



Pine Agritech Limited
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PRESS RELEASE

PINE AGRITECH 9 MONTH 07 NET PROFIT ROSE 14.1% TO RMB383.2M

RMB (million)	3Q07	3Q06	% Change	9M07	9M06	% Change
Revenue	365.1	475.8	-23.3	1163.8	1065.7	+9.2
Gross Profit	138.3	202.4	-31.7	520.8	437.5	+19.0
Operating Profit	128.7	185.1	-30.5	474.3	399.8	+18.6
Net Profit	93.0	155.9	-40.4	383.2	335.7	+14.1

SINGAPORE, 10 November 2007 – 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 financial results for the third quarter ended 30 September 2007 (“3Q07”).

Due to lower sales of soy protein isolates (“SPI”) and lower orders from the Group’s master distributor for soy oligosaccharide syrup (“SOS”), the Group recorded 3Q07 revenue of RMB365.1 million compared to RMB 475.8 million in the corresponding period last year (“3Q06”). In tandem with this decline in revenue, net profit for 3Q07 came in at RMB93.0 million from RMB155.9 million in 3Q06.

Overall, the Group reported stronger performance for the first nine months of the year (“9M07”). 9M07 revenue grew 9.2% to RMB 1,163.8 million from RMB1,065.7 million in the corresponding period last year (“9M06”). As

a result, net profit rose 14.1% to RMB383.2 million from RMB 355.7 million in 9M06.

Pine's Chief Executive Officer, Mr Li Zhuping said, ***“Although our performance in 3Q07 had been affected by slower sales of both SPI and SOS, I am pleased with the overall performance over the first nine months of FY2007.”***

SPI sales decreased by 20.3% to RMB 200.6 million in 3Q07 from RMB 241.4 million in 3Q06 due to weaker demand from meat processing industry and lower selling prices. On a sequential basis, SPI sales for 3Q07 was up 30.8% or RMB 47.3 million from RMB 153.4 million in the second quarter this year (“2Q07”) due to higher demand from customers in other food processing industries and also higher export sales.

“The shortage in live pig supply in the processed meat industry had affected the sales of SPI as SPI is sold as an ingredient in processed meat products. Our gross margin for SPI was also affected by rising cost of soybean prices which we have witnessed since 4Q06” Mr Li added.

SOS sales for 9M07 had risen 47.9% to RMB 493.9 million from RMB 333.9 million in 9M06. Nonetheless, SOS sales declined by 57.3% to RMB 104 million in 3Q07 compared to RMB 163.5 million in 3Q06, due to lower orders from the Group's master distributor. The number of health stores marketing SOS had risen to about 1,200 across 39 major cities in the PRC at the end of 3Q07.

Soybean oil sales declined marginally by 6.8% in 3Q07 to RMB43.8 million from RMB 46.8 million in 3Q06, due to lower output as a result of lower production volume of SPI.

Gross profit for 9M07 had risen 19.0% to RMB 520.8 million from RMB 437.5 million in 9Q06. Gross margins for 9M07 had also risen to 44.8% from 41.1% for 9M06, due to stronger margins in the first half of FY2007.

Nonetheless, the Group's gross profit in 3Q07 declined 31.7% to RMB138.3 million from RMB 202.4 million in 3Q06. Gross margin fell in tandem from 42.5% in 3Q06 to 37.9% in 3Q07, as soybean prices had been rising since 4Q06.

Outlook

Commenting on the outlook for the coming months, Mr. Li remarked, "We have seen the impact of soybean prices on the Group's SPI business segment since 4Q06. At the same time, the SPI business segment had been affected by the shortage of live pigs supply in the processed meat industry where SPI is a key ingredient. In the near term, we expect soybean prices to remain high and this may affect SPI margin to the extent that the Group is unable to pass on the increase in soybean cost to our customers. "

The Group has begun to witness the gradual decrease of pork prices, a sign that the acute shortage of live pigs in the PRC could be easing. The Group expects demand for SPI from processed meat manufacturers within the PRC to recover when the conditions improve further. In terms of SPI sales volume, the Group intends to grow demand from overseas markets as well as for other industrial applications to mitigate the impact of slower demand from processed meat manufacturers within the PRC in the near term.

In the long term, the Group's growth strategy is to focus on three key areas : continuous research and development, building brand value and expanding distribution network.

In September 2007, the Group launched a new health product called 抵糖 ("Ditang") targeting consumers suffering from type two diabetes, as the bodies of these diabetic patients do not produce enough insulin or the cells

ignore the insulin. The main ingredients of *Ditang* include soy oligosaccharide syrup (“SOS”), soybean peptide and tea leaf extract. As *Ditang*’s ingredients such as SOS and soybean peptide are internally produced and enjoy high profit margins, the Group expects *Ditang* to achieve higher profit margin compared to the industrial-use product, SPI.

To improve product awareness and spur consumer demand for *Ditang*, the Group has commenced TV commercials on local and provincial TV channels since September 2007. In the near term, the Group’s selling and distribution expenses are expected to increase due to the launch of *Ditang*, which is supported by aggressive marketing and advertising activities. However, the Group believes this will enhance our brand equity in the long run.

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**Issued on behalf of Pine Agritech Limited by
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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-related 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 the Group 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.