



# 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 2003

## **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)

- Turnover of the Company for the three months ended 31 March, 2003 was approximately RMB15,554,000, representing a decrease of 8% as compared with the same period in the previous year.
- Profit attributable to shareholders of the Company for the three months ended 31 March, 2003 was approximately RMB2,806,000, representing a decrease of approximately 46% as compared with the same period in the previous year.
- Earnings per share (the "Shares") of the Company was approximately RMB0.4 cents.
- The Directors do not recommend the payment of any dividend for the three months ended 31 March, 2003.



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## 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, 2003, together with the comparative figures for the corresponding period of the previous financial year, as follows:

		<b>Three months ended</b>	
		<b>31 March,</b>	
		<b>2003</b>	<b>2002</b>
		<b>RMB'000</b>	<b>RMB'000</b>
	<i>Notes</i>		
<b>Turnover</b>	b	<b>15,554</b>	16,983
Cost of sales		<b>(7,329)</b>	(7,177)
Gross Profit		<b>8,225</b>	9,806
Other revenue	c	<b>0</b>	1,000
Distribution and selling expenses		<b>(1,447)</b>	(2,820)
General, administrative and other operating expenses		<b>(3,133)</b>	(1,637)
<b>Operating profit</b>	d	<b>3,645</b>	6,349
Finance costs		<b>(344)</b>	(344)
Profit before taxation		<b>3,301</b>	6,005
Taxation	e	<b>(495)</b>	(795)
<b>Profit attributable to shareholders</b>		<b>2,806</b>	5,210
Dividends		<b>N/A</b>	N/A
		<b>RMB</b>	<b>RMB</b>
Earnings per Share-basic	f	<b>0.4 cents</b>	0.9 cents

Notes:

### a. Accounting policy and basis of presentation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants (the "HKSA"), and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention and certain fixed assets are stated at fair value.

In the current year, the Company adopted a number of new and revised Statements of Standard Accounting Practice ("SSAP") issued by the HKSA. Directors considered the adoption of these SSAPs had no material effect on the results of the current or prior accounting period. Accordingly, no prior period adjustment has been required.



The principal accounting policies used in the preparation of the unaudited income statement of the Company for the three months ended 31 March, 2003 are consistent with those used in the audited accounts issued for the year ended 31 December 2002.

**b. Turnover**

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

**c. Other Revenue**

	<b>Three months ended 31 March</b>	
	<b>2003</b>	<b>2002</b>
	<b>RMB'000</b>	<b>RMB'000</b>
- Government subsidies	-	1,000
- Others	-	-
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	-	1,000
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Subsidy income is recognized upon granting of subsidy by the relevant authorities.

**d. Operating profit**

Operating profit is stated after charging the following items:

	<b>Three months ended 31 March</b>	
	<b>2003</b>	<b>2002</b>
	<b>RMB'000</b>	<b>RMB'000</b>
- Interest expenses	354	243
- Depreciation of fixed assets	1,055	451
- Amortization of intangible assets	493	412
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**e. Taxation**

The Company was established in the Jilin High-Technology Development Zone, the PRC. It is subject to enterprise income tax at a rate of 15%.

The Company provides for taxation on the basis of its income for financial reporting purpose, adjusted for income and expense items which are not assessable or deductible for income tax purpose.



## f. Earnings per Share

The calculation of basic earnings per share of the Company for a relevant period is based on unaudited profit attributable to shareholders of the Company (the "Shareholders") for the period, divided by the respective weighted average number of ordinary shares in issue during the period. The weighted average number of ordinary shares in issue for the period ended 31 March 2003 is 746,654,240 (2002: 610,954,240).

No diluted earnings per share were presented as there were no dilutive potential ordinary shares in existence during the relevant periods.

## g. 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	Statutory public welfare fund	Statutory revenue reserve	Retained profits	Total reserves
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
Balances as at 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)	-
Balances as of 31 March 2002	31,451	2,275	4,549	26,282	64,557
Balances as of 1 January 2003	32,270	3,674	5,249	31,007	72,200
Profit attributable to shareholders for the period	-	-	-	2,806	2,806
Government subsidies	-	-	-	-	-
Balances as of 31 March 2003	32,270	3,674	5,249	33,813	75,006

## DIVIDENDS

The Board does not recommend the payment of any interim dividend for the three months ended 31 March, 2003 (2002: nil).

## BUSINESS REVIEW AND PROSPECTS

### Business Review of the Company

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.

During the period under review, the Company continued to follow its business plans to (1) enlarge its customer base and its distribution network; (2) enlarge its product mix; and (3) enhance its research and development capability.

With the widespread implementation of the PRC's central bidding system for hospital medicine purchase, the Company confronted new challenges in selling pharmaceutical products. Facing a highly competitive market, we drew on all our strengths to meet the challenges of the fast-changing market. We insist on the principle of building our brand name through product excellence and maintain our market share by offering outstanding customer care service.

For the three months ended 31 March, 2003, turnover and net profit of the Company amounted to approximately RMB15,554,000 and RMB2,806,000, representing a decrease of 8% and 46% respectively as compared with the corresponding period in 2002. The decrease was mainly caused by the continued unfavorable impact of keen competition within the industry, change of product mix and dramatically increased depreciation charged on fixed assets.

### Product, price and marketing

The Company's brand name has been well recognised in the PRC, several of its products are of superior quality and highly ranked by the State Drug Administration of the PRC (the "SDA"). So, despite facing strict competition and weak market sentiment in the pharmaceutical industry, the Company still insists on its strategy of keeping the price intact, as Directors believe that the quality should be the main criteria considered by the customers in selecting products eventually.

During the period under review, the Company continues to launch a series of marketing and promotion campaign, and push hard to increase sales in the prescription medicine market through doctors in hospitals and secure larger market shares in the Over-the-Counter (the "OTC") medicine market.

### Research and Development

Research and Development is expensive and time-consuming. Before undertaking any research project, the Company will carefully consider factors such as market analysis, technology feasibility, research costs, reputation of research partners, timing and applicability. The Company's core scientific competence is based on a pool of experienced valuable research professionals and advanced GMP compliant facility and equipment. The Company focuses its funding and research effort on: (1) enhancing the production technologies of existing products in order to reduce manufacturing costs and thus maintain its competitive edge; and (2) developing of new Chinese medicines which may be awarded Certificate of new Chinese medicine ultimately and have great potential commercial value so as to expand the product range of the Company..

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## Prospects

Looking ahead, the Company will continue to strengthen its research and development capabilities that can provide a solid platform for its continuous development.

The Company will also seek to explore the possibility of various forms of strategic alliance with and/or acquisition of reputable pharmaceutical companies and research institutions in order to further enhance its competitiveness in the industry.

With the advanced GMP compliant production lines, the Company will further strengthen the competitiveness of its products and push forward to become a leading Chinese medicine producer with strong research and development capability in the PRC.

To achieve further growth, the Company will continue to optimize and rationalize its production process to reduce production cost, and introduce new products, as well as to make greater marketing efforts through its effective distribution network to achieve better return for its shareholders.

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

Up to the reporting date, the interests of the Directors, Supervisors 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, Supervisors and 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, 2003





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

As at 31 March, 2003, the Company was not a party to any arrangements to enable the Directors and Supervisors 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 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, 2003, 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, 2003.

## 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, 2003.

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, 2003 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.

## PRACTICES AND PROCEDURES OF THE BOARD

The Directors considered that the Company has complied with the requirement of Board practices and procedures under Rules 5.28 to 5.39 of the GEM Listing Rules throughout the three months' reporting period.

## 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.

On behalf of the Board, I would like to take this opportunity to express my sincere appreciation to my fellow Directors and all the Company's staff for their efforts and commitments to the performance of the Company during the period and especially to our customers, banks, suppliers and Shareholders for their continuing support.

By Order of the Board

**Xu Zhe**

*Chairman*

Jilin, the PRC  
13 May, 2003