

## PINE AGRITECH LIMITED

Second Quarter Financial Statements and Dividend Announcement for the Period Ended 30 June 2008

### 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.

	Group			Group		
	Three months ended 30.06.2008 (Unaudited) RMB'000	Three months ended 30.06.2007 (Unaudited) RMB'000	% change +/-	Six months ended 30.06.2008 (Unaudited) RMB'000	Six months ended 30.06.2007 (Unaudited) RMB'000	% change +/-
Revenue	356,409	393,307	(9.4)	798,812	798,715	0.0
Costs of sales	<u>(283,217)</u>	<u>(204,325)</u>	38.6	<u>(582,215)</u>	<u>(416,231)</u>	39.9
Gross profit	73,192	188,982	(61.3)	216,597	382,484	(43.4)
Other revenue	7,898	2,667	196.1	15,271	4,858	214.3
Selling and distribution expenses	(6,752)	(15,412)	(56.2)	(41,276)	(31,034)	33.0
Administrative expenses	(4,710)	(3,700)	27.3	(10,134)	(7,898)	28.3
Other operating expenses	<u>(717)</u>	<u>(1,555)</u>	(53.9)	<u>(10,898)</u>	<u>(2,769)</u>	293.6
Profit from operations	68,911	170,982	(59.7)	169,560	345,641	(50.9)
Finance costs	<u>(23,451)</u>	-	N.M.	<u>(46,619)</u>	-	N.M.
Profit before taxation	45,460	170,982	(73.4)	122,941	345,641	(64.4)
Taxation	<u>7,867</u>	<u>(27,189)</u>	(128.9)	<u>545</u>	<u>(55,380)</u>	(101.0)
Profit for the period	<u><u>53,327</u></u>	<u><u>143,793</u></u>	(62.9)	<u><u>123,486</u></u>	<u><u>290,261</u></u>	(57.5)

N.M. : Not meaningful

**Note:**

The Company was incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda on 7 September 2004 and was listed in the Main Board of the Singapore Exchange Securities Trading Limited (the "SGX-ST") on 11 May 2005. The principal activity of the Company is that of an investment holding company.

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

	<u>Group</u>		<u>Group</u>	
	Three months ended 30.06.2008 <u>(Unaudited)</u> RMB'000	Three months ended 30.06.2007 <u>(Unaudited)</u> RMB'000	Six months ended 30.06.2008 <u>(Unaudited)</u> RMB'000	Six months ended 30.06.2007 <u>(Unaudited)</u> RMB'000
Amortisation of land use rights	902	597	1,804	1,194
Depreciation	18,224	10,234	34,764	20,263
Research and development costs	626	1,350	8,907	2,508
Loss on disposal of property, plant and equipment	219	46	255	215
Interest expenses on convertible bonds	23,451	-	46,619	-

**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.**

	<u>Group</u>		<u>Company</u>	
	30.06.2008 (Unaudited) RMB'000	31.12.2007 (Audited) RMB'000	30.06.2008 (Unaudited) RMB'000	31.12.2007 (Audited) RMB'000
<b>ASSETS</b>				
Non-current assets				
Property, plant and equipment	993,052	979,262	-	-
Deposits	-	8,831	-	-
Land use rights	141,166	142,970	-	-
Investment in subsidiaries	-	-	225,988	225,988
	<u>1,134,218</u>	<u>1,131,063</u>	<u>225,988</u>	<u>225,988</u>
Current assets				
Inventories	279,558	252,486	-	-
Trade receivables	24,308	35,817	-	-
Amount due from subsidiaries	-	-	2,464,988	2,436,988
Prepayment, other receivables and deposits	22,182	78,307	776	776
Cash and bank balances	2,432,890	2,367,926	807	56
	<u>2,758,938</u>	<u>2,734,536</u>	<u>2,466,571</u>	<u>2,437,820</u>
<b>TOTAL ASSETS</b>	<u><u>3,893,156</u></u>	<u><u>3,865,599</u></u>	<u><u>2,692,559</u></u>	<u><u>2,663,808</u></u>
<b>EQUITY AND LIABILITIES</b>				
Total equity	<u>1,776,156</u>	<u>1,679,670</u>	<u>696,173</u>	<u>706,431</u>
Current liabilities				
Trade payables	9,880	11,376	-	-
Accrued liabilities and other payables	122,269	202,353	6,481	6,481
Amount due to a subsidiary	-	-	5,243	4,493
Provision for taxation	189	25,797	-	-
	<u>132,338</u>	<u>239,526</u>	<u>11,724</u>	<u>10,974</u>
Non-current liabilities				
Convertible bonds	1,900,652	1,854,033	1,900,652	1,854,033
Deferred Tax liabilities	84,010	92,370	84,010	92,370
	<u>1,984,662</u>	<u>1,946,403</u>	<u>1,984,662</u>	<u>1,946,403</u>
Total liabilities	<u>2,117,000</u>	<u>2,185,929</u>	<u>1,996,386</u>	<u>1,957,377</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><u>3,893,156</u></u>	<u><u>3,865,599</u></u>	<u><u>2,692,559</u></u>	<u><u>2,663,808</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 30.06.2008		As at 31.12.2007	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
-	4,600	-	4,600

**Amount repayable after one year**

As at 30.06.2008		As at 31.12.2007	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
-	1,900,652	-	1,854,033

**Details of any collateral**

The unsecured borrowings represents the liability component of the convertible bonds issued by the Company on 27 July 2007. Details of the convertible bonds are set out in paragraph 1(d)(ii).

**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>	
	Six months ended 30.06.2008 <u>(Unaudited)</u> RMB'000	Six months ended 30.06.2007 <u>(Unaudited)</u> RMB'000
<b>Cash flows from operating activities</b>		
Profit before taxation	122,941	345,641
Adjustments for:		
Interest income	(15,270)	(1,070)
Interest expense	46,619	-
Amortisation of land use rights	1,804	1,194
Depreciation	34,764	20,263
Loss on disposal of property, plant and equipment	<u>255</u>	<u>215</u>
Operating profit before working capital changes	191,113	366,243
(Increase)/decrease in inventories	(27,072)	59,435
Decrease in trade receivables	11,509	162,680
Decrease/ (increase) in prepayment, other receivables and deposits	56,125	(40,539)
(Decrease)/increase in trade payables	(1,496)	16,681
(Decrease)/increase in accrued liabilities, and other payables	<u>(80,084)</u>	<u>96,634</u>
Cash generated from operations	150,095	661,134
Income taxes paid	<u>(33,423)</u>	<u>(64,954)</u>
Net cash generated from operating activities	<u>116,672</u>	<u>596,180</u>
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment	(39,978)	(83,351)
Interest received	15,270	1,070
Deposits paid for acquisition of property, plant and equipment	<u>-</u>	<u>(20,690)</u>
Net cash used in investing activities	<u>(24,708)</u>	<u>(102,971)</u>
<b>Cash flows from financing activity</b>		
Dividend paid	<u>(27,000)</u>	<u>(108,000)</u>
Net cash used in financing activity	<u>(27,000)</u>	<u>(108,000)</u>
<b>Net increase in cash and cash equivalents</b>	64,964	385,209
<b>Cash and cash equivalents at beginning of year</b>	<u>2,367,926</u>	<u>334,576</u>
<b>Cash and cash equivalents at end of period</b>	<u>2,432,890</u>	<u>719,785</u>
<b>Analysis of balances of cash and cash equivalents</b>		
<b>Cash and bank balances</b>	<u>2,432,890</u>	<u>719,785</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 capital	Proposed final dividend	Share premium	Statutory reserves	Merger reserve	Convertible bonds equity reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Group</b>								
Balance at 1 January 2007	301,408	108,000	327,755	91,213	135,709	-	402,459	1,366,544
Dividend paid - 2006 Final	-	(108,000)	-	-	-	-	-	(108,000)
Profit for the period	-	-	-	-	-	-	290,261	290,261
Transfer to statutory reserves	-	-	-	29,026	-	-	(29,026)	-
Proposed dividend - 2007 Interim	-	58,000	-	-	-	-	(58,000)	-
Balance at 30 June 2007	<u>301,408</u>	<u>58,000</u>	<u>327,755</u>	<u>120,239</u>	<u>135,709</u>	<u>-</u>	<u>605,694</u>	<u>1,548,805</u>
Balance at 1 January 2008	301,408	27,000	327,755	139,907	135,709	42,662	705,229	1,679,670
Dividend paid - 2007 Final	-	(27,000)	-	-	-	-	-	(27,000)
Profit for the period	-	-	-	-	-	-	123,486	123,486
Transfer to statutory reserves	-	-	-	16,504	-	-	(16,504)	-
Balance at 30 June 2008	<u>301,408</u>	<u>-</u>	<u>327,755</u>	<u>156,411</u>	<u>135,709</u>	<u>42,662</u>	<u>812,211</u>	<u>1,776,156</u>
<b>Company</b>								
Balance at 1 January 2007	301,408	108,000	327,755	-	-	-	6,411	743,574
Dividend paid - 2006 Final	-	(108,000)	-	-	-	-	-	(108,000)
Profit for the period	-	-	-	-	-	-	59,698	59,698
Proposed dividend - 2007 Interim	-	58,000	-	-	-	-	(58,000)	-
Balance at 30 June 2007	<u>301,408</u>	<u>58,000</u>	<u>327,755</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,109</u>	<u>695,272</u>
Balance at 1 January 2008	301,408	27,000	327,755	-	-	42,662	7,606	706,431
Dividend paid - 2007 Final	-	(27,000)	-	-	-	-	-	(27,000)
Profit for the period	-	-	-	-	-	-	16,742	16,742
Balance at 30 June 2008	<u>301,408</u>	<u>-</u>	<u>327,755</u>	<u>-</u>	<u>-</u>	<u>42,662</u>	<u>24,348</u>	<u>696,173</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 well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, 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 30 June 2008	<u>3,000,000,000</u>	<u>60,000,000</u>

#### Share capital

There were no changes in the Company's share capital in the second quarter of 2008.

#### Convertible bonds

On 27 July, 2007, the Company issued zero coupon convertible bonds maturing 5 years from the issue date (the "Bonds") at an issue price of 100% of the principal amount of RMB2,000,000,000.

The conversion price will initially be S\$0.9815 per conversion share (the "Conversion Price") with a fixed exchange rate but will be subject to adjustment from time to time in the manner provided in the "Term and Conditions of the Bonds – Conversion" ("Bonds Terms"). The Conversion Price represents a premium of approximately 51% over the closing price of the ordinary shares of the Company on the Singapore Exchange Securities Trading ("SGX-ST") on 9 July, 2007.

Based on the Conversion Price of S\$0.9815 for each conversion share, approximately 407,181,160 conversion shares are expected to be issued and allotted to the holders of the Bonds ("the Bondholders") upon the full exercise of their right to convert the Bonds.

Unless previously redeemed, converted or purchased and cancelled as provided in the Conditions, the Company will redeem the Bonds on 27 July 2012.

The Bonds may also be redeemed at the option of holders upon the Shares ceasing to be listed on the SGX- ST or the occurrence of a Change of Control under Bonds Terms.

Except as disclosed above, the Company had no other outstanding convertibles as at 30 June 2008 and 31 December 2007.

- 1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceeding year.**

	<b>As at 30</b>	<b>As at 31</b>
	<b>June 2008</b>	<b>December 2007</b>
Total number of issued shares	3,000,000,000	3,000,000,000
Less: Treasury shares	<u>                  -</u>	<u>                  -</u>
Total number of issued shares		
Excluding treasury shares	<u>3,000,000,000</u>	<u>3,000,000,000</u>

- 1(d)(iv) A statement showing all sales, transfer, disposal, cancellation and/or use of treasury shares at end of the current financial period reported on.**

Not applicable

- 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 2007, 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 2008. 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>		<u>Group</u>	
	Three	Three	Six	Six
	months	months	months	months
	ended	ended	ended	ended
	30.06.2008	30.06.2007	30.06.2008	30.06.2007
	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>
Basic	<u>RMB0.018</u>	<u>RMB0.048</u>	<u>RMB0.041</u>	<u>RMB0.097</u>
Diluted	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

Basic earnings per ordinary share for the three months and six months ended 30 June 2008 were calculated based on the Group's profit for the period of approximately RMB53,327,000 and RMB123,486,000 (three months and six months ended 30 June 2007 : approximately RMB 143,793,000 and RMB290,261,000) divided by issued share capital of 3,000,000,000 ordinary shares.

Diluted earnings per share for the three months and six months ended 30 June 2008 were not presented as the impact of the exercise of the convertible bonds were anti-dilutive.

Diluted earnings per share for the three months and six months ended 30 June 2007 were not presented as there were no potential ordinary share existed during the year.

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>30.06.2008</u>	As at <u>31.12.2007</u>	As at <u>30.06.2008</u>	As at <u>31.12.2007</u>
Net asset value per ordinary share	<u>RMB0.592</u>	<u>RMB0.560</u>	<u>RMB0.232</u>	<u>RMB0.235</u>

Net asset value per ordinary share was calculated based on:

1. the shareholder's equity of our Group/Company at 30 June 2008 and 31 December 2007;
2. the issued ordinary shares at 30 June 2008 and 31 December 2007 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**
- (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

#### **Review of Group's Performance for 2Q 2008 as compared to 2Q 2007**

##### **Revenue**

Revenue decreased by 9.4% to RMB356.4 million in 2Q 2008 from RMB393.3 million in 2Q 2007. The decrease was mainly due to lower sales in soy oligosaccharide syrup ("SOS") which offset the higher sales in soy protein isolates ("SPI"), soybean oil and peptide.

##### **Segmental Revenue Performance**

Sales of SPI increased by 24.2% to RMB190.5 million in 2Q 2008 from RMB153.4 million in 2Q 2007. This was attributable to three main reasons:

- (1) the increase in export sales to countries in Eastern Europe and South East Asia, and
- (2) the stabilising demand situation for SPI amongst domestic meat products manufacturers in the People's Republic of China ("PRC"), as a result of the gradual decrease in pork prices and an improved pig supply situation and
- (3) the increase in average selling price offered to customers to reflect rising soybean prices.

Sales of soybean oil surged by 142.3% to RMB90.4 million in 2Q 2008 from RMB37.3 million in 2Q 2007, due to the increase in both the demand from and the average selling price offered to the customers.

Sales of SOS decreased by RMB164.7 million from RMB193.4 million in 2Q 2007 to RMB28.7 million in 2Q 2008, due to lower orders from our customers. In contrast, 2Q 2007 saw strong orders for SOS from our then-master distributor, Shenji. The Group had terminated its master distribution contract with Shenji in late February 2008, due to the latter's inability to meet its minimum order guarantee, starting from the significant drop in SOS orders in the third quarter of FY 2007.

Sales of the new *Tineng* brand peptide, a new product launched in September 2007, contributed RMB 3.7 million.

### **Group Gross Profit and Margin**

Gross profit decreased 61.3% from RMB189.0 million in 2Q 2007 to RMB73.2 million in 2Q 2008. Overall gross profit margin declined from 48.0% in 2Q 2007 to 20.5 % in 2Q 2008, due primarily to higher soybean cost which rose from an average price of RMB2.81/kg in 2Q 2007 to an average price of RMB4.17/kg in 2Q 2008, as well as lower sales contribution of SOS which commanded a higher gross profit margin.

### **Other Revenue**

Other revenue increased significantly for 196.1% from RMB2.7 million to RMB 7.9 million, mainly due to interest income recognised from the placement as short term fixed deposits of the proceeds received from the issue of convertible bonds.

### **Operating Expenses**

Operating expenses decreased by 41.1% from RMB20.7 million in 2Q 2007 to RMB12.2 million in 2Q 2008.

Selling and distribution expenses decreased by 56.2% from RMB15.4 million in 2Q 2007 to RMB6.8 million in 2Q 2008 as the Group had scaled back its advertising campaign, in view of the slowdown in SOS sales in 2Q 2008. With the slow down in SOS sales, the Group will monitor the take up rate of SOS, take stock of its advertising and promotional activities and re-develop a new programme, if necessary, in order to maximise effectiveness.

Administrative expenses rose by 27.3% from RMB3.7 million in 2Q 2007 to RMB4.7 million in 2Q 2008. The increase was mainly due to a general increase in other expenses including depreciation, insurance and staff-related expenses.

Other operating expenses decreased by 54.0% from RMB1.6 million in 2Q 2007 to RMB 0.7 million in 2Q 2008. This item comprised mainly expenditure on research activities which was mostly incurred in the first quarter of 2008, as a large part of the research activities for new products had been completed by 2Q 2008.

### **Finance Costs**

Our finance costs for the 2Q 2008 mainly represented the interest expenses on the convertible bonds issued in July 2007.

The interest expenses on the convertible bonds is calculated on the effective interest basis by applying the interest rate such that the convertible bond liability amount in the balance sheet will

equal to the convertible bond principal amount plus a yield of 5.0% per annum upon maturity of the convertible bonds, assuming all convertible bonds are not converted.

## **Taxation**

The taxation represents a) applicable PRC corporate income tax b) a deferred tax credit of approximately RMB8.4 million on the imputed interest expenses for the six months ended 30 June, 2008 and c) a reversal of PRC dividend withholding tax of RMB12.5 million.

### **PRC corporate income tax:**

From FY2004, our subsidiary, Linyi Shansong Biological Products Co., Ltd. ("Linyin Shansong"), 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 FY2006 to FY2008. Accordingly, Linyin Shansong is subject to the reduced tax rate of 12.5% in the year of 2008. Upon expiry of the tax holiday on 31 December 2008, a unified income tax rate of 25% is applicable to Linyin Shansong under the new PRC enterprise income tax law passed by the Tenth National People's Congress on 16 March 2007.

### **Withholding tax:**

As per recent discussion with the PRC local Tax Authority, dividend declared by Linyin Shansong to Rainbow Palace Inc. was out of its accumulated profits prior to 1 January 2008, and accordingly, no withholding tax would be imposed on that dividend. In this respect, the withholding tax in respect of dividend previously declared by Linyin Shansong was reversed during the six months ended 30 June 2008.

## **Net Profit for the Period and Margin**

The decrease in gross profit margin offset with the decrease in operating expenses resulted in a decline in net profit for the period. Net profit totalled RMB53.3 million for 2Q 2008, compared with RMB143.8 million in 2Q 2007.

## **Review of Group's Financial Position as at 30 June 2008 and 31 December 2007**

Net tangible assets as at 30 June 2008 amounted to RMB1,776.2 million (31 December 2007: RMB1,679.7 million), representing an increase of 5.7%.

We incurred capital expenditure of RMB48.8 million in total for the period ended 2Q 2008. This amount represented the continuous investment in constructing the flexible production plant which has the ability to manufacture SPI, SOS and soybean peptide.

Inventories increased from RMB252.5 million in FY 2007 to RMB279.6 million in 2Q 2008, due mainly to an increase in the stocking up of soybeans in advance in view of the anticipation of uptrend in soybean cost in the foreseeable future.

Trade receivables decreased by RMB11.5 million from RMB35.8 million in FY 2007 to RMB24.3 million in 2Q 2008, which was attributed to overall improvement in the monitoring and collection of outstanding receivables. In addition, trade receivables also decreased due to the slow down of orders taken up by our ex-master distributor for our *Tiansong* brand SOS in 2Q08. We offered the ex-master distributor a credit terms for 60 days whereas the remaining trade debtors were generally required to pay before delivery.

Prepayment, other receivables and deposits as at FY 2007 mainly represented the deposit paid for the purchase of soybean at the amount of around RMB 60.1 million. As the deposits had been settled in 2Q2008, the prepayment, other receivables and deposits had decreased correspondingly.

Accrued liabilities and other payables decreased by RMB80.1 million from RMB202.4 million in FY 2007 to RMB122.3 million in 2Q2008 which was mainly attributed by the payment of cash deposit of RMB80 million to the ex-master distributor after the termination of its contract on mutual basis.

**(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.**

Overall, the Group believes that as living standards in the PRC rises, the emphasis and spending on healthy lifestyle and health-promoting products will gradually increase. The Group believes that as soybean is a staple of the Chinese diet, its health-promoting properties will also gradually gain popular acceptance as the Group puts more effort into creating broader awareness and educating consumers.

Nonetheless, the Group foresees several challenges in the coming 12 months.

#### **Soy Protein Isolates ("SPI")**

While the export sales for SPI and the stabilising demand situation amongst domestic meat producers will support reasonably healthy growth in this product segment, soybean prices may continue to rise and add further pressure on the Group's margins.

#### **Soy Oligosaccharide Syrup ("SOS")**

The Group expects SOS sales to continue to show a decline on a year-on-year basis due to the higher reported sales for SOS in the first half of FY2007. With the termination of the master distribution agreement with Shenji in late February 2008, the Group has now taken on its own direct distribution efforts, including distributing to supermarket chain stores in the PRC. With the slow down in SOS sales, the Group will monitor the take up rate of SOS, take stock of its advertising and promotional activities and re-develop a new programme, if necessary, in order to maximise effectiveness.

### **Soybean Peptide and *Ditang***

The Group had launched the *Tineng* soybean peptide and the *Ditang* health product in the second half of FY07 and will continue to closely monitor the sales performance and demand situation for these two products in the coming 12 months.

While the Group had earlier developed a comprehensive advertising and promotional campaign for SOS and these two newly launched products, careful monitoring of sales performance viz-à-viz its advertising and promotional activities will also be required to maximise the effectiveness of these activities.

#### **11. Dividend**

##### ***(a) Current Financial Period Reported On***

Any dividend declared for the current financial period reported on?

None

##### ***(b) Corresponding Period of the Immediately Preceding Financial Year***

Any dividend declared for the corresponding period of the immediately preceding financial year?  
Yes.

<b>Name of Dividend</b>	<b>Interim</b>
Dividend Type	Cash
Divident Rate	RMB0.019 per ordinary share
Par value of Shares	S\$0.02
Tax Rate	Not applicable

##### ***(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 financial period ended 30 June 2008.

### 13. Interested person transactions

Interested person transactions carried out during the three month period ended 30 June 2008:

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)	RMB10,368,000 (Note 2)	RMB123,255,000 (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  
Chief Executive Officer  
11 August 2008

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

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

We, Ming Kam Sing and Li Zhuping, 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 second financial quarter results of the Company and of the Group for the financial period ended 30 June 2008 to be false or misleading in any material aspect.

On behalf of the Board of Directors

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Ming Kam Sing  
Non-Executive Chairman

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Li Zhuping  
Chief Executive Officer

11 August 2008