



東 北 虎 藥 業 股 份 有 限 公 司

NORTHEAST TIGER PHARMACEUTICAL CO., LTD.

(A joint stock limited company incorporated in the People's Republic of China)

First Quarterly Report 2002

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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This report, for which the directors (“Directors”) of Northeast Tiger Pharmaceutical Co., Ltd. (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:- (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS (unaudited)

- The H shares of the Company (“H Shares”) were listed on GEM since 28 February, 2002.
- Turnover of the Company for the three months ended 31 March, 2002 was approximately RMB16,983,000, representing a decrease of 4.34% as compared with the same period in the previous year.
- Profit attributable to shareholders of the Company for the three months ended 31 March, 2002 was approximately RMB5,210,000, representing a decrease of approximately 18.24% as compared with same period in the previous year.
- Earnings per share (the “Shares”) of the Company was approximately RMB0.9 cents.
- The Directors do not recommend the payment of any dividend for the three months ended 31 March, 2002.

RESULTS

The board of Directors (the “Board”) is pleased to announce that the unaudited results of the Company for the three months ended 31 March, 2002, together with the comparative figures for the corresponding period of the previous financial year, as follows:

		Three months ended 31 March,	
		2002	2001
	<i>Notes</i>	Unaudited <i>RMB'000</i>	Unaudited <i>RMB'000</i>
Turnover	b	16,983	17,753
Cost of sales		(7,177)	(7,730)
Gross profit		9,806	10,023
Other revenue	c	1,000	1,170
Distribution and selling expenses		(2,820)	(2,566)
General, administrative and other operating expenses		(1,637)	(1,065)
Operating profit		6,349	7,562
Finance costs		(344)	(2)
Profit before taxation	d	6,005	7,560
Taxation	e	(795)	(1,188)
Profit attributable to shareholders		5,210	6,372
Dividends		N/A	N/A
Earnings per Share	f		
— Basic		RMB0.9 cent	RMB1.2 cents
— Diluted		N/A	N/A

a. **Company reorganization and basis of presentation**

The Company was incorporated in the People's Republic of China (the "PRC") on 20 November, 1998 as a privately owned company with limited liability. On 30 June, 2000, the Company was converted into a joint stock company with limited liability in the PRC. The Company's H shares were listed on the GEM since 28 February 2002, details of which are set out in the prospectus of the Company dated 20 February, 2002 (the "Prospectus").

The Company is principally engaged in the manufacture and sale of Chinese medicine under the brand name of "Northeast Tiger" in the PRC as well as conducting pharmaceutical research and development.

The principal accounting policies used in the preparation of the unaudited income statement of the Company for the three months ended 31 March, 2002 are consistent with those used in the audited accounts issued for the year ended 31 December, 2001.

b. **Turnover**

Turnover represented the net amounts received and receivable for goods sold by the Company to outside customers during the period.

c. **Other Revenue**

	Three months ended	
	31 March,	
	2002	2001
	<i>RMB'000</i>	<i>RMB'000</i>
Government subsidies	1,000	1,130
Others	—	40
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	1,000	1,170
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Pursuant to the agreements between the PRC government authorities and the Company, the Company is entitled to receive subsidies for the research and development of new products. The grant of the subsidies is based on the progress of the research and development as stipulated in the agreements between the PRC government authorities and the Company. Furthermore, according to prevailing rules and regulations in the PRC, the Company should appropriate net profit of the same amount as the subsidies to capital reserve when such subsidies are granted.

d. **Taxation**

Details of enterprise income tax for the two Periods are as follows:

	Three months ended	
	31 March,	
	2002	2001
	<i>RMB'000</i>	<i>RMB'000</i>
The PRC enterprise income tax		
- Current income tax	496	1,206
- Deferred income tax	299	(18)
	<u>795</u>	<u>1,188</u>

The Company is established in Jilin High-technology Development Zone, the PRC (the "Zone"). It is subject to enterprise income tax at a rate of 15% and is entitled to full exemption from enterprise income tax in its first and second years of operations. Accordingly, the Company was exempted from enterprise income tax for the year ended 31 December, 2000. From 2001 onward, the applicable enterprise income tax rate is 15%.

e. **Earnings per Share**

The calculation of basic earnings per share for the three months ended 31 March, 2001 and the three months ended 31 March, 2002 was based on profit attributable to shareholders of the respective period divided by the weighted average number of 53,965,424 and 610,954,240 shares in issue for the respective two periods, taken into account that the H share offer through placing which took place 28 February, 2002 as described in the Prospectus.

No diluted earnings per share were presented as there were no dilutive potential ordinary shares issued for each of the two periods ended 31 March, 2001 and 31 March, 2002 respectively.

f. **Segment reporting**

The Company conducts its business within one business segment — the business of manufacture and sale of medicine products in the PRC. The Company also operates within one geographical segment because its revenues are primarily generated in the PRC and its assets are located in the PRC. Accordingly, no segment information is presented.

MOVEMENT IN RESERVES

The movements of reserves are as follows:

	Capital reserve <i>RMB'000</i>	Statutory public welfare fund <i>RMB'000</i>	Statutory revenue reserve <i>RMB'000</i>	Discretionary revenue reserve <i>RMB'000</i>	(Accumulated losses)/ Retained profits <i>RMB'000</i>	Total reserves <i>RMB'000</i>
Balances as of						
1 January, 2001	1,754	902	1,804	—	6,944	11,404
Profit attributable to shareholders for the period	—	—	—	—	6,372	6,372
Government subsidies	1,130	—	—	—	(1,130)	—
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balances as of						
31 March, 2001	2,884	902	1,804	—	12,186	17,776
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balances as of						
1 January, 2002	11,424	2,275	4,549	—	22,072	40,320
Profit attributable to shareholders for the period	—	—	—	—	5,210	5,210
Premium on issue of H shares, net of share issuing expenses	19,027	—	—	—	—	19,027
Government subsidies	1,000	—	—	—	(1,000)	—
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balances as of						
31 March, 2002	31,451	2,275	4,549	—	26,282	64,557
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

DIVIDENDS

The Board does not recommend the payment of any interim dividend for the three months ended 31 March, 2002 (2001: nil).

BUSINESS REVIEW AND PROSPECTS

Business Review of the Company

On 28 February, 2002, the Company's H shares were successfully listed on GEM, and with the continued enhancement of the management, the Company's financial position has been stronger than before. As at 31 March, 2002, cash and cash equivalent of the Company amounted to approximately RMB44,284,000.

For the three months ended 31 March, 2002, turnover and net profit of the Company amounted to approximately RMB16,983,000 and RMB5,210,000, representing a decrease of 4.34% and 18.24% respectively as compared with the corresponding period in 2001.

During the period under review, the Company has around 2000 recurring customers. In order to tighten credit control and make salesperson more responsible for collection of outstanding sales proceeds, the Company has set up a policy such that the income of salesperson will be linked directly with the performance of collection of outstanding sales proceeds. Furthermore, the Company has also adopted a new marketing strategy by focusing on sale to large or medium size customers. These measures have irrevocably affect performance of the Company, however in the long run, the management believed that the Company will benefit a lot.

Product and Market

The PRC government has set the objectives for the modernization and industrialization of the Chinese medicine sector in the coming years. The Company believes that the Chinese medicine industry has strong prospect for sustained development in the PRC and is under well planning to capture this business opportunity. Currently the Company possesses the production rights of 101 types of Chinese medicine. The Company will also plan to establish an internet website, aiming to promote its corporate image and strengthen its products' brand name.

During the period under review, the Company has expanded its sales team by employing 20 more staffs in Beijing sales Office which is now treated as a marketing and promotion centre. The management believed that this will help to increase Company's market share and brand awareness.

Research and Development

The Company will continuously place great effort on research and development of a comprehensive range of pharmaceutical products. The new products under research are Xie Sha Tong Infusion Fluid, Fu Fang Ge Gen Powder Injection and Fu Fang Ge Gen Infusion Fluid.

Prospects

The Company aims to become a leading Chinese medicine producer with strong research and development capability in the PRC. With the launch of two new products, Yong Chong Cao Jun Power and Yong Chong Cao Jun Powder Capsule, which has been acknowledged as State Category 1 new Chinese medicine, the management believed that the Company would be able to maintain a stable growth in turnover. In order to expand and enhance its production capacity, the Company intends to establish a new plant in accordance with GMP standard. The Company also plans to enhance products promotion, particularly in large domestic cities. Furthermore, the Company will expand its sales team and network and has planned to establish a sales office in Hong Kong by the end of 2002.

DIRECTORS' AND SUPERVISORS' INTEREST IN SHARES, WARRANTS AND SHARE OPTIONS

Up to the reporting date, the interests of the Directors and their respective associates in the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interest) Ordinance (the "SDI Ordinance") as recorded in the register required to be kept by the Company under Section 29 of the SDI Ordinance, or required pursuant to Rules 5.40 to 5.49 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange ("GEM Listing Rules"), to be notified to the Company and the Stock Exchange, were as follows:

Directors'/Supervisors' Name	Number of Domestic Shares personally interested
Xu Zhe	183,482,440
Xu Dao Tian	150,644,480
Liu Xiao Hong	1,888,790
Zhang Ya Bin	1,618,960
Leng Zhan Ren	1,349,140
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	338,983,810
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Other than as disclosed above, none of the Directors, the chairman or their respective associates has any personal, family, corporate or other interests in the securities of the Company or any of its associated corporations as defined in the SDI Ordinance as at 31 March, 2002.

DIRECTORS' AND SUPERVISORS' RIGHT TO ACQUIRE SHARES OR DEBT SECURITIES

As at 31 March, 2002, the Company was not a party to any arrangements to enable the Directors and Supervisors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities, including debentures, of the Company or any other body corporate, and none of the Directors and Supervisors of the Company or their spouses or children under the age of 18 had any right to subscribe the securities of the Company, or had exercised any such right.

SUBSTANTIAL SHAREHOLDERS

As at 31 March, 2002, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that, other than the interests disclosed above in respect of certain Directors, the following shareholder has a beneficial interest of 10% or more in the issued share capital of the Company:

Name	Number of Domestic Shares held	Approximate percentage of shareholding (%)
Jilin Far East Pharmaceutical Holdings Company Limited	194,194,580	26.01

Save as disclosed above, the Company has no notice of any interests to be recorded under Section 16(1) of the SDI ordinance as of 31 March, 2002.

COMPETING INTERESTS

None of the Directors, the management shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) has an interest in any business which competes or may compete with the business of the Company.

SPONSOR'S INTERESTS

First Shanghai Capital Limited, its directors, employees or associates, did not have any interest in the securities of the Company, or any right to subscribe for or to nominate persons to subscribe for the securities of the Company as at 31 March, 2002.

Pursuant to the sponsor's agreement entered into between First Shanghai Capital Limited and the Company dated 20 February, 2002, First Shanghai Capital Limited has been appointed as a sponsor of the Company for a period up to 31 December, 2004 and the Company shall pay an agreed amount of fee to First Shanghai Capital Limited for its provision of services.

AUDIT COMMITTEE

The Company has set up an audit committee with written terms of reference in compliance with Rule 5.23, 5.24 and 5.25 of the GEM Listing Rules. The committee comprises Ms. Liu Jin and Ms. Niu Shu Min, both of whom are independent non-executive Directors of the Company.

The audit committee had reviewed the Company's unaudited results for the three months ended 31 March, 2002 and was of the opinion that the preparation of unaudited results complied with applicable accounting standards, the relevant regulatory and legal requirements and that adequate disclosure had been made.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Since the H shares of the Company commenced trading on GEM on 28 February, 2002, the Company has not purchased, sold or redeemed any of the Company's listed securities.

By Order of the Board

Xu Zhe

Chairman

Jilin, the PRC
10 May, 2002