

CHAIRMAN'S MESSAGE

Lereno Bio-Chem Ltd

Investing for the next generation

Dear Shareholders,

FY 2007 was the year of transition for the Company and the Group. The following key milestones were achieved:-

- (a) The Rights cum Warrants issue was successfully completed in August 2006 which helped to raise approximately S\$12 million for the Company. The proceeds from the Rights cum Warrants issue were used for working capital purposes.
- (b) The Board of Directors has been restructured into an international board with participation of reputable professionals and entrepreneurs from United Kingdom, Japan, Indonesia, Malaysia and Singapore.
- (c) The Company's acquisition of 38% of the issued and paid-up share capital of Lereno Sdn Bhd ("LSB"), a Specialist Biofuel manufacturer, (along with the largest single stake in unique Intellectual Property ("IP") for the production of winterized Biofuel) was approved by the shareholders in February 2007, and the acquisition was completed in March 2007.
- (d) Arrangement was also successfully made with Bintai Kinden Corporation Berhad and its assignee to satisfy the amount of S\$11.7 million debt owing to Bintai Kinden Corporation Berhad Group by equity. The issue of new shares was approved by the Singapore Exchange Securities Trading Limited (SGX-ST) in May 2007 and has been completed.

With these and other management and business restructuring, we have transformed the Company from a low margin Singapore Mechanical & Electrical ("M&E") engineering contractor to an integrated Bio-Technology Company ready to expand regionally. The change of the Company's name to Lereno Bio-Chem Ltd ("LBC") in February 2007 and the change of the Company's classification with the SGX-ST from the "construction" to the "manufacturing" sector (under subsector "other manufacturing") reflects the new business direction of the Company and completion of the transformation.

The above initiatives have enabled the Company to improve the net tangible assets of the Company from negative S\$19.853 million at the end of last financial year (31 March 2006) to positive S\$5.353 million as of 31 March 2007. These changes would not have been achieved without many sacrifices from many of our devoted staff and supporters. The transformation was also well received by the market and the Company's traded share price rose significantly.

In the SGX Quarterly Newsletter for Period January to March 2007 Issue, our stock was rated as the highest growth SESDAQ counter for the year 2006 in terms of appreciation in market capitalisation. A survey report in The Business Times on 29

May 2007 ranked the Company as one of the Top 3 companies for 1-year total Shareholder Returns.

Our share price and market capitalisation has continued to improve over the periods as shown below:-

	3 January 2005	31 March 2006	31 March 2007
Share price (cents)	2.2	4.5	20.0
Issued capital ('m shares)	372	415	1,200
Market Capitalisation (S\$m)	8.2	18.7	240.0

New Vision and New Direction

LBC's acquisition, LSB is expected to start commercial production of its winterized Biodiesel in Lumut Malaysia in June/July 2007 as promised to shareholders earlier. We have been informed that sales orders have already been accepted by LSB.

This important milestone signifies achievement of the first step of the Company's overall strategic business plan which was presented to shareholders at the Company's Extraordinary General Meeting earlier in February 2007.

The three key business activities are described as (1) Biofuels Production, (2) Upstream Feedstock & other Bio-Resources Development and (3) Downstream Oleochemicals and other Byproduct processing and Trading.

Strategic Partners and Investors

In order for LBC's full vision to materialise, strategic partners and investors with strong global networks and experience will be invited to share their expertise at the various stages and levels of LBC's overall strategic movement forward.

LBC is now in advance stages of discussion for such participation with several major international trading houses and investors (backed up by financial institutions) which will be contributing their combined knowledge, experience, financial expertise and resources to LBC as partners and/or investors.

Biofuels Processing

In addition to our Lumut plant in Malaysia, LBC is planning to build a 200,000 metric tonnes per annum capacity Biodiesel plant as well as to build an initial 50,000 kilo litre per annum capacity Bioethanol plant in Jurong Island. Potential partner-investors and builders for these plants in Jurong Island have also been identified.

Upstream Feedstock & Bio-Resources Development

LBC is aware of the necessity and the benefits of securing access to a continuous supply of feedstock for its Biodiesel and Bioethanol plants. Towards this end, the group has planned to actively engage in negotiations for the acquisition of

substantial stakes in several large plantation resources in both Indonesia and Malaysia. We expect to be able to conclude several of these negotiations in the near future and will make the appropriate announcements to shareholders then. With the acquisition of substantial stakes in such future plantation resources, LBC will be well positioned to move rapidly and confidently Upstream and Downstream into research and further developments of Oleochemical production, Byproduct and Biowaste processing facilities in Singapore and even in the region. Diversified revenue generating sources offered by such new acquisitions will also add significantly to the Company's future stability and sustainability in the Group's income.

Let me also take this opportunity to thank each and every shareholder, past and present directors, management and staff for their patience and support throughout the years to allow LBC to make this exciting transformation.

Tan Sri Dato' Kamaruzzaman Bin Shariff
Chairman
Lereno Bio-Chem Ltd