



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)



First Quarterly Report 2010

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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 three months ended 31 March, 2010 was approximately RMB4,380,000 (2009: RMB8,581,000), representing a decrease of approximately 49% as compared with the same period in the previous year.
- Total comprehensive loss attributable to shareholders of the Company ("Shareholders") for the three months ended 31 March, 2010 was approximately RMB2,155,000 (2009 total comprehensive income: RMB23,000).
- Loss per share ("Shares") of the Company for the three months ended 31 March, 2010 was approximately RMB0.3 cents.
- The Directors do not recommend the payment of any dividend for the three months ended 31 March, 2010.

RESULTS (UNAUDITED)

The board of Directors ("Board") is pleased to announce the unaudited results of the Company for the three months ended 31 March, 2010, together with the comparative figures for the corresponding periods of the previous financial year, as follows:

		Three months ended 31 March,	
	Notes	2010 RMB'000	2009 RMB'000
Turnover	b	4,380	8,581
Cost of sales		(2,576)	(4,812)
Gross profit		1,804	3,769
Other revenue	c	-	-
Distribution and selling expenses		(1,119)	(1,399)
General, administrative and other operating expenses		(2,750)	(2,344)
Operating profit/(loss)	d	(2,065)	26
Finance costs		(90)	(3)
Profit/(Loss) before taxation		(2,155)	23
Taxation	e	-	-
Profit/(Loss) after taxation		(2,155)	23
Other comprehensive income		-	-
Total comprehensive income/(loss) attributable to shareholders		(2,155)	23
Dividends		N/A	N/A
		RMB	RMB
Earnings/(Loss) per Share - basic	f	(0.30) cents	0 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 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 three months ended 31 March, 2010 are consistent with those used in the audited accounts issued for the year ended 31 December, 2009.

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

	Three months ended 31 March,	
	2010	2009
	RMB'000	RMB'000
Government subsidies	-	-
Others	-	-
	-	-

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

d. Operating profit/(loss)

Operating profit/(loss) is stated after charging the following items:

	Three months ended 31 March,	
	2010	2009
	RMB'000	RMB'000
-Interest expenses	10	-
-Depreciation of Fixed Assets	619	583
-Amortization of Intangible Assets	-	-
-Amortization of Land Use Right	61	61

e. Taxation

The Company was established in the Jilin High-Technology Development Zone, the PRC. It is subject to enterprise income tax ("EIT") at a rate of 25%.

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. No provision for EIT has been made as the Company has no estimated assessable profits after setting off against the unrelieved tax losses brought forward from previous year (2009: Nil).

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 total comprehensive income/(loss) 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 three months ended 31 March, 2010 is 746,654,240 (2009: 746,654,240).

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

g. Segment reporting

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.

MOVEMENT IN RESERVES

The movements of reserves are as follows:

	Capital Reserve		Statutory public welfare fund	Statutory revenue reserve	(Accumulated losses)/ Retained earnings	Total reserves
	Share premium	Others				
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January, 2009	19,027	11,326	3,928	5,757	(29,913)	10,125
Total comprehensive income/(loss) for the period	-	-	-	-	23	23
As at 31 March, 2009	19,027	11,326	3,928	5,757	(29,890)	10,148
As at 1 January, 2010	19,027	11,326	3,928	5,757	(29,471)	10,567
Total comprehensive income/(loss) for the period	-	-	-	-	(2,155)	(2,155)
As at 31 March, 2010	19,027	11,326	3,928	5,757	(31,626)	8,412

DIVIDENDS

The Board does not recommend the payment of any interim dividend for the three months ended 31 March, 2010 (2009: nil).

BUSINESS REVIEW AND PROSPECTS**Business review**

The Company was established in Jilin High-Technology Development Zone, the People's Republic of China ("PRC"). It is principally engaged in the manufacture and sale of Chinese medicines under the brand name of "Northeast Tiger" in the PRC as well as conducting pharmaceutical research and development. The Company owns several production lines which were granted GMP and GSP certifications by the State Food And Drug Administration, namely large volume injection, small volume injection, granules, tablets, capsules, liquid pills and raw material (Yong Chong Cao Jun Powder) etc. Currently, the Company's main products include Lu Lu Tong Injection, Antelope's Horn Injection, Yong Chong Cao Jun Powder Capsule, Shi Long Blood Clean Granules, Antelope's Horn Drop and Lu Lu Tong Xie Sha

Tong Infusion Fluid etc. Lu Lu Tong Injection mainly used in treating sequela of cardiovascular and cerebrovascular diseases, central retinal vein occlusion and anterior retinal hemorrhage; Shi Long Blood Clean Granules (new Chinese medicine under State category 3) mainly used in treating slight and moderate hemorrhage stroke, disruption of the brain by the heat of the liver, acute increase of liver warmth, disruption of the brain by the bodily hot wind; Yong Chong Cao Jun Powder and Yong Chong Cao Jun Powder Capsule (new Chinese medicine under State category 1) are proved to be nutrition supplement to kidney and lungs, can relieve cough and reduce phlegm and mainly used for prolonged pulmonary weakness and renal failure; and Antelope's Horn Drop used for treating cold and influenza.

For the period ended 31 March, 2010, turnover amounted to approximately RMB4,380,000 (2009: RMB8,581,000), representing a decrease of approximately 49% as compared with the corresponding period in 2009. During the period under review, due to that main production plant and equipment was in maintenance to meet even more stringent requirement of the new management on quality of the current products of the Company, the sales of the Company has been temporarily affected.

During the period under review, total comprehensive loss attributable to Shareholders amounted to approximately RMB2,155,000 (2009: total comprehensive income: RMB23,000). Overall gross profit margin drop 2.7% from 43.9% to 41.2%.

Prospects

Although it is expected that prices of Chinese medicine raw materials are going to remain at a low level in 2010, we also expect the pharmaceutical raw materials prices to go down further. In light of the global financial crisis, outlook for medical products sales is not optimistic. For 2010, we will focus on the following:

A. *Product upgrading through product structure adjustment*

Innovation in technology is a key element to improve competitiveness and for continuing development. The Company therefore will make a lot of effort in technology innovation. It will consolidate its existing research resources and manpower to create a reasonable product structure by way of launching competitive new product Company in an organized way through technological advancement. The Company will improve its products to create new growth point.

- To develop from low value-added products to high value-added ones and natural food additives

Benefiting from steady and sustained growth of the food industry, the food additive industry is also in the process of steady and rapid development, leading to an increasingly prominent position boasted by food additives. Safe and poison-free natural food additives are becoming increasingly favoured by consumers who are more health conscious with higher living standard. With its innovation on technology, the Company will strive to develop new products to cope with people's increasing admiration on natural, nutrition, health and environmental protection. These products are safe and environmental friendly and can satisfy people's need for natural and healthy food and will help protecting peoples' health. The Company will focus on the developing high value-added natural food additives, with an aim to gain a leading position in the domain, which is full of vigor and vitality and bring economic contribution to the Company.

- Actively exploring the nutraceutical product market

To cope with the trend on nutritional and multi-functional food, the Company will actively explore the nutraceutical product market. As the major entity in exploring the nutraceutical product market, the Company will adopt new selling mode by facing the ultimate customers directly and promote its business to grow fast and explore a new area for human health.

- Focus on core products and make use of advantage on scale production

The core products of the Company, Lu Lu Tong Injection, Antelope's Horn Injection, Yong Chong Cao Jun Powder Capsule, Shi Long Blood Clean Granules, Antelope's Horn Drop and Lu Lu Tong Xie Sha Tong Infusion Fluid, continues to make contributions to the turnover. With the advanced production technologies and good production environment, the advantage on scale production will contribute more to the Company's business. In addition, people are more concern on healthy products. In 2009, the development of Jiang Zhi Ning granule (降脂寧顆粒) is impressive. As such, the Company planned to expand the Jiang Zhi Ning granule (降脂寧顆粒) production line to cope with the market demand. It will focus on the improvement in production equipment, environmental protection facilities and be well prepared for the future growth. Make use of its advantage on research and development to launch new products and extend its production line through the Company's research centres, "the Life Gold Yong Chong Cao Jun Powder research center" and, "Lu Lu Tong Blood Clean research center", the Company will integrate its existing resources and research team, insist in innovation on technology with an aim to actively develop new products which are of high future potential and productivity. The Company will increase in the pace in launching new products, promote its business to new area with more potential and productivity.

B. Research of market and policies, establishment of sales channel and expansion of sales network

To keep a close eye on the market and policies, pay attention to "Four Changes", they are, changes in the pharmaceutical raw material market, changes in customers buying pharmaceutical raw materials, changes in competitors supplying pharmaceutical raw materials, and changes in healthcare reform policies and basic national medicine systems. We will take initiatives to respond to these changes so as to ensure that our annual sales target can be attained. Meanwhile, we will strictly control operating risks. Under the financial crisis, in the light of the decreasing sales, the senior management of the Company took initiatives to visit customers, enhance understanding and communication, and consolidating strategic partnerships, which effectively curbed a further downturn in export. The Company will continuously upgrade all-round quality of its sales personnel and enhance the overall standard of the sales team. With its outstanding sales team and its strategy on collaboration with international enterprise, the Company will endeavour to expand its sales network and apply effective sales strategy and actively explore new markets and new application for food additives products and strengthen customer service. In addition, the Company will actively bring in new mode of sales and try to explore new customers through electronic commercial platform with an aim to enlarge sales network and increase sales.

C. Upgrading of personnel quality and enhancement of corporate management standard

The pace of corporate development is determined by personnel quality under the exceptional economic environment. The Company will reinforce professional skill training to enhance personnel quality. It will also optimize personnel structure to strengthen team building, actively building an operational standard system and improve its management system standard. The Company will enhance its management level and coordinate the Company's continuing development. Base on the above directions, the Company will continue the production of food additives as its core business and will increase the competitiveness of its existing products by exploring new markets and new application area. At the same time, the Company will capitalize on its production and research strength to develop natural food additives, new functional food additives and nutraceutical products based on the existing technologies. The Company will continue to extend its production chain and create new growth area. Meanwhile, we will continue to implement the policy of "enhancing management, expanding market, restructuring business, and promoting development", to focus on solving outstanding problems in operations and management, technology renovation, energy saving and emission reduction, safety and environmental protection, and upgrade our internal and onsite management, and pursue best interests for its shareholders. The Company is confidence in its future.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 March, 2010, the Company had total assets of approximately RMB105,362,000 which were financed by current liabilities of approximately RMB22,285,000 and shareholders equity of approximately RMB83,077,000.

The Company generally services its debts primarily through cash generated from its operations. The financial position of the Company remains healthy. As at 31 March, 2010, the Company had cash and bank balances of approximately RMB19,510,000. 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 31 March, 2010, the Company did not have any committed borrowing facilities.

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

As at 31 March, 2010, 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 personally interested	Approximate percentage of Shareholding (%)
Liu Yang	194,194,580	26.01
Xu Zhe	183,482,440	24.57
Xu Dao Tian	150,644,480	20.18
Zhang Ya Bin	1,618,960	0.22
	<u>529,940,460</u>	<u>70.98</u>

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 31 March, 2010, 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 31 March, 2010, 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:

Name	Number of H shares held	Approximate percentage of H shareholding (%)
Pang Siu Chung	12,740,000(L)*	6.15(L)*

*Notes: (L) – Long Position, (S) – Short Position, (P) – Lending Pool

Save as disclosed above, as at 31 March, 2010, 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 who are independent non-executive Directors.

The audit committee had conducted a meeting and reviewed the Company's results for the period ended 31 March, 2010 and was of the opinion that the preparation of 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

Save as disclosed above, 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.

By Order of the Board
Xu Zhe
Chairman

Jilin, the PRC
11 May, 2010

As at the date of this report, the Company's executive directors are Liu Yang, Guo Feng, Wang Xue Hua and Jin Xin and the Company's independent non-executive directors are Lam Kai Yeung, Niu Shu Min and Zhao Zhen Xing.