



Pine Agritech Limited

Pine Agritech Limited
Jinluo High Technology Park, Lanshan District,
Linyi City, Shandong Province, PRC 276036
Tel. (86) 539 297 7593
Fax. (86) 539 297 7259
www.pineagritechlimited.com

Company Registration No. 35792

cre8
Tel. (65) 63278398

Healthier Lifestyle for Stronger **Growth**

Annual Report 2006



Pine Agritech Limited

About Pine Agritech

Founded in 2001, Pine Agritech Limited (the “Company”) and its subsidiaries (collectively the “Group”) is principally engaged in the manufacture and sale of soybean-based products such as Soy Protein Isolates (“SPI”), Soybean Oil, Soy Oligosaccharide Syrup (“SOS”) and Soybean Peptide. Other by-products derived from the production of the three main products are sold as animal feeds.

The Group is one of the leading SPI manufacturers in the PRC (People’s Republic of China). SPI is mostly sold to processed meat companies as food ingredient. SOS, a health food approved by the Ministry of Health of the PRC, is produced using proprietary manufacturing process. SOS is sold under the Group’s 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. Its 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, maintain the quality of its key raw material which is defatted soy flakes and enjoy other economies of scale benefits.

In addition to its scale of production, the Group believes that its R&D emphasis on the improvement of existing products, development of new products and adoption of innovative manufacturing technologies for new products will help the Group to establish a distinct advantage over its competitors.



Our Products	Financial Highlights	Letter to Shareholders	Board of Directors	Senior Management	Operations Review	Corporate Information
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★ Our Products



Soya : healthy product

The increasing popularity of soya foods is mainly attributed to the large amount of health benefits which are associated with the use of soya beans. The role of soya in the prevention of chronic diseases continues to be a top priority for scientists around the world.



Soy Protein Isolates

Soy protein isolates are derived from removing the majority of non protein components from soybean and contain not less than 90% of pure soy protein. Soy protein isolates are manufactured from defatted soy flakes and when used as an ingredient in food products, improves the texture and nutritional value of foods. Soy protein isolates also stabilize emulsions and aid in the absorption of water and fat.

Soy protein isolates are used as an ingredient in the manufacture of a wide variety of food products such as dairy foods, nutritional supplements, seafood, processed meat, frozen food, nutritional beverages, cream soups, sauces and snacks. Currently, this product is sold mainly to processed meat manufacturers.



Soybean Oil

Soybean oil is obtained from the extraction of oils during the manufacturing process of defatted soy flakes. Soybean oil contains vitamins A and D and various unsaturated fatty acids that are essential to the human body, making it an ideal high nutritional food product. Manufacturers of refined oils buy soybean oil from the Group for further processing into higher grade oil and it was also sold to small retailers.



Soy Oligosaccharide Syrup

Soy oligosaccharide syrup is manufactured from soybean whey, a by-product from the production of soy protein isolates. Soy oligosaccharide syrup is a prebiotic that when ingested, selectively stimulates the growth of favourable bifido bacteria in the intestines and colon so as to improve digestion. Pine Agritech is one of the few companies in the PRC which has successfully adopted membrane separation technology and has the capital funding to support the commercial production of soy oligosaccharide syrup. The Ministry of Health of the PRC has approved its soy oligosaccharide syrup as a health-care food product. Its soy oligosaccharide syrup is also qualified for export as it has been registered with the State Certification and Accreditation Administration).

Soy oligosaccharide syrup is sold to distributors for retail sales and operators of small retail outlets. Since 1 July 2004, the Group has also been selling the soy oligosaccharide syrup to beverage manufacturers as ingredient in its manufacturing process.



Soybean Peptide

Soybean peptide is extracted from soy protein isolates. It is composed of 2 to 6 amino acids and can be easily absorbed by human as compared to protein. Independent reports have highlighted numerous potential health benefits for instance, rapid recovery of energy, improving memory and boosting immune system.

Soybean peptide has strong growth potential due to its broad application in F&B markets. Products such as liquid-milk, beer, snacks, soft drinks and coffee containing peptide had been successfully developed and marketed in Japan, Europe and USA. Since early 2006, the Group has been selling peptide under our own brand 提能™.



More individuals are becoming more aware of the benefits of soybean-based food—among which are improved digestion, enhanced memory and fortified immune systems—and are opting for the natural fare to stay fit and healthy.





Healthier Options
Better Living



Economic developments in the PRC are affecting people's way of life. The PRC citizen's increasing affluence and interest in life-preserving lifestyles are opportunities to drive our business growth.





Increasing Demand
Stimulates Growth



Staying ahead of the competition, we not only maintain the quality of our products, but constantly improve on our existing product line.





Popular Nutritional Food
Strong Research and Development

★ Financial Highlights

Revenue (RMB million)

2006	1,577.7
2005	797.0
2004	527.9

Gross Profit (RMB million)

2006	699.4
2005	270.8
2004	169.1

Profit Before Taxation (RMB million)

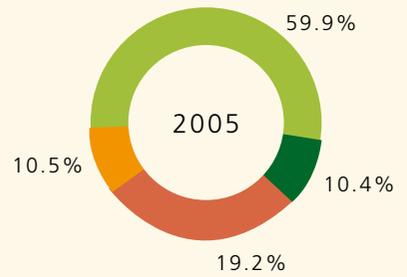
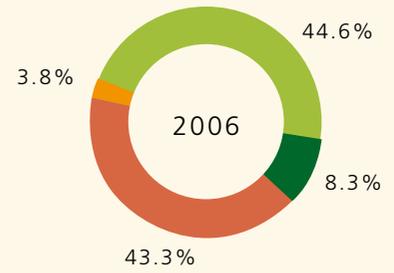
2006	636.7
2005	234.6
2004	136.9

Net Profit (RMB million)

2006	538.0
2005	234.6
2004	136.9

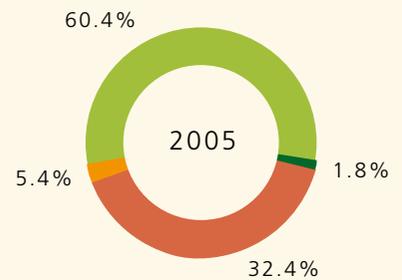
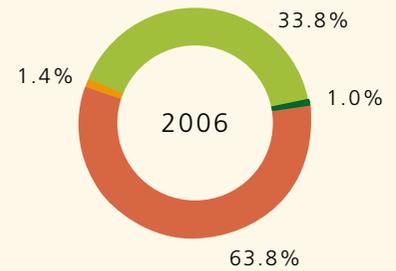
Revenue Breakdown by Products

	2006 RMB'000	2005 RMB'000
Soy protein Isolates	704,052	477,486
Soybean Oil	130,516	82,859
Soy Oligosaccharide Syrup	682,681	152,830
By-Products	60,466	83,860
Total	1,577,715	797,035



Gross Profit Breakdown by Products

	2006 RMB'000	2005 RMB'000
Soy protein Isolates	236,799	163,656
Soybean Oil	6,721	4,800
Soy Oligosaccharide Syrup	445,938	87,688
By-Products	9,898	14,677
Total	699,356	270,821



Gross Profit Breakdown by Products

	2006 RMB'000	2005 RMB'000
Soy protein Isolates	33.6	34.3
Soybean Oil	5.1	5.8
Soy Oligosaccharide Syrup	65.3	57.4
By-Products	16.4	17.5
Total	44.3	34.0

★ Letter to shareholders

We believe that we are one of the few companies in the PRC which has successfully adopted the membrane separation technology and has the capital funding to support the commercial production of soy oligosaccharide syrup.



Dear Shareholders,

We are pleased to present to you another year of robust growth in markets, revenue and profits for our soybean based health food and health ingredients, in the year ended 31 December 2006 ("FY2006").

As a leading player in the soybean based health food and food ingredients markets in People's Republic of China ("PRC"), we believe we enjoy a significant first mover advantage in terms of our Soy Oligosaccharide Syrup ("SOS") product and strong competitive edge in terms of the capacity of our Soy Protein Isolates ("SPI").

SPI, an ingredient sold to food processors to improve food texture and enhance nutritional value of their products, remained the largest revenue generator in FY2006. Revenue for SPI rose 47.4% to RMB 704.1m in FY2006 and it accounted for 44.6% of Group revenue. SOS, a health food which improves digestion, was the second largest revenue generator. Revenue for SOS surged 346.7% to RMB 682.7m in FY2006 and it accounted for 43.3% of Group revenue. With the appointment of the new master distributor, Shenji in July 2006, we have experienced strong growth for SOS. Currently there are more than 300 health stores across 36 major cities in the PRC promoting SOS under the brand "Tian Song".

In particular, SOS which is our highest margin and fastest growing product, has overtaken SPI as the top gross profit contributor. Gross profit in FY2006 for SOS reached a new high of RMB 445.9m, up 408.6% from a year ago and it now accounts for 63.8% of gross profit. With minimum order commitments of RMB 700m per annum secured from Shenji for the next few years, we believe that SOS will remain one of the fastest growing products.

In view of the strong performance of the Group and to reward shareholders, we are recommending a final dividend of RMB 0.036 per ordinary share.

CORPORATE DEVELOPMENT

Since signing the master distributorship agreement in July 2006, Shenji has accelerated its expansion programs for marketing and distribution networks across PRC through setting up health stores, named "Tian Song Health Bank" and appointing sub-distributors. From July 2006 until January 2007, Shenji has set up more than 300 new health stores and appointed 350 sub-distributors across 36 cities in the PRC.

We have begun constructing the Group's new soybean peptide plant with capacity of 10,000 tonnes per annum and this is expected to come on stream in June FY2007. This will increase the Group's soybean peptide production capacity significantly

from 2,000 tonnes to 12,000 tonnes per annum. When completed, it will be one of the largest soybean peptide plants in the PRC.

The Group has recently improved its soybean peptide concentration level from 80% to 99%. This has broadened the potential industrial application of our products. Products such as beer, liquid milk, snacks and soft drinks containing peptide have been successfully developed and marketed in Japan and USA.

FULL YEAR FINANCIAL RESULTS

For FY2006, the Group's turnover surged to RMB 1,577.7m, which was a 97.9% increase, compared to RMB 797.0m in FY2005. The revenue growth was mainly driven by higher sales of our SPI and SOS. The Group's gross profit rose by 158.2% to RMB 699.4m in FY2006 from RMB 270.8m in FY2005. Correspondingly, net profit for FY2006 soared 129.3% to RMB 538.0m from RMB 234.6m in FY2005.

In FY2006, our overall gross margins improved significantly to 44.3% as compared to 34.0% in FY2005 as a result of a shift in product mix to the higher-margin SOS and greater economies of scale. Despite the imposition of taxation, our net profit margins rose to 34.1% in FY2006 from 29.4% in FY2005.

In the 4th quarter of FY2006 ("4Q06"), the Group recorded an impressive earnings growth of 205.6% to RMB 202.3m from RMB 66.2m during the same period in FY2005 ("4Q05"). Revenue for 4Q06 also rose 128.0% to RMB 512.0m from RMB 224.6m in 4Q05. The Group's earnings per share grew to RMB 17.9 cents in FY2006 from RMB 8.6 cents in FY2005, while net asset value per share rose to RMB 45.6 cents in FY2006 from RMB 24.8 cents in FY2005. As at 31 December 2006, Pine Agritech's cash and bank balance was RMB 334.6m compared to RMB 451.6m in FY2005.

LOOKING AHEAD

The Group's excellent performance in FY2006 can be attributed to the continued strong performance from SOS. This momentum is likely to continue in FY2007. We have already secured minimum order commitments estimated at RMB 700m per annum from our master distributor, Shenji for the next four years.

In addition, being one of the largest SOS suppliers in the PRC, the Group is expected to benefit from the national campaign started in January 2007 by the Center for Public Nutrition and Development of China ("PNDC") to raise awareness on the health benefits from consuming prebiotics. PNDC also plans to encourage Food and Beverage ("F&B") companies to introduce more products with prebiotics. The timing of the

PNDC campaign is positive for Shenji, which will continue to expand its health stores and sub-distributors across more cities in the PRC in 2007.

FY2007 will be another exciting year for the Group, as we intend to increase the production of soybean peptide, a health promoting ingredient derived from SPI. Soybean peptide can be taken on its own or blended into other food and beverage products. We intend to introduce soybean peptide to industrial customers in the food and beverage industry in 2007. Soybean peptide is expected to command higher margin and selling price than SPI. This is in line with the Group's strategy to move downstream into higher margin and health related product transforming from just an industrial product supplier to become one of the leading soy-related health food companies in the PRC.

Barring unforeseen circumstances, we are optimistic of the Group's performance in FY2007. We believe that the demand for soybean-based products will continue to grow in the PRC and globally. With our strategies and plans in place, we are well positioned to increase our market presence and become a dominant player in our industry.

ACKNOWLEDGEMENT

We would like to take the opportunity to express our heartfelt thanks to all our business associates, partners, customers and staff for their continual hard work, support, and faith in us. To all shareholders, and on behalf of the Board, I look forward to your continued support in the coming year and beyond.

Mr Li Zhu Ping

Chief Executive Officer
and Executive Director

★ Board of Directors



Mr Ming Kam Sing
Non-Executive Chairman

Mr Ming Kam Sing was appointed as the Non-Executive Chairman on 23 March 2005. Mr Ming is appointed to the board of the Company as nominee director of People's Food Holdings Limited ("PFH"). He is the Chairman and Executive Director of PFH. Mr Ming has over 21 years of experience in the health and medical industry. From 1981 to 1993, he served as a doctor in the Beijing Medical University Hospital and then the Xiehe Hospital. In 1993, he started his own business dealing in the sale of medical equipment and soon after, he founded the PFH group together with other partners in 1994. Since 2002, he has been the Chairman and Executive Director of PFH. He graduated from the Shandong Medical College, PRC in 1981 with a degree in Medicine.



Mr Li Zhuping
Chief Executive Officer

Mr Li Zhuping was appointed as the Executive Director and Chief Executive Officer on 15 September 2004. He is responsible for the Group's overall production and management of the Group. From 1996 to 1997, Mr Li worked as a Technical Supervisor at the Guizhou Soybean Food Processing Co., Ltd. which is a company principally engaged in the manufacturing of soybean-based products. Subsequently, from 1997 to 2001, he was involved in the business of soybean-based products. Mr Li was the General Manager of Linyi Yikang Soybean Protein Processing Plant from 2001 till 2002 when he became the Assistant General Manager of Linyi Shansong Biological Products Co., Ltd. ("LSBP"). In 2003, Mr Li was promoted to the position of General Manager of LSBP. He graduated from Hunan Zhongnanlin Institution with a Bachelor of Science in 1996.



Mr Zhou Yan'An
Executive Director

Mr Zhou Yan'An was appointed as the Executive Director on 13 December 2006. Mr Zhou joined Pine Agritech in 2003 and is responsible for managerial functions and assists the Chief Executive Officer on management and company strategies. Mr Zhou started his career in 2000, as a teacher at the Luhua Secondary School. Subsequently in 2001, he became a trainer in Tianjin Trading Co., Ltd., responsible for conducting internal training for the employees. In 2000, he graduated from the Tianjin Normal University with a Bachelor of Science. In 2003, he obtained a Master in Science from the University of Sussex in the United Kingdom.



Mr Chan Wai Meng
Independent Director

Mr Chan Wai Meng was appointed as an Independent Director as on 23 March 2005. He has more than 25 years of experience in finance, corporate planning, investment, sales and marketing. Mr Chan has worked in various management and financial positions in a public accounting firm, a financial institution, an electronic manufacturing company, a government lottery company and a charitable welfare organisation. Mr Chan holds a Bachelor degree in Accountancy from the University of Singapore, and has been a member of the Institute of Certified Public Accountants of Singapore for more than 20 years.



Mr Ong Tiong Seng
Independent Director

Mr Ong Tiong Seng was appointed as an Independent Director on 23 March 2005. Mr. Ong is currently the Chairman of Cogent Financial Group (HK) Limited, an investment fund company. He is also the Vice Chairman of Provenance Capital Pte Ltd, an investment banking business. At the same time, he is also active in the oil industry through his directorship with Concord Energy Pte Ltd. Prior to joining the private sector; Ong Tiong Seng worked with the Economic Development Board of Singapore. Apart from business, he is also a member of the Feedback Panel of the Ministry of Community, Youth and Sports. Mr Ong graduated with a Bachelor of Commerce Degree (Banking and Finance) from University of Canberra in 1992 and a Masters of Economics Degree from Macquarie University, Australia in 1993.

★ Senior Management

Mr Ho Hin Yip

The Group's Financial Controller and Company Secretary, joined the Group in October 2004 and is in charge of the daily finance and administrative functions of the Group. In addition, he is responsible for implementing internal controls, corporate governance and practices as well as liaising with external parties and regulatory bodies in respect of the financial matters. Prior to joining the Group, he has over nine years of experience in audit and accounting. He holds a Bachelor of Business Administration in Professional Accountancy from the Chinese University of Hong Kong. He is also an associate member of the Hong Kong Institute of Certified Public Accountants, an associate member of Association of Chartered Certified Accountants and a Certified Public Accountant (Practising).

Mr Meng Fanqi

The Group's Vice President (Finance & Administration), has been with Pine Agritech since 2002. He is responsible for the Group's accounting and financial matters. Before Mr Meng joined the Group, he started his career at the Linyi Chashan Plant as a Supervisor and was responsible for the financial matters of the company from 1986 to 1992. Thereafter in 1992, he was the Supervisor at the Bancheng Town Economic Committee. Mr Meng was subsequently promoted to the Finance Manager of Bancheng Town Economic Committee in 1993 and continued his services there till 2002. In 2002, he was the Finance Manager of LSBP. He obtained his Diploma in Accounting from the Shandong Economics in 1986.

Mr Zhang Jichuan

The Group's Vice President (Research & Development) joined Pine Agritech in 2004. He is responsible for the research and development department of the Group. In 1996, Mr Zhang was the Assistant Technical Supervisor of Guizhou Dadou Food Processing Plant and was subsequently promoted to the Technical Supervisor in 1997. In 2001, he became the Research and Development Manager of Linyi Yikang. Thereafter, he was the Research and Development Manager at LSBP from 2002 to 2004. He graduated from Hunan Zhongnanlin Institution in 1996, where he obtained a Bachelor of Science.

Mr Bao Shouhui

The Group's Vice President (Purchasing), joined Pine Agritech since 2003. Mr Bao is responsible for overseeing the purchasing functions of the Group such as procurement of raw materials from third party suppliers and to ensure that such raw materials comply with the Group's quality standards. Prior to joining the Group, he has five years experience as an Assistant Purchasing Manager in Jingwei Protein Plant, a company that was principally involved in the production and sale of soy protein isolates. He joined Linyi Yikang in 2001 as the Assistant Purchasing Manager. Subsequently in 2002, he joined Shansong Bio-Engineering where he was the Purchasing Manager, responsible for the purchasing functions of the company. In 2003, he was the Purchasing Manager at LSBP. He obtained his Diploma in Economics Management from the Shandong University in 1996.

Mr Zhang Youyun

The Group's Vice President (Production) joined Pine Agritech since 2002. He is responsible for the overall production matters at the Group's Linyi branch. He has over 20 years of experience in production management. He started working as a Technician in 1980 at the Shandong Jinan Shi Jichuang Plant and worked there for 18 years. From 1998 to 2002, Mr Zhang became the Supervisor at Shandong Sanwei Oil Group Co., Ltd. and in 2002, he joined LSBP as a Production Manager. He graduated from Shandong Economics Institution with a Diploma in Economics in 1980.

Mr Zhang Qingping

The Group's Vice President (Sale and Marketing) has been with Pine Agritech since 2002. He is responsible for the sales and marketing of the Group. In 1980, Mr Zhang served in the armed forces of Shandong for a period of five years. In 1986, he joined Shandong Sanwei Oil Processing Co., Ltd. as an executive in the sales and marketing department and continued working there for two years. Subsequently in 1988, he was promoted to the Sales and Marketing Manager of Shandong Sanwei Oil Processing Co., Ltd. till 2002. From 2002 to 2004, Mr Zhang was the Manager of the Sales Department of Linyi Shansong Biological Products Co., Ltd. ("LSBP"). He graduated with a Diploma in Marketing from the Shandong Economic Institution where he studied from the period of 1985 to 1987.

Mr Li Ying

The Group's Vice President (Production), has been with Pine Agritech since 2004. He is responsible for the overall production matters at Group's Daqing branch. Mr Li has more than 40 years experience in management. In 1964, he was a Supervisor at the Daqing Commodity Provision Bureau. From 1981 to 1989, he was the Assistant Manager in Daqing Petroleum Management Co., Ltd. From 1989 to 1998, he was the Assistant General Manager at the Daqing Trading Co., Ltd.. From 1999 to 2002, he was the General Manager of Daqing Economy & Trading Group Co., Ltd.. In 2002, Mr Li was the Director and General Manager of Daqing Xinyu Food Co., Ltd.. He obtained his Diploma in Management from Daqing Petroleum Institution in 1983.



★ Operations Review

The Group's net profit rose by 129.3% to RMB 538.0 million in FY2006 from RMB 234.6 million in FY2005.



REVENUE

Revenue rose by 97.9% from RMB 797.0m in FY2005 to RMB 1,577.7m in FY2006. The growth derived mainly from higher sales of soy protein isolates ("SPI") and soy oligosaccharide syrup ("SOS").

Sales of SPI increased by 47.4% or RMB 226.6m from RMB 477.5m in FY2005 to RMB 704.1m in FY2006. Higher sales was contributed by higher output from the new SPI production lines installed in September 2005 and June 2006. The total annual production capacity was lifted from 50,000 tonnes to 90,000 tonnes per annum. SPI accounted for 44.6% of the total revenue in FY2006.

Sales of SOS surged from RMB 152.8m in FY2005 to RMB 682.7m in FY2006. Since it was launched in 2003, demand for SOS has been growing steadily due to rising disposable income as well as increasing health awareness and consumption of health promoting products in China. In the first quarter of 2006, we secured minimum order commitment from 300 distributors to market this product. Also, from July 2006, we started to deliver our own brand of SOS to a master distributor, Shenji for the PRC market, with which we entered contract for secured orders worth RMB 429.0m for FY2006.

GROUP GROSS PROFIT AND MARGIN

Gross profit rose by 158.2% from RMB 270.8m in FY2005 to RMB 699.4m in FY2006.

Overall gross profit margin further increased from 34.0% in FY2005 to 44.3% in FY2006 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. In March and December 2005, the installations of new production lines for defatted soy flakes at our Linyi Plant added a total production capacity of 120,000 tonnes of soy flakes per annum, effectively increasing our capacity to 165,000 tonnes per annum. The added capacity gave us the latitude to reduce the percentage of externally sourced defatted soy flakes and therefore lowered the cost of production.

SOS, which is a higher-margined product, accounted for 43.3% of total sales in FY2006, compared with 19.2% in FY2005.

OPERATING EXPENSES

Operating expenses increased by 66.0% in FY2006 to RMB 62.8m. As a percentage of revenue, operating expenses was still within a satisfactory level at about 4.0% in FY2006.

Selling and distribution expenses increased by 89.4% or RMB 19.3m from RMB 21.6m in FY2005 to RMB 40.9m in FY2006. We incurred more advertising and promotion expenses to build brand equity and market awareness of our SOS.

Administrative expenses rose by 26.9% or RMB 4.1m from RMB 15.1m in FY2005 to RMB 19.1m in FY2006. 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 year.

From FY2004, 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 FY2006 to FY2008.

NET PROFIT AND MARGIN

The significant increase in revenue helped us to achieve a substantial rise in net profit for the year. Net profit totalled RMB 538.0m for the year, compared with RMB 234.6m in FY2005.

Net profit margin gained a 4.7 percentage points from 29.4% in FY2005 to 34.1% in FY2006.

FINANCIAL POSITION

Net tangible assets as at 31 December 2006 amounted to RMB 1,366.5m (31 December 2005: RMB 999.5m), representing an increase of 36.7%.

We incurred capital expenditure of RMB 318.2m in total during the year. In June 2006, the installations of new production lines for SPI and SOS were completed. Production capacity for SOS, has risen by 160% to 10,400 tons from 4,000 tons per annum. Production capacity for SPI has also been expanded by 29% to 90,000 tons from 70,000 tons per annum. In addition, 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.

Trade receivables rose from RMB 13.7m as at the end of December 2005 to RMB 254.3m as at the end of December 2006. From July 2006, secured orders were started to be delivered to the master distributor of own brand SOS. We

offered them a credit term for 60 days. We also received a cash deposit amounting to RMB 80m from the master distributor.

The significant increase in accrued liabilities and other payables was attributed to the placement of a cash deposit amounting to RMB 80m by the master distributor during the year.

The bank borrowing of RMB 100m taken in second half of FY2005 was fully repaid during 4Q 2006.

RISK MANAGEMENT

The Board does not have a risk management committee. However, the management reviews the Company's business and operational activities on a regular basis to identify areas of business risks as well as appropriate control measures to mitigate these risks. Any significant matters detected by the management are reported to the Directors.

PROSPECTS

As a leading player in the emerging markets of soybean based health food and food ingredients, with first mover advantage and significant production scale, the Group is well positioned to benefit from the growing demand for its core products such as SPI and SOS.

The Group is expected to benefit from the national campaign launched by the Center for Public Nutrition and Development of China ("PNDC") to raise awareness on the health benefits from consuming prebiotics in the country. PNDC also plans to encourage Food and Beverage ("F&B") companies to introduce more products with prebiotics

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. The Group has recently improved its soybean peptide concentration level from 80% to 99%. In the PRC, the Group is one of the earliest to have successfully developed 99% concentration soybean peptide that may value add to products in the F&B market.

The Group's sterling performance in FY2006 can be attributed to strong orders for SOS. SOS is produced using proprietary technology and it commands the highest profit margin. In FY2007, the Group expects orders for SOS to remain strong since it has secured minimum order commitments of estimated RMB 700m from its master distributor.

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

★ Corporate Information

Board of Directors

Mr Ming Kam Sing
(Non-executive Chairman)
Mr Li Zhuping
(Chief Executive Officer)
Zhou Yan'An
(Executive Director)
Mr Ong Tiong Seng
(Independent Director)
Mr Chan Wai Meng
(Independent Director)

Audit Committee

Mr Chan Wai Meng *(Chairman)*
Mr Ong Tiong Seng
Mr Ming Kam Sing

Remuneration Committee

Mr Ong Tiong Seng *(Chairman)*
Mr Chan Wai Meng
Mr Ming Kam Sing

Nominating Committee

Mr Ong Tiong Seng *(Chairman)*
Mr Chan Wai Meng
Mr Li Zhuping

Company Secretaries

Abdul Jabbar Bin Karam Din, LLB. *(Hons)*
Ho Hin Yip, CPA
(Practising)

Bermuda Resident Representative and Assistant Secretary

Appleby Corporate Services (Bermuda) Ltd.
Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Registered Office

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda
Tel: 441 295 1443
Fax: 441 295 9216

Head Office and Principal Place of Business

Jinluo High Technology Park,
Lanshan District, Linyi City
Shandong Province
People's Republic of China, 276036

Bermuda Share Registrar

The Bank of Bermuda Limited
Bank of Bermuda Building
6 Front Street
Hamilton HM 11
Bermuda

Singapore Share Transfer Agent

Lim Associates (Pte) Ltd
3 Church Street
#08-01 Samsung Hub
Singapore 049483
Tel: (65) 6536 5355
Fax: (65) 6536 1360

Auditors

Grant Thornton
Certified Public Accountants
13th Floor, Gloucester Tower
The Landmark
15 Queen's Road, Central
Hong Kong

Partner-in-charge:
Lo Ngai Hang (appointed since 2006)

Principal Bankers

Agricultural Bank of China
Daqing Branch Sa'ertu Office
8 Tuanjie Road, Sa'ertu District
Daqing City
Heilongjiang Province,
People's Republic of China, 163000

Agricultural Bank of China
Qingan Branch
San Men Liu Vegetable Oil Plant
Qingan District
Suihua City
Heilongjiang Province,
People's Republic of China, 152400

Agricultural Bank of China
Linyi Bancheng Branch
Bancheng Town, Lanshan District
Linyi City, Shandong Province
People's Republic of China, 276036

