



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)

(Stock Code: 8197)



Interim Report 2008

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

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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, 2008 was approximately RMB30,255,000 (2007: RMB21,120,000), representing a increase of approximately 43% as compared with the same period in the previous year.
- Profit/(loss) attributable to shareholders of the Company ("Shareholders") for the six months ended 30 June, 2008 was approximately RMB1,540,000 (2007: RMB(2,314,000)).
- Earnings/(loss) per share ("Shares") of the Company for the six months ended 30 June, 2008 was approximately RMB0.2 cents.
- The Directors do not recommend the payment of any dividend for the six months ended 30 June, 2008.

RESULTS (UNAUDITED)

The board of Directors ("Board") hereby announces the unaudited results of the Company for the six months ended 30 June, 2008, together with the comparative figures for the corresponding periods of the previous financial year, as follows:

	Notes	Six months ended 30 June, 2008		Three months ended 30 June, 2008	
		RMB'000	2007 RMB'000	RMB'000	2007 RMB'000
Turnover	b	30,255	21,120	17,934	10,333
Cost of sales		(21,865)	(17,266)	(13,212)	(8,254)
Gross profit		8,390	3,854	4,722	2,079
Other revenue	c	(290)	1	(356)	-
Distribution and selling expenses		(2,161)	(1,658)	(1,157)	(883)
General, administrative and other operating expenses		(4,392)	(3,681)	(2,457)	(1,754)
Operating profit/(Loss)	d	1,547	(1,484)	752	(558)
Finance costs		(7)	(830)	(3)	(416)
Profit/(Loss) before taxation		1,540	(2,314)	749	(974)
Taxation	e	-	-	-	-
Profit/(Loss) attributable to shareholders		1,540	(2,314)	749	(974)
Dividends		N/A	N/A	N/A	N/A
		RMB	RMB	RMB	RMB
Earnings/(Loss) per Share -basic	f	0.2 cents	(0.6) cents	0.1 cents	(0.1) cents

CONDENSED BALANCE SHEET

		At 30 June, 31 December, 2008 (Unaudited) RMB'000	At 2007 (Audited) RMB'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Intangible assets, net	h	-	-
Land use rights	i	10,969	11,091
Property, plant and equipment	j	42,487	43,436
		53,456	54,527
CURRENT ASSETS			
Inventories		10,979	11,044
Trade receivable, net	k	25,211	16,995
Advance to staff		579	579
Prepayment and other current assets		13,467	14,173
Amounts due from related parties		-	-
Cash and bank deposits		24,405	20,501
		74,641	63,292
LESS: CURRENT LIABILITIES			
Short-term borrowings		10,020	10,020
Trade payable	l	22,098	13,255
Advance payments from customers		139	-
Accruals and other payables		15,177	15,421
		47,434	38,696
NET CURRENT ASSETS		27,207	24,596
NET ASSETS		80,663	79,123
NON-CURRENT LIABILITIES			
Long-term borrowings		-	-
		80,663	79,123
CAPITAL AND RESERVES			
Share capital	m	74,665	74,665
Reserves		5,998	4,458
TOTAL CAPITAL AND RESERVES		80,663	79,123

CONDENSED STATEMENT OF CASH FLOW

	Six months ended 30 June,	
	2008	2007
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Net cash inflow from operating activities	4,159	(505)
Net cash outflow from investing activities	(255)	(219)
Net cash inflow from financing activities	-	-
Decrease in cash and cash equivalents	3,904	(724)
Cash and cash equivalents at beginning of period	20,501	16,678
Cash and cash equivalents at end of period		
Represented by Cash and Bank Balances	24,405	15,954

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 Institute of Certified Public Accountants ("HKICPA"), 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 period, the Company adopted a number of new and revised Statements of Standard Accounting Practice ("SSAP") issued by the HKICPA. 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, 2008 are consistent with those used in the audited accounts issued for the year ended 31 December, 2007.

b. Turnover

Sales of goods are recognised when the significant risks and rewards of ownership of goods have been transferred to the buyer.

c. Other revenue/(Expenses)

	Six months ended 30 June, 2008		Three months ended 30 June, 2008	
	RMB'000	RMB'000	RMB'000	RMB'000
- Government subsidies	-	-	-	-
- Others	(290)	1	(356)	-
	(290)	1	(356)	-

Subsidy income is recognized upon granting of subsidy by the relevant authorities. During the period under review, donation to charities amounted to approximately RMB272,000.

d. Operating profit/(loss)

Operating profit is stated after charging the following items:

	Six months ended 30 June, 2008		Three months ended 30 June, 2008	
	RMB'000	2007 RMB'000	RMB'000	2007 RMB'000
- Interest Expenses	760	830	760	416
- Depreciation of Fixed Assets	1,240	2,382	707	1191
- Amortization of Land Use Right	122	132	61	66
- Amortization of Intangible Assets	-	22	-	22

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.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Initial recognition of assets or liabilities that affect neither accounting nor taxable profit is regarded as a temporary difference which is not provided for. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be used. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

f. Earnings 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, 2008 are 746,654,240 and 746,654,240 respectively (2007: 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, 2008 (Unaudited) RMB'000	As at 31 December, 2007 (Audited) RMB'000
Net book value, beginning of period	-	32
Additions	-	-
Impairment losses	-	-
Amortisation	-	(32)
	<hr/>	<hr/>
Net book value, end of period	-	-

i. Land use rights

	As at 30 June, 2008 (Unaudited) RMB'000	As at 31 December, 2007 (Audited) RMB'000
Net book value, beginning of period	11,091	12,762
Additions	-	-
Disposal	-	(1,425)
Amortisation	(122)	(246)
	<hr/>	<hr/>
Net book value, end of period	10,969	11,091

j. Fixed assets, net

	As at 30 June, 2008 (Unaudited) RMB'000	As at 31 December, 2007 (Audited) RMB'000
Net book value, beginning of period	43,436	70,642
Additions	255	239
Impairment losses	-	(4,397)
Disposals	-	(18,026)
Depreciation	(1,204)	(5,022)
Net book value, end of period	42,487	43,436

k. Accounts receivable, net

	As at 30 June, 2008 (Unaudited) RMB'000	As at 31 December, 2007 (Audited) RMB'000
Accounts receivable	62,761	54,545
Less: Provision for doubtful receivables	(37,550)	(37,550)
	25,211	16,995

Aging analysis of accounts receivable is as follow:

	As at 30 June, 2008 (Unaudited) RMB'000	As at 31 December, 2007 (Audited) RMB'000
Aged:		
0-30 days	1,027	2,573
31-60 days	2,369	4,677
61-90 days	2,646	4,967
91-180 days	5,528	2,149
181 to 365 days	2,020	2,629
over 365 days	49,171	37,550
	62,761	54,545

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.

I. Accounts payable

The aging analysis of accounts payable is as follows:

	As at 30 June, 2008 (Unaudited) RMB'000	As at 31 December, 2007 (Audited) RMB'000
Aged:		
0 to 1 month	2,186	2,022
1 to 6 months	6,343	8,148
6 to 12 months	1,683	1,871
1 to 2 years	1,532	1,214
2 years and over	10,354	-
	22,098	13,255

m. Share capital

	Six months ended 30 June, 2008		As at 31 December, 2007	
	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	Statutory revenue reserve	Retained earnings	Total reserves
	Share premium	Property revaluation Reserve	Others				
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2007	19,027	-	11,326	3,928	5,757	(39,667)	371
Net profit for the period	-	-	-	-	-	(2,314)	(2,314)
Government Subsidies	-	-	-	-	-	-	-
Profit appropriated to reserve funds	-	-	-	-	-	-	-
As at 30 June 2007	19,027	-	11,326	3,928	5,757	(41,981)	(1,943)
As at 1 January 2008	19,027	-	11,326	3,928	5,757	(35,580)	4,458
Net profit for the period	-	-	-	-	-	1,540	1,540
Government Subsidies	-	-	-	-	-	-	-
Profit appropriated to reserve funds	-	-	-	-	-	-	-
As at 30 June 2008	19,027	-	11,326	3,928	5,757	(34,040)	5,998

DIVIDENDS

The Board does not recommend the payment of any interim dividend for the six months ended 30 June, 2008 (2007: nil).

BUSINESS REVIEW AND PROSPECTS**Business review**

For the period ended 30 June 2008, turnover amounted to approximately RMB30,255,000 (2007: RMB21,120,000), representing a increase of approximately 43% as compared with the corresponding period in 2008. The main reason attribute to such increase was the improvement of business operating environment and changing of products' sales mix.

During the period under review, Profit attributable to Shareholders amounted to approximately RMB1,540,000 (2007: loss RMB2,314,000). The main reasons for the improvement of profit attributable to Shareholders were due to the improvement of economic return in the domestic medical industry, decrease of depreciation of fixed assets of RMB1,142,000, as well as the increase of gross profit margin of 10% from 18% for corresponding period of last year to 28% for the reporting period.

Prospects

Looking ahead, the Directors believed that the Company still facing numerous uncertain factors in its operations and production, including the uptrend in the cost of raw material, energy, power and transportation. Serious structural problems still exist in the domestic pharmaceutical industry. The mismatch between supply and demand in the pharmaceutical market still remains obvious, which results in more intense competition. These factors limit the rapid growth of the Company. However, with a rising living standard, aging population and higher awareness of health among people in the PRC, the Company should benefit from the steadily increasing demand for medical and health products.

To face with this challenge, the Company will prudently deploy its resources, monitor its operating costs, implement appropriate corrective cost control measures to save cost, and take full advantage of its own technology, products and quality to improve sales. In the meantime, in order to improve operating result and reward its shareholders, we strive to search for new business opportunities with our substantial shareholders.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2008, the Company had total assets of approximately RMB128,097,000 which were financed by current liabilities of approximately RMB47,434,000 and shareholders equity of approximately RMB80,663,000.

The Company generally services its debts primarily through cash generated from its operations. The financial position of the Company remains healthy. As at 30 June, 2008, the Company had cash and bank balances of approximately RMB 24,405,000, and short-term borrowings of RMB10,020,000, 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.

Except for the borrowings disclosed above, as at 30 June 2008, the Company did not have any committed borrowing facilities.

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

As at 30 June, 2008, 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 5.46 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 held	Approximate percentage of shareholding (%)
Xu Zhe	183,482,440	24.57%
Xu Dao Tian	150,644,480	20.18%
Zhang Ya Bin	1,618,960	0.22%
Leng Zhan Ren	1,349,140	0.18%
	337,095,020	45.15%

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 5.46 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 2008, 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, 2008, 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 (%)
Liu Yang	194,194,580	26.01

Save as disclosed above, as at 30 June, 2008, 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.

AUDIT COMMITTEE

Pursuant to Rule 5.28 of the GEM Listing Rules, the Company has set up an audit committee. In compliance with Rule 5.29 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 Mr. Lam Kai Yeung, Ms. Niu Shu Min and Mr. Zhao Zhen Xing, all of whom are independent non-executive Directors.

The audit committee had conducted a meeting and reviewed the Company's unaudited results for the period ended 30 June, 2008 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 during the period under review, the Company has complied with the requirement of Board practices and procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules.

STANDARD OF DEALINGS AND MODEL CODE OF PRACTICE FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted a model code of practice with standards not lower than those required for securities transactions by directors. The Company has confirmed after making due enquiries with the Directors in accordance with the code of practice, that all the Directors have complied with the standard of dealings and model code of practice in relation to securities transaction by directors.

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 our staff for their unremitting efforts and contribution made to the Company.

By Order of the Board

Xu Zhe
Chairman

Jilin, the PRC
8 August, 2008

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

Executive Directors:

Xu Zhe
Du Li Hua
Xu Dao Tian
Leng Zhan Ren

Independent Non-Executive Directors:

Lam Kai Yeung
Niu Shu Min
Zhao Zhen Xing