



Pine Agritech Limited

Pine Agritech Limited
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PRESS RELEASE

PINE AGRITECH 2Q06 NET PROFIT SURGED 88% TO RECORD HIGH OF RMB111.8M ON STRONG ORDERS FOR CORE PRODUCTS

RMB (million)	2Q 06	2Q 05	Growth %
Revenue	366.3	197.6	85
Gross Profit	145.0	68.3	112
Taxation	19.9	-	N/M
Net Profit	111.8	59.6	88

- *Group revenue surged 85% to RMB366.3m on strong orders for SOS and SPI*
- *SOS sales surged 219% to RMB102.2m and SPI sales surged 84% to RMB221.4m*
- *Profit margins improved due to positive shift in product mix and greater economies of scale*
- *Proposed tax exempt interim dividend of RMB0.09 per share*
- *Proposed five-for-one share split*
- *Optimistic of second half performance due to new SOS orders*

SINGAPORE, 10 August 2006 – Mainboard-listed Pine Agritech Limited (“Pine” and together with its subsidiaries, the “Group”), a company that develops, produces and markets soybean based health food and food ingredients today reported record earnings for the second quarter ended 30 June 2006 (“2Q06”). Boosted by strong demand for the Group’s higher

margin core products, net profit surged 88% to RMB111.8 million in 2Q06 from RMB59.6 million in the same period last year (“2Q05”).

In view of the strong performance and as a demonstration of appreciation to shareholders, the Board of Directors (“Board”) has proposed a tax-exempt interim dividend of RMB0.09 per share.

The Board has also proposed a five-for-one share split (“share split”), subject to the approval of shareholders of Pine and the approval of the Singapore Exchange Securities Trading Limited. The Board is of the view that the share split will increase the affordability and liquidity of the shares of Pine available for trading.

Review of 2Q06 Performance

In 2Q06, Group revenue jumped 85% to RMB366.3 million from RMB197.6 million in 2Q05 on strong orders for two core products. Sales of the health syrup, soy oligosaccharide syrup (“SOS”) recorded impressive growth with 2Q06 revenue surging 219% to RMB102.2 million from RMB32.0 million in 2Q05. Since it was launched in 2003, demand for SOS has been growing steadily due to increasing awareness and consumption of health products in China. The Group has also intensified sales and marketing activities to promote its own Tian Song brand SOS. In 1Q06, the Group secured minimum order commitment from 300 distributors to market Tian Song brand SOS. In July 2005, the Group secured a two-year contract to sell SOS as health promoting ingredient to a second beverage manufacturer in China. SOS accounted for about 28% of the Group’s revenue in 2Q06, up from 16% in 2Q05.

Sales of soy protein isolates (“SPI”), a common food ingredient used in processed meat, jumped 84% to RMB221.4 million in 2Q06 from RMB120.4 million in 2Q05. The higher sales can be attributed to competitive pricing leading to market share gain. The Group has also expanded the production capacity of SPI twice, once in September 2005 and again in June 2006 to meet rising demand for SPI. The Group remains one of the largest SPI producers in China with capacity of 90,000 tons per annum. SPI contribution to the Group’s revenue remained stable at around 60% in 2Q06, compared with 61% in 2Q05.

The Group’s gross profit in 2Q06 more than doubled to RMB145.0 million from RMB68.3 million in 2Q05. SOS gross profit surged 234% to RMB64.5 million from RMB19.3million in 2Q05, mainly due to higher sales for Tian Song brand SOS which commands the highest margin. SPI gross profit jumped 81% to RMB77.3 million from RMB42.7 million. SOS contributed 45% and SPI contributed 53% respectively to the Group’s total gross profit in 2Q06.

Overall gross profit margin improved by 5% to 39.6% in 2Q06 due to lower raw material costs, positive shift in product mix to higher margin SOS and greater economies of scale. The Group also enjoyed cost savings due to

the expanded capacity of internally produced defatted soy flakes, which are the raw material for SPI.

Pine Agritech's Chief Executive Officer, Mr Li Zhu Ping (李柱平) said, "I am pleased to see that our growth in the second quarter has been well balanced with SOS and SPI delivering solid top and bottomline performance. The decision to increase advertising and promotion expenses to build brand equity and market awareness for SOS has brought about positive results. SOS remains our star product, enjoying high growth, strong margin and also good visibility due to the minimum orders secured."

Mr. Li added, "In June 2006, we expanded the production capacities of SOS by 160% to 10,400 tons per annum and SPI by 29% to 90,000 tons per annum due to rising demand for both products. In July 2006, we secured a RMB429 million order from a master distributor for our Tian Song brand SOS to be delivered in the second half of the year. The recently added capacities and the new SOS orders are expected to have a positive impact on the Group's revenue and earnings in the second half of the year."

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About Pine Agritech Limited (Bloomberg code PAG SP)

Founded in 2001, Pine Agritech Limited ("Pine") is a company that develops, produces and markets soybean based health food and food ingredients. Pine's two main products are soy protein isolates ("SPI"), a food ingredient and soy oligosaccharide syrup ("SOS"), a health food approved by the Ministry of Health in China.

Pine is one of the leading SPI manufacturers in China. SPI is mostly sold to processed meat companies as food ingredient. SOS is produced using proprietary manufacturing process and it is sold under the Group's own Tian Song brand and also directly to beverage makers as health promoting ingredient.

The Group operates three production plants in the PRC, one in Shandong Province, and two in Heilongjiang Province. The strategically located plants in Heilongjiang Province allow easy access to abundant supply of high quality non-genetically modified soybeans. The vertically integrated facilities in Shandong province produce both upstream and downstream products. This enables it to maximise the use of soybeans, better manage the cost, supply and quality of key raw material, defatted soy flakes, and enjoy other economies of scale benefits.

Note :

This release may contain predictions, estimates or other information that may be considered forward-looking statements. Actual results may differ materially from those currently expected because of a number of factors. These factors include (without limitation) changes in general industry and

economic conditions, interest rate movements, cost of capital and capital availability, competition from other companies and venues for sale/manufacture/distribution of goods and services, shift in customer demands, changes in operating expenses, including employee wages and raw material prices, governmental and public policy changes, social and political turmoil and major health concerns. You are cautioned not to place undue reliance on these forward-looking statements, which are based on current view of management on future events. The Company undertakes no obligation to publicly update or revise any forward looking statements, whether as a result of new information, future events or otherwise, except as required by law.

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