



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 2010

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, 2010 was approximately RMB10,276,000 (2009: RMB20,018,000), representing a decrease of approximately 49% as compared with the same period in the previous year.
- Total comprehensive income/(Loss) attributable to shareholders of the Company ("Shareholders") for the six months ended 30 June, 2010 was approximately RMB(4,081,000) (2009: RMB462,000).
- Earnings/(loss) per share ("Shares") of the Company for the six months ended 30 June, 2010 was approximately RMB(0.5) cents.
- The Directors do not recommend the payment of any dividend for the six months ended 30 June, 2010.

RESULTS (UNAUDITED)

The board of Directors ("Board") hereby announces the unaudited results of the Company for the six months ended 30 June, 2010, together with the comparative figures for the corresponding periods of the previous financial year, as follows:

	Notes	Six months ended 30 June,		Three months ended 30 June,	
		2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Turnover	b	10,276	20,018	5,896	11,437
Cost of sales		(6,629)	(10,302)	(4,053)	(5,490)
Gross profit		3,647	9,716	1,843	5,947
Other revenue	c	-	-	-	-
Distribution and selling expenses		(1,875)	(3,029)	(756)	(1,630)
General, administrative and other operating expenses		(5,634)	(5,044)	(2,884)	(2,700)
Operating profit/(Loss)	d	(3,862)	1,643	(1,797)	1,617
Finance costs		(219)	(2)	(129)	1
Profit/(Loss) before taxation		(4,081)	1,641	(1,926)	1,618
Taxation	e	-	(1,179)	-	(1,179)
Profit/(Loss) after taxation		(4,081)	462	(1,926)	439
Other comprehensive income		-	-	-	-
Total comprehensive income/(Loss) attributable to shareholders		(4,081)	462	(1,926)	439
Dividends		N/A	N/A	N/A	N/A
		RMB	RMB	RMB	RMB
Earnings/(Loss) per Share - basic	f	(0.5) cents	0.1 cents	(0.3) cents	0.1 cents

CONDENSED STATEMENT OF FINANCIAL POSITION

		30 Jun., 2010	31 Dec., 2009
		(Unaudited)	(Audited)
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT ASSETS			
Intangible assets, net	h	-	-
Land use rights	i	10,475	10,597
Property, plant and equipment	j	39,200	38,652
		49,675	49,249
CURRENT ASSETS			
Inventories		450	2,957
Trade receivable, net	k	21,895	20,420
Advance to staff		359	359
Prepayment and other receivables		9,525	10,104
Cash and bank deposits		26,540	19,551
		58,769	53,391
LESS: CURRENT LIABILITIES			
Short-term borrowings		8,820	20
Trade payable	l	13,447	11,007
Advance payments from customers		(367)	-
Accruals and other payables		5,393	6,381
		27,293	17,408
NET CURRENT ASSETS		31,476	35,983
NET ASSETS		81,151	85,232
NON-CURRENT LIABILITIES			
Long-term borrowings		-	-
		81,151	85,232
CAPITAL AND RESERVES			
Share capital	m	74,665	74,665
Reserves		6,486	10,567
TOTAL CAPITAL AND RESERVES		81,151	85,232

CONDENSED STATEMENT OF CASH FLOW

	Six months ended 30 June,	
	2010	2009
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Net cash inflow from operating activities	5	158
Net cash outflow from investing activities	(1,816)	(89)
Net cash inflow from financing activities	8,800	0
Decrease in cash and cash equivalents	6,989	69
Cash and cash equivalents at beginning of period	19,551	11,610
Cash and cash equivalents at end of period Represented by Cash and Bank Balances	26,540	11,679

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, 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/(Expenses)

	Six months ended 30 June, 2010		Three months ended 30 June, 2010	
	RMB'000	2009 RMB'000	RMB'000	2009 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:

	Six months ended 30 June, 2010		Three months ended 30 June, 2010	
	RMB'000	2009 RMB'000	RMB'000	2009 RMB'000
- Interest Expenses	227	-	217	-
- Depreciation of Fixed Assets	1,268	1,160	649	577
- Amortization of Land Use Right	122	122	61	61
- Amortization of Intangible Assets	-	-	-	-

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 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.

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, 2010 are 746,654,240 and 746,654,240 respectively (2009: 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, 2010 (Unaudited) RMB'000	As at 31 December, 2009 (Audited) RMB'000
Net book value, beginning of period	-	-
Additions	-	-
Impairment losses	-	-
Amortisation	-	-
Net book value, end of period	-	-

i. Land use rights

	As at 30 June 2010 (Unaudited) RMB'000	As at 31 December 2009 (Audited) RMB'000
Net book value, beginning of period	10,597	10,844
Additions	-	-
Disposal	-	-
Amortisation	(122)	(247)
Net book value, end of period	<u>10,475</u>	<u>10,597</u>

j. Fixed assets, net

	As at 30 June 2010 (Unaudited) RMB'000	As at 31 December 2009 (Audited) RMB'000
Net book value, beginning of period	38,652	40,934
Additions	1,816	173
Impairment losses	-	-
Disposals	-	-
Depreciation	(1,268)	(2,455)
Net book value, end of period	<u>39,200</u>	<u>38,652</u>

k. Accounts receivable, net

	As at 30 June 2010 (Unaudited) RMB'000	As at 31 December 2009 (Audited) RMB'000
Accounts receivable	66,398	64,923
Less: Provision for doubtful receivables	(44,503)	(44,503)
	<u>21,895</u>	<u>20,420</u>

Aging analysis of accounts receivable is as follow:

	As at 30 June 2010 (Unaudited) RMB'000	As at 31 December 2009 (Audited) RMB'000
Aged:		
0-30 days	1,849	6,105
31-60 days	718	1,249
61-90 days	349	1,309
91-180 days	891	6,864
181 to 365 days	9,552	6,893
over 365 days	53,039	42,503
	<u>66,398</u>	<u>64,923</u>

I. Accounts payable

The aging analysis of accounts payable is as follows:

	As at 30 June 2010 (Unaudited) RMB'000	As at 31 December 2009 (Audited) RMB'000
Aged:		
0 to 1 month	2,236	982
1 to 6 months	3,341	1,384
6 to 12 months	5,678	4,279
Over 1 year	2,192	4,362
	13,447	11,007

m. Share capital

	Six months ended 30 June, 2010	Amount RMB'000	As at 31 December, 2009 Amount RMB'000
	Number of shares		Number of shares
Issued and fully paid (RMB0.10 each)			
Beginning of period/year	746,654,240	74,665	746,654,240
Placing of shares	-	-	-
Repurchase of shares	-	-	-
End of period/year	746,654,240	74,665	746,654,240

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	Others				
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 1 January 2009	19,027	11,326	3,928	5,757	(29,913)	10,125
Total comprehensive income/(Loss) for the period	-	-	-	-	462	462
As at 30 June 2009	19,027	11,326	3,928	5,757	(29,451)	10,587
As at 1 January 2010	19,027	11,326	3,928	5,757	(29,471)	10,567
Total comprehensive income/(Loss) for the period	-	-	-	-	(4,081)	(4,081)
As at 30 June 2010	19,027	11,326	3,928	5,757	(33,552)	6,486

DIVIDENDS

The Board does not recommend the payment of any interim dividend for the six months ended 30 June, 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 pneumonary weakness and renal failure; and Antelope's Horn Drop used for treating cold and influenza.

For the period ended 30 June 2010, turnover amounted to approximately RMB10,276,000 (2009: RMB20,018,000), representing a decrease of approximately 49% as compared with the same period in the previous year. 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 of the Company for the six months ended 30 June, 2010 was approximately RMB4,081,000 (2009: total comprehensive income: RMB462,000). Overall gross profit margin drop 13% from 49% to 36%. All these was mainly due to the drop of selling price and increase of raw material price as well as change of market mix.

Prospects

Looking forward, the economic conditions in many countries and regions may remain depressed for prolonged periods. The prolonged turmoil noted in the financial market which has adversely affected, and is expected to continue to affect, the real economy including pharmaceutical industry.

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 on site management, and pursue best interests for its shareholders. The Company is confidence in its future.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2010, the Company had total assets of approximately RMB108,444,000 which were financed by current liabilities of approximately RMB27,293,000 and shareholders equity of approximately RMB81,151,000.

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, 2010, the Company had cash and bank balances of approximately RMB 26,540,000. 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 30 June 2010, the Company did not have any committed borrowing facilities.

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

As at 30 June, 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 held	Approximate percentage of shareholding (%)
Liu Yang	194,194,580	26.01
Guo Feng	183,482,440	24.57%
Wang Xue Hua	150,644,480	20.18%
Zhang Ya Bin	1,618,960	0.22%
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	529,940,460	70.98%

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 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 30 June, 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:

- **Long positions in Shares**

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 30 June, 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 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, 2010 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
Liu Yang
Chairman

Jilin, the PRC
10 August, 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.