

PINE AGRITECH LIMITED

First Quarter Financial Statement and Dividend Announcement for the Period Ended 31 March 2007

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a) An income statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	<u>Group</u>		%
	Three months ended 31.3.2007 (Unaudited) <u>RMB'000</u>	Three months ended 31.3.2006 (Unaudited) <u>RMB'000</u>	
Revenue	405,408	223,677	81.2
Costs of sales	<u>(211,906)</u>	<u>(133,642)</u>	58.6
Gross profit	193,502	90,035	114.9
Other revenue	2,191	582	276.5
Selling and distribution expenses	(15,622)	(5,453)	186.5
Administrative expenses	(4,198)	(3,203)	31.1
Other operating expenses	<u>(1,214)</u>	<u>(409)</u>	196.8
Profit from operations	174,659	81,552	114.2
Finance costs	<u>-</u>	<u>(1,463)</u>	(100.0)
Profit before taxation	174,659	80,089	118.1
Taxation	<u>(28,191)</u>	<u>(12,018)</u>	134.6
Profit for the period	<u><u>146,468</u></u>	<u><u>68,071</u></u>	115.2

The Group's profit before taxation is arrived at after charging:

	<u>Group</u>	
	Three months ended 31.3.2007 <u>(Unaudited)</u> RMB'000	Three months ended 31.3.2006 <u>(Unaudited)</u> RMB'000
Amortisation of land use rights	597	356
Depreciation	10,029	5,882
Research and development costs	1,158	401
Loss on disposal of property, plant and equipment	169	34

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	31.03.2007 (Unaudited)	31.12.2006 (Audited)	31.03.2007 (Unaudited)	31.12.2006 (Audited)
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	747,395	726,098	-	-
Deposits	12,550	3,128	-	-
Land use rights	82,322	82,919	-	-
Investment in subsidiaries	-	-	225,988	225,988
	<u>842,267</u>	<u>812,145</u>	<u>225,988</u>	<u>225,988</u>
Current assets				
Inventories	158,595	201,831	-	-
Trade receivables	81,496	254,325	-	-
Amount due from a subsidiary	-	-	538,083	538,083
Prepayment, other receivables and deposits	18,571	15,536	776	776
Cash and bank balances	659,311	334,576	559	861
	<u>917,973</u>	<u>806,268</u>	<u>539,418</u>	<u>539,720</u>
TOTAL ASSETS	<u><u>1,760,240</u></u>	<u><u>1,618,413</u></u>	<u><u>765,406</u></u>	<u><u>765,708</u></u>
EQUITY AND LIABILITIES				
Total equity	<u>1,513,012</u>	<u>1,366,544</u>	<u>742,772</u>	<u>743,574</u>
Current liabilities				
Trade payables	21,854	10,179	-	-
Accrued liabilities and other payables	192,583	200,327	17,641	17,641
Amount due to a subsidiary	-	-	4,493	4,493
Provision for taxation	28,191	36,763	-	-
	<u>242,628</u>	<u>247,269</u>	<u>22,134</u>	<u>22,134</u>
Non-current liabilities				
Other payable	4,600	4,600	-	-
Total liabilities	<u>247,228</u>	<u>251,869</u>	<u>22,134</u>	<u>22,134</u>
TOTAL EQUITY AND LIABILITIES	<u><u>1,760,240</u></u>	<u><u>1,618,413</u></u>	<u><u>764,906</u></u>	<u><u>765,708</u></u>

1(b)(ii) Aggregate amount of the group's borrowings and debt securities.**Amount repayable in one year or less, or on demand**

As at 31.3.2007		As at 31.12.2006	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
-	4,600	-	4,600

Amount repayable after one year

As at 31.3.2007		As at 31.12.2006	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
-	4,600	-	4,600

Details of any collateral

Not applicable.

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	<u>Group</u>	
	Three months ended 31.3.2007 <u>(Unaudited)</u> RMB'000	Three months ended 31.3.2006 <u>(Unaudited)</u> RMB'000
Cash flows from operating activities		
Profit before taxation	174,659	80,089
Adjustments for:		
Interest income	(825)	(340)
Interest expense	-	1,463
Amortisation of land use rights	597	356
Depreciation	10,029	5,882
Loss on disposal of property, plant and equipment	<u>169</u>	<u>34</u>
Operating profit before working capital changes	184,629	87,484
Decrease/(increase) in inventories	43,236	(55,319)
Decrease/(increase) in trade receivables	172,829	(6,605)
Increase in prepayment, other receivables and deposits	(3,035)	(10,070)
Increase in trade payables	11,675	7,067
(Decrease)/increase in accrued liabilities and other payables	<u>(7,744)</u>	<u>18</u>
Cash generated from operations	401,590	22,575
Income taxes paid	(36,763)	-
Interest paid	-	(1,463)
Net cash inflow from operating activities	<u>364,827</u>	<u>21,112</u>
Cash flows from investing activities		
Purchases of property, plant and equipment	(31,495)	(47,206)
Interest received	825	340
Deposits paid for acquisition of property, plant and equipment	<u>(9,422)</u>	<u>(14,999)</u>
Net cash used in investing activities	<u>(40,092)</u>	<u>(61,865)</u>
Net increase/(decrease) in cash and cash equivalents	324,735	(40,753)
Cash and cash equivalents at beginning of year	<u>334,576</u>	<u>451,574</u>
Cash and cash equivalents at end of period	<u>659,311</u>	<u>410,821</u>
Analysis of balances of cash and cash equivalents		
Cash and bank balances	<u>659,311</u>	<u>410,821</u>

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Issued share capital	Proposed final dividend	Share premium	Statutory reserves	Merger reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<u>Group</u>							
Balance at 1 January 2006	301,408	117,000	327,755	35,761	135,709	81,863	999,496
Profit for the period	-	-	-	-	-	68,071	68,071
Transfer to statutory reserves	-	-	-	6,807	-	(6,807)	-
Balance at 31 March 2006	<u>301,408</u>	<u>117,000</u>	<u>327,755</u>	<u>42,568</u>	<u>135,709</u>	<u>143,127</u>	<u>1,067,567</u>
Balance at 1 January 2007	301,408	108,000	327,755	91,213	135,709	402,459	1,366,544
Profit for the period	-	-	-	-	-	146,468	146,468
Transfer to statutory reserves	-	-	-	14,647	-	(14,647)	-
Balance at 31 March 2007	<u>301,408</u>	<u>108,000</u>	<u>327,755</u>	<u>105,860</u>	<u>135,709</u>	<u>534,280</u>	<u>1,513,012</u>
<u>Company</u>							
Balance at 1 January 2006	301,408	117,000	327,755	-	-	1,361	747,524
Loss for the period	-	-	-	-	-	(34)	(34)
Balance at 31 March 2006	<u>301,408</u>	<u>117,000</u>	<u>327,755</u>	<u>-</u>	<u>-</u>	<u>1,327</u>	<u>747,490</u>
Balance at 1 January 2007	301,408	108,000	327,755	-	-	6,411	743,574
Loss for the period	-	-	-	-	-	(802)	(802)
Balance at 31 March 2007	<u>301,408</u>	<u>108,000</u>	<u>327,755</u>	<u>-</u>	<u>-</u>	<u>5,609</u>	<u>742,772</u>

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

	Number of shares	S\$
Ordinary shares of S\$0.02 each at 1 January and 31 March 2007	<u>3,000,000,000</u>	<u>60,000,000</u>

There were no changes in the Company's share capital in 1Q 2007.

2. **Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.**

These figures presented have neither been audited or reviewed.

3. **Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.

4. **Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

The Group has adopted the same accounting policies and methods of computations as stated in the audited financial statements for the year ended 31 December 2006, excepts for the adoption of the new and amended International Financial Reporting Standards (IFRSs) which become effective for financial year beginning on or after 1 January 2007. The adoption of these IFRSs did not give rise to significant changes to the financial statements.

5. **If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

Not applicable.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

Earnings per ordinary share

	<u>Group</u>	
	Three months ended 31.3.2007 <u>(Unaudited)</u>	Three months ended 31.3.2006 <u>(Unaudited)</u> Restated
Basic	<u>RMB0.049</u>	<u>RMB0.023</u>
Diluted	<u>N/A</u>	<u>N/A</u>

Basic earnings per ordinary share for the three months ended 31 March 2007 were calculated based on the Group's profit for the period of approximately RMB146,468,000 (three months ended 31 March 2006: approximately RMB68,071,000) divided by the post-invitation issued share capital of 3,000,000,000 ordinary shares.

Diluted earnings per ordinary share for the three months ended 31 March 2007 and 2006 have not been calculated as no diluting events existed during these periods.

7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the:-

- (a) current financial period reported on; and
(b) immediately preceding financial year.**

	<u>Group</u>		<u>Company</u>	
	As at <u>31.3.2007</u> (Unaudited)	As at <u>31.12.2006</u> (Audited)	As at <u>31.3.2007</u> (Unaudited)	As at <u>31.12.2006</u> (Audited)
Net asset value per ordinary share	<u>RMB0.504</u>	<u>RMB0.456</u>	<u>RMB0.248</u>	<u>RMB0.248</u>

Net asset value per ordinary share was calculated based on:

- the shareholder's equity of our Group/Company at 31 March 2007 and 31 December 2006; and
- the issued ordinary shares at 31 March 2007 and 31 December 2006 of 3,000,000,000 ordinary shares.

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**

Review of Group's Performance for 1Q 2007 as compared to 1Q 2006

Revenue

Revenue rose by 81.2% from RMB223.7 million in 1Q 2006 to RMB405.4 million 1Q 2007. The growth derived mainly from higher sales of soy protein isolates ("SPI") and soy oligosaccharide syrup ("SOS").

Sales of SPI increased by 37.6% or RMB42.3 million from RMB112.6 million in 1Q 2006 to RMB154.9 million in 1Q 2007. Higher sales was contributed by higher output from the new SPI production lines installed in June 2006. The total annual production capacity was lifted from 70,000 tonnes to 90,000 tonnes per annum. SPI accounted for 38.2% of the total revenue in 1Q 2007 .

Sales of SOS surged from RMB68.2 million in 1Q 2006 to RMB196.5 million in 1Q 2007. Since it was launched in 2003, demand for SOS has been growing steadily due to rising disposable income as well as increasing awareness and consumption of health promoting products in China. From July 2006, we started to deliver own brand SOS to a master distributor for PRC market.

Group Gross Profit and Margin

Gross profit rose by 114.9% from RMB90.0 million in 1Q 2006 to RMB193.5 million in 1Q 2007.

Overall gross profit margin further increased from 40.3% in 1Q 2006 to 47.7% in 1Q 2007 as we derived greater economies of scale from the higher output of our products and a further shift in product mix to higher-valued SOS.

SOS, which is a higher-margined product, accounted for 48.5% of total sales in 1Q 2007, compared with 30.5% in 1Q 2006.

Operating Expenses

Operating expenses increased by 132.0% in 1Q 2007 to RMB21.0 million.

Selling and distribution expenses increased by 186.5% or RMB10.1 million from RMB5.5 million in 1Q 2006 to RMB15.6 million in 1Q 2007. We incurred more advertising and promotion expenses to build brand equity and market awareness of our SOS. Transportation costs also rose in tandem with the level of business activities.

Administrative expenses rose by 31.1% or RMB1.0 million from RMB3.2 million in 1Q 2006 to RMB 4.2 million in 1Q 2007. The increase was mainly attributed to the higher costs incurred to support our increase in revenue and business expansion.

Taxation

The tax charge represents applicable PRC corporate income tax provided for the period.

From FY 2004, our subsidiary, Linyi Shansong Biological Products Co. Limited, began to enjoy tax holiday for the first two profitable years, and thereafter, to pay tax at only half the corporate income tax rate for the following three years from FY 2006 to FY 2008.

Net Profit for the Year and Margin

The significant increase in revenue helped us to achieve a significant increase in net profit for the period. Net profit totalled RMB146.5 million for the period, compared with RMB68.1 million in 1Q 2006.

Financial Position

Net tangible assets as at 31 March 2007 amounted to RMB1,513.0 million (31 December 2006: RMB1,366.5 million), representing an increase of 10.7%.

We incurred capital expenditure of RMB31.5 million in total during the period. In second half of FY2006, the construction of the new fully-integrated plant commenced. This new plant is expected to operate in the first half of FY2007 with capacity to manufacture soybean peptide, defatted soy flakes and SPI.

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Not applicable.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

No forecast or prospect statement had been previously disclosed to shareholders.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

SOS is a form of prebiotics which promotes growth and activity of good bacteria in the body. Being one of the largest SOS suppliers in the PRC, the Group is expected to benefit from the recent announcement by the Center for Public Nutrition and Development of China ("PNDC") to launch a national campaign to raise awareness and consumption of prebiotics in the country. PNDC also plans to encourage Food and Beverage ("F&B") companies to introduce more products with prebiotics. The campaign commenced in January 2007.

In February 2007, the Group's Tian Song brand SOS was awarded the Green Food certification and certified as "Grade A Green Food Product" by the China Green Food Development Centre. The certification will enable the Group to display the Green Food logo on the Tian Song brand SOS packaging. The Green Food logo is recognized as a mark for product quality and safety. The display of the logo on our product will improve consumer confidence.

SOS has exceeded SPI to become the main profit contributor, accounting for about 70% of the Group's gross profit in 1Q07. This is a positive development in view of rising soy bean price in the PRC recently since SOS margin is significantly higher than SPI. Furthermore, SOS margin is not directly affected by soybean price movement because the main raw material for SOS is soybean whey, a by-product of SPI. Growing sales and profit contribution from SOS will mitigate the impact of rising soy bean price on the Group's overall profit margin.

The Group expects order momentum for SOS to remain strong in FY2007. It has secured minimum order commitment of approximately RMB700 million for SOS from the master distributor, 勝己乳業有限公司 ("Shenji"). Since signing the master distributorship agreement, Shenji has accelerated its expansion programs for marketing and distribution networks across the PRC through setting up health stores, named "Tian Song Health Banks" and appointing sub-distributors. From July 2006 until January 2007, Shenji has set up more than 300 new health stores across 36 major cities in the PRC. By the end of March 2007, the total number of health stores has reached 570 across 39 major cities in the PRC.

The Group's new soybean peptide plant with capacity of 10,000 tons per annum is expected to be ready in June FY2007. When completed, it will be one of the largest soybean peptide plants in the PRC. If the Group is successful in securing soybean peptide related orders, it will be another positive development because soybean peptide margin is expected to be higher than SPI.

Soybean peptide has broad industrial application. Products such as beer, liquid milk, snacks and softdrinks containing peptide have been successfully developed and marketed in Japan and USA. In the PRC, the Group is one of the earliest to have successfully developed 99% concentration soybean peptide that may provide value add to products in the F&B market.

Barring unforeseen circumstances, the management is optimistic of the Group's performance in FY2007.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on? No

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? No

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared (recommended), a statement to that effect.

No dividend has been declared or recommended for the three months period ended 31 March 2007.

13. Interested person transactions

Interested person transactions carried out during the three months period ended 31 March 2007:

Name of Interested person	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than \$100,000 and transactions conducted under Shareholders' Mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under Shareholders' Mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
PFH Group (Note 1)	RMB6,615,000 (Note 2)	RMB73,309,000 (Note 3)

Notes:

1. PFH Group means People's Food Holdings Limited and its subsidiaries. People's Food Holdings Limited is one of our Substantial Shareholders, which indirectly holds approximately 49% and 36.75% interests of our Company prior to and after the Company's Initial Public Offer.
2. The amount represents the charges paid to PFH Group for the supply of electricity. The charges were made were reference to the market price.
3. The amount represents the sales of soy protein isolates to PFH Group.

BY ORDER OF THE BOARD

Li Zhu Ping
Executive Director
10 May 2007

**PINE AGRITECH LIMITED
(Incorporated in the Bermuda)**

**CONFIRMATION BY THE BOARD
PURSUANT TO RULE 705(4) OF THE LISTING MANUAL**

We, Li Zhuping and Ming Kam Sing, being two directors of Pine Agritech Limited (“the Company”), do hereby confirm on behalf of the directors of the Company, that, to the best of our knowledge, nothing has come to the attention of the board of directors of the Company which may render the first financial quarter results of the Company and of the Group for the financial period ended 31 March 2007 to be materially false or misleading.

On behalf of the Board of Directors

Li Zhuping
Chief Executive Officer

Ming Kam Sing
Non - Executive Chairman

Date : 10 May 2007