the current annual capacity of 20,000 tonnes is being increased to 50,000 tonnes. Investment in the second plant has been RMB 13.1 million to date and, following the successful operational trials in August, we are currently on target to commence full scale production by the end of 2006.

Going forward, CBI intends to continue to expand its production capacity and geographic coverage in China, whilst intensifying its marketing initiatives. CBI is focused on stabilising supply and demand through long term contracts and exploiting the increasing environmental awareness and government interest in biodiesel.

Operating Results

On revenue of RMB 45.7 million for the 6 months ended 30 June 2006 (2005: RMB 22.4 million), CBI made a net profit of RMB 15.9 million (2005: RMB 6.4 million), representing a like for like increase of 148 per cent. The growth in revenue and profit largely reflects the first Longyan plant having become fully operational in March 2005. A similar impact is expected in 2007 from the new capacity currently being added at Longyan.

In the first half of 2006, the Company's gross profit margin was 36.3 per cent. (2005: 33 per cent.). The improvement in margin can be attributed in part to the rise in the price of diesel fuel, an increase introduced by the Chinese Government earlier in the year, which offset an increase of approximately 5 per cent. in production costs.

Overall operating margin for the period, before government grants and other income, increased to 34 per cent. (compared to 30 per cent. for the first half of 2005), reflecting the growing scale of the business. Distribution expenses decreased by 15 per cent. as the result of an increased proportion of customers assuming responsibility for their own transportation costs.

The increase in administration expenses from RMB 0.37 million for the 6 months ended 30 June 2005 to RMB 1.01 million for the 6 months ended 30 June 2006 was the result of the costs associated with strengthening the management team and complying with best practice corporate governance guidelines for publicly traded companies.

Prospects

In China, where there is an increasing awareness of environmental issues and where the Government is seeking to reduce its current reliance on imported fuels, there is substantial potential for an increasing level of demand for biodiesel as a renewable form of alternative energy.

Following the Company's successful flotation on AIM in June 2006, and the successful placing of 9,411,765 new shares, raising net proceeds of approximately RMB 97 million, CBI is in a strong financial position to accelerate further growth. In addition, to enabling it to invest in expansion, research and development, the flotation has enhanced CBI's standing with potential future partners and the international market.

As part of the Company's medium-term plan to increase production, CBI has appointed a project management team to facilitate the construction of the Xiamen production plant, (with a planned annual capacity of 50,000 tonnes), which is expected to become operational by mid 2007.

Given a favourable political and market environment for biodiesel in China, CBI remains extremely positive about its future prospects and anticipates continued growth going forwards.

China Biodiesel International Holding Co Limited

Consolidated Income Statement (Unaudited)

RMB '000	6 month ended		Year ended
	30 Jun 2006	30 Jun 2005	31 Dec 2005
Turnover	45,727	22,390	68,036
Cost of goods sold	(28,823)	(15,008)	(40,705)
Gross profit	16,904	7,382	27,331
Other income	1,984	29	1,654
Distribution costs	(267)	(314)	(643)
Administration expenses	(1,013)	(367)	(1,103)
Other operating expense			(208)
Finance income	7	62	66
Finance cost	(375)	(374)	(755)
Government grants	250	350	1,890
Profit before tax	17,490	6,768	28,232
Tax (expense)/recovered	(1,540)	(407)	(1148)
Profit for the year	15,950	6,361	27,084
Attributable to			
- Equity holders of the company	15,953	6,364	26,876
- Minority interest	(3)	(3)	208
Earnings per share			
- On basic earning	0.44	0.18	0.75
- On diluted earning	0.44	0.18	0.75
Sales margin	37%	33%	40%
Pre-tax margin	38%	30%	42%

China Biodiesel International Holding Co Limited

Consolidated Balance Sheet (Unaudited)

RMB '000	6 month ended		Year ended
	30-Jun-06	30-Jun-05	31-Dec-05
Non-current assets			
Property, plant and equipment	26,920	11,512	12,741
Interests in leasehold land held for own use under operating leases	753	599	757
Other intangible assets	4	4	4
Investments in associate	1,550	-	1,550
Deferred tax	158	19	167
Total non-current assets	29,385	12,134	15,219
Current assets			
Inventories	4,002	2,815	2,809
Trade and other receivables	129,717	9,089	19,664
Cash and cash equivalents	4,780	313	9,449
Total current assets	138,499	12,217	31,922
Total assets	167,884	24,351	47,141
Current liabilities			
Trade and other payables	10,261	1,072	3,064
Other financial liabilities	11,286	8,000	11,000
Corporation tax liability	1,442	392	443
Total current liabilities	22,989	9,464	14,507
Non-current liabilities			
Other financial liabilities	602	3,847	871
Total non-current liabilities	602	3,847	871
Total liabilities	23,591	13,311	15,378
Capital and reserves attributable to equity holders of the Company			
Registered capital	3,633	0.01	0.01
Capital and other reserve	100,283	5,428	7,336
Retained earnings	40,122	5,565	24,169
Equity attributable to equity holders of the company	144,038	10,993	31,505
Minority Interest	255	47	258
Total net assets	144,293	11,040	31,763

China Biodiesel International Holding Co Limited
Consolidated Cashflow statement (Unaudited)

RMB '000	6 month ended		Year ended
	30 Jun 2006	30 Jun 2005	31 Dec 2005
Cash flows from operating activities			
Net profit	15,950	6,361	27,084
Adjustments for			
Depreciation	690	570	1,149
Amortization of land lease payment	4	6	12
Profit on disposal of fixed assets	-	-	5
Elimination of profit from provision of service to associate			450
Interest expense	375	374	755
Interest income	(7)	(62)	(66)
Income tax expense	1,540	407	1,149
Operating profit before changes in working capital and provision	18,552	7,656	30,538
(Increase) in inventories	(1,193)	(1,182)	(1,176)
(Increase) in trade and other receivables	(5,734)	(6,659)	(17,236)
Increase in trade and other payables	503	470	2,462
Cash generated (used in)/from operating activities	12,128	285	14,588
Income tax paid	(533)	(94)	(931)
Cash flows (used in)/from operating activities	11,595	191	13,657
Cash flows from investing activities			
Purchases of property, plant and equipments	(14,869)	(117)	(1,931)
Land lease prepayment	-	-	(164)
Acquisition consideration exceed the subsidiary's share capital and capital reserve in progress of merger	(121)		
Investment in association	-		(2,000)
Advance from/(Repayment to) equity holders	30	(227)	(227)
Interest received	7	1	5
Cash flows used in investing activities	(14,953)	(343)	(4,317)
Cash flows from financing activities			
Contribution from minority shareholder of a subsidiary		50	50
Payments of services expenses to professional institutes for listing	(953)		
Proceeds from issue of new shares	-		
New bank loans raised		300	300
Interest expense	(358)	(357)	(713)
Cash flows used in financing activities	(1,311)	(7)	(363)
Effect of exchange rate changes on cash and cash equivalents	-		
l(Decrease)/increase in cash and cash equivalents	(4,669)	(159)	8,977
Beginning balance of cash and cash equivalents	9,449	472	472
Ending balance of cash and cash equivalents	4,780	313	9,449

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. GROUP INFORMATION

China Biodiesel International Holding Co Limited (“the company”) was registered in the British Virgin Islands and was incorporated in October 2005. The shares of the company were admitted to trading on AIM, a market operated by the London Stock Exchange on 30 June 2006.

The company acquired Longyan Zhuoyue New Energy Development Co Limited, a PRC company which focuses on biodiesel manufacture, marketing, sales and technology research and development. Pursuant to the acquisition, the company is regarded as a continuing entity, and the consolidated income statement, consolidated balance sheet, consolidated statement of changes in equity and consolidated cash flow statement of the company as set out before, have been prepared as if the company was in existence and had wholly owned the subsidiary since its date of incorporation.

2. BASIS OF PRESENTATION

The financial statements are presented in Chinese Renminbi (“RMB”). The unaudited consolidated interim financial statements of the group have been prepared in accordance with International Financial Reporting Standards (“IFRS”), which comprise standards Board and International Accounting Standards (“IAS”) and standing Interpretation approved by the International Accounting Standards Board and International Accounting Standards Committee that remain in effect. The principal accounting policies used in the preparation of the unaudited consolidated interim financial statements of the Group are consistent with those used in the audited annual financial statements of the Group for the year ended 31 December 2005.

3. TURNOVER

Turnover by nature	30 Jun 2006	30 Jun 2005
	RMB' 000	RMB '000
Sales of biodiesel product	45,727	22,390
Sales of package barrel	1,983	-

4. FINANCE COST

The finance cost represents solely interest cost on bank loans.

5. TAXATION

The holding company is recognised to needn't pay income tax, as it is incorporated in BVI. Pursuant to approval documents issued by the Longyan Development Zone State Tax Bureau, ZNYE, the only subsidiary of the Company, being recognised as a foreign invested manufacturing enterprise, is eligible for full exemption from Enterprise Income Tax (“EIT”) for the fiscal year 2006 and 2007, while its branch, being a commerce entity, is subject to an EIT at the rate of 33 per cent..

6. TRADE PAYABLES AND OTHER RECEIVABLES

DESCRIPTION	30 JUN 2006	'30 JUN 2005
	RMB 000	RMB 000
Trade receivable	22,113.48	7,528.16
Proceeds receivable (see note 11a)	105,973.10	-
Prepaid expense	7.62	
Trade deposits paid	417.30	
Receivable from related company	486.46	109.21
Receivable from shareholder	353.84	1,099.84
Other receivable	364.57	350.73
Total	129,716.37	9,087.94

7. EARNINGS PER SHARE

The calculation of the basic earnings per share for the six months ended 30 June 2006 is based on the unaudited profit attributable to shareholders of RMB 15,952,925.24 during the period and the weighted average number of shares for the period of 36,052,998.

The calculation of the basic earnings per share for the six months ended 30 June 2005 and the year ended 31 December 2005 is based on the audited profit attributable to shareholders.

8. DIVIDEND

No dividend has been declared or paid by the Company during the six months ended 30 June 2005 and 30 June 2006 and the year ended 31 December 2005.

9. OPTION AGREEMENT

On 23rd June 2006, the Company entered into an agreement pursuant to which the Company agreed to grant an option in respect of Ordinary Shares (representing 1.5 per cent. of the Enlarged Issued Share Capital at Admission) at the Placing Price. The option is exercisable for a period of five years after the date of the grant of the option. As at the date of this announcement, no party has exercised the option.

10. COMMITMENT

The company has entered into following capital expenditure commitments:

	30 Jun 2006	30 Jun 2005
	RMB '000	RMB '000
Expenditure on Construction in progress—Line II in Longyan	6,704	-
Expenditure on Land-use rights—plant in Xiamen	6,000	-
	12,704	

11. SIGNIFICANT SUBSEQUENT EVENT

- a) The shares of the Company were admitted to trading on AIM, a market operated by the London Stock Exchange on 30 June 2006. The Company received the net proceeds of the placing on 3 July 2006.
- b) On 17 August 2006 the Company set up a new subsidiary, Xiamen Zhuoyue Biomass Energy Co Limited, with a registered share capital of USD 5.88 million.
- c) Longyan Zhuoyue New Energy Development Co Limited, the only subsidiary of the company at 30 June 2006, repaid a RMB 5 million short-term bank loan in August 2006. As at the date of this statement the amount of short-term bank indebtedness is RMB 6 million.

12. TRANSACTIONS WITH RELATED PARTIES

During the six months ended 30 June 2006, sales of goods to related parties totalled RMB 1,917,972. These transactions were conducted on an arms-length basis and were at the standard market prices.

13. APPROVAL OF THE INTERIM FINANCIAL REPORT

These unaudited consolidated interim financial statements were approved and authorised for issue by the Board of directors on 11 September 2006.