



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)



Interim Report 2004

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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. GEM-listed companies are not generally required to issue paid report in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors ("Directors") of Northeast Tiger Pharmaceutical Co., Ltd. ("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 ("GEM Listing Rules") 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 six months ended 30 June, 2004 was approximately RMB25,234,000, representing a decrease of approximately 15% as compared with the same period in the previous year.
- Profit attributable/(loss) to shareholders of the Company ("Shareholders") for the six months ended 30 June, 2004 was approximately RMB(600,000), representing a decrease of approximately 112% as compared with same period in the previous year.
- Earnings/(loss) per share ("Shares") of the Company for the six months ended 30 June, 2004 was approximately RMB(0.1) cents.
- The Directors do not recommend the payment of any dividend for the six months ended 30 June, 2004.

BUSINESS REVIEW AND PROSPECTS

Business review

During the period under review, large volume injection of the Company has successfully passed Good Manufacturing Practice ("GMP") standard autoptic certification, and the Company expected to obtained GMP certificate very soon. Up to now, the Company has six types of production line which including large volume injection, small volume injection, granules, tablets, capsules and liquid pills. Furthermore, on 1 April 2004, the Company has successfully passed GSP certification.

For the six months ended 30 June, 2004, turnover and profit/(loss) attributable to Shareholders amounted to approximately RMB25,234,000 and RMB(600,000) respectively, representing a decrease of approximately 15% and 112% respectively as compared with the corresponding period in 2003. The main reasons attribute to the decrease in the profit attributable to Shareholders included: i) distribution and selling expenses increased 39% due to continuing promotion of new products – Yong Chong Cao Jun Powder and Yong Chong Cao Jun Powder Capsules; ii) overall gross profit margin decreased 16% from 55% to 39%.

There are three major reasons for the decrease in turnover. Firstly, the price competition in current pharmaceutical market becomes increasingly fierce; Secondly, the policy on GMP certification is currently not strictly imposed by the state, enabling small-scale manufacturers to dump their products in the market, which triggered price competition seriously in the market; Thirdly, macro-economic adjustment policy implemented by central government of the PRC has certain indirect negative impact on sentiment of consumer.

To recover the losses in sales and profit, the Company has commenced taking further initiatives to (I) streamline the production process and enhance quality management; (II) timely adjustments in product mix and development of advanced and high value-added products will be undertaken, so as to effectively react to the market change.

The Company also continues to implement strict cost control measures in order to effectively monitor its overall cost. As a result, during the period under review, the General, administrative and other operating expenses has reduced 18%.

Marketing and products

During the period under review, the Company had put full efforts to extend the sales network, identify products with market potential from the abundant variety of existing products and expand the sales of the Company's products to ensure the achievement of different targets of the Company. For example, to satisfy market demand, the Company planed to differentiate our existing product—Ji An Tai Gan Injection by adding large volume type of injection which containing 10ml, and application for production approval has been under busy preparation.

The Company also optimize the allocation of resources to explore new markets continuously and actively seek overseas distributors for its key products.

The Company will closely observe the changes in the market, and review its marketing strategy from time to time so as to enhance its product's marketability and competitiveness of the Company.

Research and development

The Company has been persistent in pursuing good product quality and research in advanced production technologies. In light of the pharmaceutical market being increasingly competitive, the Company continues to push the research and development of new products. The Company also continued its relentless efforts in optimizing its production processes, strengthening of quality control processes, and minimizing overall production costs.

The research and development ("R&D") Fu Fang Ban Lan Gen Troche are progressing well. Preparation work of pre-clinical trial has been finished, the R&D now goes to phase of rechecking of quality and application for clinical trial will be initiated soon.

Prospects

Following the entry of the PRC into the World Trade Organization, our country has to fulfill various commitments continuously in 2004. The competition faced by the pharmaceutical industry in international market has become increasingly severe while the competition in local market has also turned vigorous. In future, further strengthened the fundamental management and perfected the internal control as well as building up a highly efficient and effective working team. The Company will actively expanding pharmaceutical related businesses, with an aim to diversify its business and broaden its earning bases. Thus, more sources of income are opened and the expenses are cut down with the overall management standard of the Company being enhanced, resulted in the cost and expenses being reduced while the working efficiency was enhanced.

The closer economic partnership arrangement between Hong Kong and central government of PRC may bring an opportunity to the Company, the Company is considering possible cooperation with other companies in Hong Kong to capture such opportunity.

A corporation must go through the stage of exploration and trial on its path to success, as harvest never comes instantly. In future, apart from internal growth, the Company will consider external growth through merger and acquisition of potential and compatible pharmaceutical companies to explore more investment opportunities so as to generate favorable returns for our shareholders amid keen competition in current pharmaceutical market.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2004, the Company had total assets of approximately RMB 210,261,000 which were financed by current liabilities of approximately RMB63,760,000 and shareholders equity of approximately RMB146,501,000.

The Company generally services its debts primary through cash generated from its operations. The financial position of the Company remains healthy. As at 30 June, 2004, the Company had cash and bank balances of approximately RMB2,303,000, and short-term borrowings of RMB35,020,000, including unsecured interest-free loan of RMB10,000,000 from China Hi-Tech Investment Company. Taken into consideration of its current financial resources, the Directors believe that the Company shall have adequate fund for its continual operation and development.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

Business objectives as stated in the Prospectus published in 20 February, 2002 ("Prospectus")

Actual business progress up to 30 June, 2004

Establishment of a new GMP compliant plant

Commencement of commercial production

Commencement of commercial production

Expansion of the sales team and network

1. Continued expansion of the Hong Kong market

A Hong Kong representative office has been set-up in Hong Kong, however, the Company decided to postpone entry into the Hong Kong market due to unfavorable market conditions in local Chinese medical industry

2. Expansion of sales team to 225

The number of salesperson has reached 225

Research and development of new products

1. Xie Sha Tong Infusion Fluid (血塞通輸液): Trial production

Obtained approval of clinical trial from SDA and moved into phase I clinical trial.

2. Fu Fang Ge Gen Powder Injection (複方葛根粉針): Application for and obtaining of trial production approval from the SDA; commencement of trial production

Advanced technology research result based on New Medicine Research Guideline was not satisfactory (no enough Fu Fang Co-effect). The Company has ceased this product's research and development

3. Fu Fang Ge Gen Infusion Fluid (複方葛根輸液): Application for and obtaining of trial production approval from the SDA; commencement of trial production

Stabilization testing can not comply with the new medicine certificate standard. The Company has ceased this product's research and development

Business objectives as stated in the Prospectus published in 20 February, 2002 ("Prospectus")**Actual business progress up to 30 June, 2004****Expansion of research and development capacity**

Completion of construction; installation of equipment; commencement of operation

Commencement of operation

Establishment of a website

Optimizing the information services of the website; official launch of website

Completed construction of LAN, and launched company's web page. However, as the medicine administration authority has stringent control over the approval of medical website, so to avoid loss, further website construction has been ceased.

COMPARISON OF USE OF NET PROCEEDS

	Up to 30 June, 2004 Planned use of the net proceed as set out in the Prospectus (HK\$' million)	Actual use of the net proceeds (HK\$' million)
Establishment of a new GMP compliant plant	28.0	33.0
Expansion of sales team and network	2.0	2.0
Research and development of new products	6.0	1.7
Expansion of research and development capacity	2.0	2.0
Establishment of a website	2.0	0.4
Use of the net proceeds	40.0	39.1

Up to 30 June, 2004, the Company had utilized about HK\$39.1 million of the net placing proceeds. The over-utilization in establishment of new GMP compliant plant was mainly due to the over-budget on purchase of GMP plant equipment. The under-utilization in establishment of a website is due to suspension of further website development. The residual fund due to abandonment of Fu Fang Ge Gen Powder Injection (複方葛根粉針) and Fu Fang Ge Gen Infusion Fluid (複方葛根輸液) project will be used for other projects' research and development in future.

RESULTS (UNAUDITED)

The board of Directors ("Board") is pleased to announce the unaudited results of the Company for the six months ended 30 June, 2004, together with the comparative figures for the corresponding periods of the previous financial year, as follows:

	<i>Notes</i>	Six months ended 30 June, 2004		Three months ended 30 June, 2004	
		RMB'000	2003 RMB'000	RMB'000	2003 RMB'000
Turnover	b	25,234	29,580	14,932	14,026
Cost of sales		(15,452)	(13,178)	(9,437)	(5,849)
Gross profit		9,782	16,402	5,495	8,177
Other revenue	c	0	1	0	1
Distribution and selling expenses		(4,523)	(3,255)	(2,361)	(1,808)
General, administrative and other operating expenses		(5,182)	(6,349)	(2,892)	(3,216)
Operating profit	d	77	6,799	242	3,154
Finance costs		(677)	(679)	(337)	(335)
Profit/(loss) before taxation		(600)	6,120	(95)	2,819
Taxation	e	0	(918)	0	(423)
Profit/(loss) attributable to shareholders		(600)	5,202	(95)	2,396
Dividends		N/A	N/A	N/A	N/A
		RMB	RMB	RMB	RMB
Earnings/(loss) per Share – basic	f	(0.1) cents	0.7 cents	0 cents	0.3 cents

CONDENSED BALANCE SHEET

		At 30th June, 2004 (Unaudited) RMB'000	At 31st December, 2003 (Audited) RMB'000
	Notes		
NON-CURRENT ASSETS			
Intangible assets, net	h	10,863	11,802
Fixed assets, net	i	122,365	123,229
		133,228	135,031
CURRENT ASSETS			
Inventories		9,215	9,816
Accounts receivable, net	j	54,337	48,760
Advance to staff		4,738	4,738
Prepayment and other current assets		2,207	1,331
Amounts due from related parties		4,233	4,233
Cash and bank deposits		2,303	2,866
		77,033	71,744
CURRENT LIABILITIES			
Short-term borrowings		35,020	35,020
Accounts payable	k	7,127	4,682
Advance payments from customers		5,190	4,966
Payable for intangible assets		—	—
Accruals and other payables		13,561	12,418
Amounts due to related parties		—	—
Income tax payable		2,862	2,588
		63,760	59,674
NET CURRENT ASSETS		13,273	12,070
NET ASSETS		146,501	147,101
NON-CURRENT LIABILITIES			
Long-term borrowings		—	—
		146,501	147,101
CAPITAL AND RESERVES			
Share capital	l	74,665	74,665
Reserves		71,836	72,436
TOTAL CAPITAL AND RESERVES		146,501	147,101

CONDENSED STATEMENT OF CASH FLOW

	2004 (Unaudited) RMB'000	2003 (Unaudited) RMB'000
Net cash inflow from operating activities	4,369	13,182
Net cash outflow from returns on investments and servicing of finance	(677)	(679)
Tax paid, net	(2,509)	(4,052)
Net cash outflow from investing activities	(1,746)	(14,160)
Net cash outflow before financing	(563)	(5,709)
Net cash inflow from financing	–	2,040
Increase in cash and cash equivalents	(563)	(3,669)
Cash and cash equivalents at beginning of period	2,866	5,575
Cash and cash equivalents at end of period Represented by Cash and Bank Balances	2,303	1,906

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 ("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. The 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 financial statement of the Company for the six months ended 30 June, 2004 are consistent with those used in the audited accounts issued for the year ended 31 December, 2003.

b. Turnover

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

c. Other revenue

	Six months ended 30 June, 2004		Three months ended 30 June, 2004	
	RMB'000	2003 RMB'000	RMB'000	2003 RMB'000
- Government subsidies	0	0	0	0
- Others	0	1	0	1
	0	1	0	1

Subsidy income is recognized upon granting of subsidy by the relevant authorities.

d. Operating profit

Operating profit is stated after charging the following items:

	Six months ended 30 June, 2004		Three months ended 30 June, 2004	
	RMB'000	2003 RMB'000	RMB'000	2003 RMB'000
- Interest expenses	673	693	337	339
- Depreciation of fixed assets	2,586	2,315	1,302	1,260
- Amortization of intangible assets	964	973	482	480

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.

During the period under review, the Company did not have any significant un-provided deferred tax liabilities.

f. Earnings/(loss) per Share

The calculation of basic earnings per Share for a relevant period is based on unaudited profit attributable to 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 six months and three months ended 30 June, 2004 are 746,654,240 and 746,654,240 respectively (2003: 746,654,240 and 746,654,240 respectively).

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

g. Segment reporting

No business segment information (primary segment information) has been disclosed as the Company is operating in a single business segment which is the development, manufacture and sale of medicine products in the PRC. Substantially all of the Company's revenues are generated in the PRC and all of the Company's assets are located in the PRC and therefore no geographical segment information has been disclosed.

h. Intangible assets, net

	As at 30 June, 2004 (Unaudited) RMB'000	As at 31 December, 2003 (Audited) RMB'000
Net book value, beginning of period/year	11,802	13,410
Additions	25	45
Disposals	0	0
Amortisation	(964)	(1,653)

Net book value, end of period/year	10,863	11,802
------------------------------------	---------------	--------

Included in the cost of intangible assets were technical know-how and the accounting software. The technical know-how was amortized over 10 years.

i. Fixed assets, net

	As at 30 June, 2004 (Unaudited) RMB'000	As at 31 December, 2003 (Audited) RMB'000
Net book value, beginning of period/year	123,229	121,451
Additions	1,722	8,486
Revaluation	0	0
Disposals	0	0
Depreciation	(2,586)	(6,708)

Net book value, end of period/year	122,365	123,229
------------------------------------	----------------	---------

j. Accounts receivable, net

	As at 30 June, 2004 (Unaudited) RMB'000	As at 31 December, 2003 (Audited) RMB'000
Accounts receivable	69,087	63,510
Less: Provision for doubtful receivables	(14,750)	(14,750)
	54,337	48,760

Aging analysis of accounts receivable is as follow:

	As at 30 June, 2004 (Unaudited) RMB'000	As at 31 December, 2003 (Audited) RMB'000
Aged:		
0-30 days	8,920	25,788
31-60 days	4,758	2,890
61-90 days	6,705	2,301
91-180 days	6,524	6,761
181 to 270 days	4,577	6,213
271-365 days	6,060	5,375
over 365 days	31,544	14,182
	69,087	63,510

To reduce exposure to credit risk, the Company closely monitors the outstanding balance owed by customers, follows up each debtor overdue more than 120 days and enforces collection of the outstanding balances through salesperson.

k. Accounts payable

The aging analysis of accounts payable is as follows:

	As at 30 June, 2004 (Unaudited) RMB'000	As at 31 December, 2003 (Audited) RMB'000
Aged:		
0 to 1 month	5,341	2,758
1 to 6 months	378	340
6 to 12 months	137	873
1 to 2 years	762	0
2 years and over	508	711
	7,127	4,682

l. Share capital

	Six months ended 30 June, 2004		As at 31 December, 2003	
	Number of shares	Amount RMB'000	Number of shares	Amount RMB'000
Issued and fully paid (RMB0.10 each)				
Beginning of period/year	746,654,240	74,665	746,654,240	74,665
Placing of shares	-	-	-	-
Repurchase of shares	-	-	-	-
End of period/year	746,654,240	74,665	746,654,240	74,665

MOVEMENT IN RESERVES

The movements of reserves are as follows:

	Capital Reserve			Statutory public welfare fund RMB'000	Statutory reserve RMB'000	Retained earnings RMB'000	Total reserves RMB'000
	Share premium RMB'000	Property revaluation Reserve RMB'000	Others RMB'000				
As at 1 January 2003	19,027	6,886	6,357	3,674	5,249	31,007	72,200
Net profit for the period	-	-	-	-	-	5,202	5,202
Government Subsidies	-	-	-	-	-	-	-
Profit appropriated to reserve funds	-	-	-	-	-	-	-
As at 30 June 2003	19,027	6,886	6,357	3,674	5,249	36,209	77,402
As at 1 January 2004	19,027	6,886	9,327	3,928	5,757	27,511 (600)	72,436 (600)
Net profit for the period	-	-	-	-	-	-	-
Government Subsidies	-	-	-	-	-	-	-
Profit appropriated to reserve funds	-	-	-	-	-	-	-
As at 30 June 2004	19,027	6,886	9,327	3,928	5,757	26,911	71,836

DIVIDENDS

The Board does not recommend the payment of any interim dividend for the six months ended 30 June, 2004 (2003: nil).

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

As at 30 June, 2004, the interests and short positions of the Directors and supervisors of the Company ("Supervisor") in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to rules 5.48 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors and Supervisors to be notified to the Company and the Stock Exchange, were as follows:

- *Long positions in Shares*

Name of Directors or Supervisors	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
	<hr/>
	338,983,810

Save as disclosed above, none of the Directors, Supervisors and the chairman or their respective associates had interests in any securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO to be entered in the register referred to therein; or (c) pursuant to rules 5.48 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors and Supervisors to be notified to the Company and the Stock Exchange.

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

As at 30 June 2004, 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

So far as was known to any Director or Supervisor, as at 30 June, 2004, the persons or companies (not being a Director or Supervisor of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly deemed to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company were as follow:

- *Long positions in Shares*

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, as at 30 June, 2004, the Directors were not aware of any other person who had an interest or short position in the Shares of the underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or who was interested in 5% or more of the nominal value of any class of share capital, or options in respect of such capital, carrying rights to vote in all circumstances at general meetings of the Company.

COMPETING INTERESTS

None of the Directors and Supervisors, 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 ("First Shanghai"), 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 30 June, 2004.

Pursuant to the sponsor's agreement entered into between First Shanghai and the Company dated 20 February, 2002, First Shanghai has been appointed as the retained 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 for its provision of services.

AUDIT COMMITTEE

Pursuant to Rule 5.28 of the GEM Listing Rules, the Company has set up an audit committee according to "A Guide For The Formation of An Audit Committee" compiled by the Hong Kong Society of Accountants. In compliance with Rules 5.29 and 5.30 of the GEM Listing Rules, the authority and responsibility of the audit committee has been properly written out. The primary duties of the audit committee are to review and supervise the financial reporting and internal control systems of the Company. The audit committee comprises Ms. Liu Jin and Ms. Niu Shu Min, both of whom are independent non-executive Directors.

The audit committee had reviewed the Company's unaudited results for the six months ended 30 June, 2004 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 consider that the Company has complied with the requirement of board practices and procedures under Rules 5.34 to 5.45 of the GEM Listing Rules throughout the six 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 gratitude to all shareholders for their full support, and to all our dedicated, diligent, honorable staff.

By Order of the Board
Xu Zhe
Chairman

Jilin, the PRC

13 August, 2004

As at the date of this report, the Board comprises the following Directors:

Executive Directors:

Xu Zhe

Du Li Hua

Xu Dao Tian

Liu Xiao Hong

Leng Zhan Ren

Independent Non-Executive Directors:

Liu Jin

Niu Shu Min