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Miscellaneous	
* Asterisks denote mandatory information	
Name of Announcer *	LERENO BIO-CHEM LTD.
Company Registration No.	197401961C
Announcement submitted on behalf of	LERENO BIO-CHEM LTD.
Announcement is submitted with respect to *	LERENO BIO-CHEM LTD.
Announcement is submitted by *	Barbara Seng Suet Shee
Designation *	Company Secretary
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Announcement Title *	ADDITIONAL INFORMATION FOR THE SECOND QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2008 ("RESULTS ANNOUNCEMENT")
Description	
Attachments	 Additional_Info_for_2nd_Q_Fin_Statement_Announcement.pdf Total size = 106K (2048K size limit recommended)

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LERENO BIO-CHEM LTD
(Incorporated in the Republic of Singapore)
Company Registration No. 197401961C

ADDITIONAL INFORMATION FOR THE SECOND QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2008 (“RESULTS ANNOUNCEMENT”)

The Board of Directors of Lereno Bio-Chem Ltd (the “Company” or “LBC”) refers to the second quarter financial statement and dividend announcement for the period ended 30 September 2008 made by the Company on 13 November 2008 (the “announcement”).

Further to the announcement released on 13 November 2008, the Board would like to elaborate further on the following queries raised by SGX:

- (a) **Noting that the Company reported a net “Loss from continuing operations before taxation” of S\$6.0m for the 1st half ended 30 September 2008, negative working capital of S\$1.6m, and negative cashflow from operations of S\$1.7m, to provide the Directors’ view whether and how the Company is able to meet its short-term obligations as and when they fall due and the basis for their views.**

Ans: The directors are of the view that the Company is able to meet its short-term obligations as and when they fall due. The basis for their view is as follows:-

- i. The Company has no major creditors except for some short-term borrowings from our bankers who have continued to be supportive.
- ii. The total group bank borrowing as at 30 September 2008 was S\$2,598,000, compared to total assets value of S\$20,238,000. There is also no substantial debts owing to others.
- iii. Going forward, the prospects of the Group’s biofuel production business is positive with the significant drop of palm oil price back to its normal level of below RM1,500 per M/Ton now (as compared to the price of more than RM4,000 per M/Ton level in March 2008). The announced mandates in Malaysia, Indonesia and elsewhere for compulsory blending of biodiesel with fossil fuel is expected to turnaround the prospects of the biofuel industry in the short and longer term. Already the Group’s biodiesel plant in Lumut Malaysia is enjoying a steep increase of order enquiries from international biofuel players.

- iv. As the winterized biodiesel produced by our associated company, Lereno Sdn Bhd ("LSB") could even meet the stringent EU EN14214 and US ASTM D6751-08 specifications including the recently introduced Cold Soak Filtration standard, it will command a price premium as compared to the normal biodiesel. Hence, we expect the Company to be able to capitalize on LSB's high quality products to benefit more from the imminent turnaround of the biofuel industry with the lower palm oil and crude oil prices.
- v. In view of the turnaround of the biofuel market, the Company is now actively arranging for facilities and/or funds to take advantage of the upturn in demand.

(b) Please elaborate on the reasons why the Company was only able to book in S\$1,000 of "Construction Income" despite the stability of its staff strength and staff costs.

Ans: The Company with shareholders' approval has transformed itself fully from a mechanical and electrical engineering ("M&E") company to a biofuel company in 2007. The S\$1,000 construction income represented the residual income from the old M&E business before the transformation.

The Company has been keeping its staff strength very lean over the last two years due to the surge in commodity prices, while waiting for the upturn in the biofuel industry. The Company's present core staff will be able to expand rapidly with the renewed demand in the biofuel market.

(c) To elaborate on the nature of "Other Income" of S\$0.3m for the 2nd quarter ended 30 September 2008 and provides details of how this income arose.

Ans: The "Other Income" for the 2nd quarter represented the amount written-back for provisions previously made on old creditors' balances.

(d) We note on Page 2 of the announcement that "Amounts owing by related parties" is S\$3.0m. In respect of the above, please elaborate on the circumstances giving rise to such amounts owing by related parties, including but not limited to, details of the related parties and repayment terms.

Ans: The "Amounts owing by related parties" of S\$3.0 million represented the amount owed by companies within the Bintai Kinden Corporation Berhad Group ("BKCB Group") arising from billings for project services rendered to them earlier. This debt had been reported in the Company's previous financial announcements, audited accounts and annual reports.

BKCB Group being in the construction industry is currently enjoying the fruits of an upturn in the construction industry in Singapore. BKCB Group has recently won a number of contracts in the region including job in an Integrated Resort in Singapore. This enhances their ability to repay LBC. Hence, the Company is confident about BKCB Group's ability to repay this acknowledged debt. Arrangements are being discussed now for repayment.

- (e) **We note that “Other payables” increased by 72.7% from S\$1.4m to S\$2.5m, despite the significant decrease in “Raw materials and consumables used” by 98% from S\$0.3m to S\$5,000. Please provide a breakdown of “Other payables” and elaborate on the reasons giving rise to the significant increase.**

Ans: The 'Other Payables' increased by 72.7% from S\$1.4m to S\$2.5m because S\$1 million subscription amount was received from Veilmillion Ltd in late September 2008 and therefore recorded under “Other payables”, pending allotment of the 20,000,000 LBC shares due to them. The allotment of the 20,000,000 LBC shares have since been done in October 2008.

- (f) **As disclosed on Pg 6 of the announcement, “the share of losses of the associated company has arisen while the volume of production has been less than full capacity.” In respect of the above, to provide the following information:-**

- (a) **Elaborate on the reasons giving rise to the significant increase in the “Share of losses of an associated company” by 341% from S\$0.3m to S\$1.4m, and**
(b) **Explain why “the volume of production has been less than full capacity”.**

Ans: The associated company, Lereno Sdn Bhd only started commissioning of their plant and completed it in the second half of 2007. Hence, the costs and expenses incurred by the associated company during the first half of last financial year before the commissioning of plant were lesser as compared to the current period in 2008.

The “share of losses in associated company” incurred this year was because the associated company has been fully staffed since early 2008 but escalating feedstock and commodity prices then had affected the plant's originally planned full scale production. Therefore the volume of production in the 1st half of this financial year has been less than the full capacity planned. However, LSB based on the reasons given in our answer earlier, is expecting a production turnaround soon.

By Order of the Board
Ong Puay Koon
Managing Director and Chief Executive Officer
21 November 2008