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)

Annual Report 2010

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This report, for which the directors (the "Directors"") of Northeast Tiger Pharmaceutical Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "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 the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, there are no other matters the omission of which would make any statement herein or this announcement misleading.

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Guo Feng
Wang Xue Hua
Jin Xin

INDEPENDENT NON-EXECUTIVE DIRECTORS
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SUPERVISORS
Zhang Ya Bin
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Yin Hong

COMPANY SECRETARY
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AUDIT COMMITTEE
Lam Kai Yeung
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GEM STOCK CODE
8197

AUTHORIZED PERSON TO ACCEPT SERVICE OF PROCESS AND NOTICE
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AUDITORS
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LEGAL ADVISORS
Li & Partners

PRINCIPAL BANKER
China Construction Bank
Jilin Railway Branch

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Central, Hong Kong

Chairman's Statement

On behalf of Board of Directors (the "Board") of Northeast Tiger Pharmaceutical Co., Ltd. (the "Company"), I hereby present to our shareholders the annual report of the Company and its subsidiary (collectively referred to as "the Group") for the year ended 31 December 2010.

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, Ling Yang Jiao 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 cerebrovasular 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.

The year 2010 was an important one in which the Company embarked on a new development. At a time when its existing manufacture and sale of Chinese medicines under the brand name of "Northeast Tiger" businesses were under extreme difficulties, the Company had, upon considering the long-term interests of all shareholders, decided to switch to a new direction and venture into the highly promising breeding of underground ginseng and related Chinese medicine herbs business. After carrying out in-depth studies and probing of the industry, and with much active lobbying, searching and surveying, On 27 September 2010, Antao County Northeast Tiger Xinxing New Product Co., Ltd.(安圖縣東北虎新興特產有限公司), a wholly-owned subsidiary of the Company entered into the Agreement with the Vendor, pursuant to which the Vendor has agreed to transfer to the Antao County Northeast Tiger Xinxing New Product Co., Ltd. the Forest Concession Right of the Forest Land at the consideration of approximately RMB173,530,000 (equivalent to approximately HK$197,193,182) for a term of approximately 70 years until 31 December 2080. The Acquisition is subject to passing of the resolution approving the Agreement and the transaction contemplated at the Extraordinary General Meeting. Currently, the Company is preparing circular in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. To fully demonstrate our keenness in building up this new business, the Company started the active recruitment of notables in Jilin Province's breeding of underground ginseng and related Chinese medicine herbs business, e.g. Mr. Li Aimin (李愛民), Mr. Zhang Jun (張軍) and Mr. Wang Junhai (王君海) (see Profiles of Directors, Supervisors and Senior Management section), and set up a strong management team of professionals. This management team is charged with laying a good foundation for the Company's long-term development in the business and seize development opportunities and growth momentum as they come along.

The Ecology Construction Outline of Jilin Province (吉林省生態省建設綱要), the Planning for Forestry Industry Development in Jilin (吉林林業產業發展規劃), the National Economy and Social Development Planning in Yanbian Korean Autonomous Prefecture (延邊自治區國民經濟與社會發展規劃) and other economic and industrial policies, promulgated by Jilin Provincial Government, aim to attract enterprises to invest in forestry industry and support various protective development and use of forest resources and forest land environment to develop local economy of Jilin Province.

Yanbian Prefecture (延邊自治區) and Antao County (安圖縣) are mainly mountainous areas in Jilin Province. For striving to develop local economy, the local government of these two areas always encourage all kinds of enterprises to develop forest land resources. At present, the planting of organic food and organic Chinese medicine herbs and forest tourism have become the hotspots of local economic growth in Yanbian Prefecture and Antao County. After many years of efforts in attracting outside capital investment, the local government of these two areas have gathered experiences in developing mountainous areas with private enterprises. As such the Board considers that the Acquisition will be beneficial to the future development of the Company's breeding of Chinese medicine herbs.

After official access to the World Trade Organization (WTO), the PRC has blended into international economic system and its quality of agricultural products has become a core to compete with other countries in the international market. Traditional Chinese medicine herbs are mainly exported to Asia, North America and Europe. Asian countries include Japan, Taiwan, Vietnam, Hong Kong, Korea, Singapore and India. In North America and Europe, the traditional Chinese medicine herbs are mainly sold to the United States of America and Germany.

At present, the PRC has exported around 500 traditional Chinese herbs materials, of which, the materials produced in Northeast part of the PRC are, for example, ginseng, antler (鹿茸), schisandra chinensis (五味子), asarum (細辛), forest frog's oviduct (林蛙油) etc. Taking into account the climatic condition and environment, Jilin Province is an area suitable for breeding of many kinds of Chinese medicine herbs.

Since 2005, Chinese herbal slices industry (中藥飲片行業) has grown very fast. Therefore, the Group considers that there will be a good development prospect in breeding of traditional Chinese medicine herbs, and have boosted the Company's confidence in developing breeding of underground ginseng and related Chinese medicine herbs business.

The Group has been engaging in the manufacture and sale of Chinese medicines under the brand name of "Northeast Tiger", the performance has fallen short of expectation and has not been able to bring about material breakthrough to the Group's business development. Incomes and profits from these business have been declining precipitously due to such unfavourable factors as rises in raw material prices and energy costs and decrease in market demand. For these reasons, we are planning to shift the business direction to focus our resources in developing our breeding of underground ginseng and related Chinese medicine herbs business. With the industry experience and connections of the Group's management, we are fully confident of the long-term development of the underground ginseng and related Chinese medicine herbs business sector and so our business transformation is indeed a wise decision. In a bid to become a leading and diversified enterprise in the industry, we shall strive to seize opportunities in the field by actively seeking new merger and acquisition targets and developing diversified product range as a way to enhance the Group's competitiveness and increase its income sources.

I would like to convey on behalf of the Board our gratitude to all staff, customers and business partners who have contributed towards the development of the Group. I would also like to take this opportunity to thank the shareholders who have been supporting and trusting the Group all along. We shall continue our efforts and conscientiously carry out our duties in order to return the favour of support from all quarters with better business results!

By Order of the Board
Liu Yang
Chairman

Jilin, the PRC
4 March 2011

For the year ended 31 December 2010, turnover of the Group decreased by approximately 72.32% to approximately RMB 10,247,000, and gross profit dropped 78.95% from RMB13,265,000 to RMB2,792,000. Overall gross profit margin also decreased by 8.58% from 35.83% to 27.25%. Impairment losses on trade receivables increased 168.56% from RMB4,421,000 to RMB11,873,000. Distribution and selling expenses decreased 35.08% from RMB6,590,000 to RMB 4,278,000 due to diminishing of current manufacturing and sales of pharmaceutical products. As the Group is planning to shift the business direction to focus its resources in developing own breeding of underground ginseng and related Chinese medicine herbs business, the management cost has irrevocably increased, General, administrative and operating expenses increased 72.71% from RMB 7,153,000 to RMB12,354,000. Finance costs increased RMB968,000 due to more fund for acquisition. Loss attributable to shareholders amounted to RMB22,370,000 (2009 Profit: RMB 442,000).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December, 2010, the Group had total assets of approximately RMB136,560,000 which were financed by current liabilities of approximately RMB41,198,000, long-term liabilities of approximately RMB 32,500,000, and shareholders' equity of approximately RMB62,862,000.

The Group generally services its debts primarily through cash generated from its operations. As at 31 December, 2010, the Group had cash and bank balances of approximately RMB13,524,000. Taking into consideration the Group's current financial resources, the Directors believe that the Group shall have adequate fund for its continual operation and development, but would not exclude the possibility of raising working capitals once required by way of additional bank loans or equity financing in future.

As at 31 December, 2010, the liquidity ratio, represented by a ratio between current assets over current liabilities, was 2.12: 1, so The Director believed that the Group does not have liquidity problem. The asset-liability ratio of the Group, defined as a ratio between total debts and total assets, was 54%, is quite healthy.

TREASURY POLICIES

The Group adopts a conservative approach towards treasury policies. In selling its products, the Group may require new customers to make advance payment of approximately 45% of their purchases. The general credit terms in relation to the accounts receivable of the Group is 90 days. In certain circumstance, the credit period may be extended to appropriate level after relevant due diligence investigation. In determining the length of the credit term extended to any specific customer, the Group will consider the reputation of the customer, the length of business relationship with the customer and its past payment record. The Group's management also puts endeavors on credit control on its customers by closely monitoring the outstanding balance owed by them. The actions taken by the Group include conducting monthly reviews on accounts receivable, following up each debtor overdue more than 90 days and enforcing the collection of outstanding balance of accounts receivable. The Group strives to reduce exposure to credit risk by performing ongoing credit evaluations of financial condition of its customers.

To manage liquidity risk, management closely monitors the liquidity position to ensure that the liquidity restructure of the Group can meet its funding requirements.

EMPLOYEE INFORMATION

Remuneration of the Group's employees was determined by reference to the performance, qualification and experience of the relevant staff. Based on operating result, a discretionary incentive bonus based on individual performance may be distributed to reward their contributions to the Group. The management is of the opinion that employees are the most treasured assets of the Group. Accordingly, the Group has actively created a corporate environment to nurture them to their full potentials. Payroll costs of the Group remained at a similar level as before during the year. Other employee benefits include retirement benefits, medical insurance and housing fund contributions, remained at appropriate levels. Various training and development courses were also offered to enable employees to upgrade their skills.

Profile of Directors, Supervisors and Senior Management

DIRECTORS

Executive Directors

Liu Yang, aged 40, graduated from Central Party Political School (中央黨校) in Economic Management (經濟管理專業). He is currently serves as the managing director of Jilin Zhuo Yi Kang Na Pharmaceutical Co., Ltd. (吉林市卓怡康納制藥有限公司). He has been engaged in pharmaceutical industry in the PRC for about twenty years. Mr. Liu is a substantial shareholder of the Company.

Guo Feng, aged 35, is currently a director of 吉林省高科食用菌產業開發有限責任公司 (Jilin Gao Ke Mushroom Industry Development Co., Ltd). She has been engaged in pharmaceutical industry in the PRC for over ten years. Ms. Guo has been appointed as an executive Director and compliance officer on 11 December 2009.

Wang Xue Hua, aged 44, is currently a director of 九台市藍寶石科技開發有限公司 (Jiu Tai City Sapphire Technology Development Co., Ltd.). He has been engaged in pharmaceutical industry in the PRC for more than fifteen years. Mr. Wang has been appointed as an executive Director and general manager on 11 December 2009.

Jin Xin, aged 40, is currently the chief financial officer of the Company. He graduated from 吉林財貿學院 (Jilin Finance Institute). Mr. Jin has been appointed as an executive Director and authorized representative on 11 December 2009.

Independent non-executive Directors

Lam Kai Yeung, aged 41. Mr. Lam has been appointed as the independent non-executive Director, member of audit committee and member of remuneration committee of the Board with effect from 7 August 2008. He is a Fellow of the Hong Kong Institute of Certified Public Accountants and a Fellow of the Association of Chartered Certified Accountants. Mr. Lam holds a Master Degree in Business Administration from Oxford Brookes University in the United Kingdom.

Niu Shu Min, aged 71, was appointed an independent non-executive director of the Company on 11 July 2001. After graduating from the chemistry faculty of Shenyang Medical Institute, she has worked as the deputy manager of Jilin Pharmaceutical Company, and the deputy director and thereafter director of the JDA until she retired in June 1999. She has over 4 years of experience in financing. Currently she is the vice president and general secretary of the Association of Pharmaceutical Quality Control of the PRC and a standing committee member of Jilin People's Political Consultative Conference.

Zhao Zhen Xing, aged 68, was appointed an independent non-executive director of the Company on 30 September 2004. He graduated from College of Jilin provincial Finance and banking. He became a registered Auditor of PRC in 1994, and in July 1997 he was recognized as a senior accountant of PRC. He was manager of internal audit department of Jilin Tansu Group, Jilin Tansu Company Limited during 1991 to 2001. He served as Supervisor of Jilin Tansu Group, Jilin Tansu Company Limited during 1997 to 2001.

SUPERVISORS

Zhang Ya Bin, aged 48, is the chairman of the supervisory committee of the Company. Mr. Zhang joined the Company on 28 June 2000. He does not take any active role in the Company. He graduated from Northeast Normal University majoring in political studies and is currently a director of FE Holdings, Hailaer and Yakeshi respectively. Mr. Zhang was the assistant to the chairman of FE Holdings and a deputy secretary of the communist party committee of that company.

Chen Lin Bo, aged 55, is a supervisor of the Company who joined the Company on 28 June 2000. He is responsible for infrastructure project of the Company. He graduated from Changchun Traditional Chinese Medical College, majoring in medical studies. He had been the deputy manager of NT Drugs for years. He was also in charge of the infrastructure project of NT Pharmaceutical.

Yin Hong, aged 41, is a supervisor of the Company who joined the Company on 28 June 2000. He graduated from Changchun College of Taxation Studies majoring in accounting and is an accountant. Ms. Yin has served as the deputy financial controller of FE Holdings since 1992.

SENIOR MANAGEMENT

Gao Yue Ying, aged 40, is the secretary of the board of directors of the Company and the supervisor of the general manager's office. Ms. Gao graduated from Jilin College of Finance and Trade and is an assistant accountant.

Below are the biographies of the experts who will be responsible for the operation of the Forest Land:

Mr. Li Aimin (李愛民) aged 54, is currently the Technology Consultant of the Purchaser and is responsible for providing forestry and Chinese traditional herbs breeding technology support. Mr. Li graduated from 果木專業 (Fruit and Timber Profession) from 東北農業大學 (Northeast Agricultural University) and obtained a master degree in Chinese herbs from 延邊大學 (Yanbian University). He used to be a research fellow (研究員) and instructor of Masters Degree students (碩士研究生導師) of 中國農業科學院特產研究所 (China Agricultural Science Academy Special Product Institute) from July 1983 to September 2010. He specializes in breeding and processing of schirandra chinensis (五味子), a Chinese traditional herb and fruit trees. Mr. Li has been awarded 11 awards in agricultural industries in the past, including 2 awards in Jilin Province Technology Improvement Level One Award (吉林省科技進步一等獎), 1 award in Agricultural Bureau Technology Improvement Level Two Award (農業部科技進步二等獎), 3 awards in Jilin Province Technology Improvement Level Three Award (吉林省科技進步三等獎), 1 award in Agricultural Science Academy of the PRC Level Two Award (中國農業科學院科技進步二等獎), 1 award in Jilin City Technology Improvement Level One Award (吉林市科技進步一等獎), 2 awards in Jilin City Technology Improvement Level Two Award (吉林市科技進步二等獎) and Jilin City Technology Improvement Level Three Award (吉林市科技進步三等獎). He has published more than 80 academic essays in the areas of Chinese herbs breeding.

Mr. Zhang Jun (張軍) Aged 42, is currently the general manager of the Purchaser and is responsible for the overall production planning and strategy. Mr. Zhang, graduated from Economies from 吉林林學院 (Jilin Forestry College in June 2001). He used to worked in 吉林省林業勘察設計研究院可行性研究室 (Jilin Province Forestry Inspection and Design Academy Feasibility Research Centre) from June 2001 to November 2005, responsible for analyzing the economic benefits of the projects. During the period from November 2005 to June 2006, he worked in 吉林省林業勘察設計研究院總體設計室 (Jilin Province Forestry Inspection Design and Research Academy Overall Design Centre), responsible for analyzing the economic benefit of timber related industrial projects and timber products. During the period from July 2006 to September 2010, he worked in 吉林省林業勘察設計研究院野生動物保護工程設計中心 (Jilin Province Forestry Inspection Design and Research Academy Wild Animals Protection Engineering Design Centre), responsible for planning for protection of natural species. He will be responsible for the production planning and strategy of the Forest Land.

Mr. Wang Junhai (王君海) aged 38, is the deputy general manager of the Purchaser and is responsible for the business development and marketing of the Purchaser. Mr. Wang graduated from 南京林學院 (Nanjing Forestry College*) in July 1991. He used to worked in 吉林省林業勘察設計研究院 (Jilin Province Forestry Inspection and Design Academy) during July 1991 to July 2010 and was the department head of Technology and Quality Control Department (技術質量部). Mr. Wang specializes in planning and operation of forests and valuation and has substantial experiences in breeding of plants in forests.

Report of the Supervisory Committee

To the Shareholders:

The supervisory committee ("we") of Northeast Tiger Pharmaceutical Co., Ltd. (the "Company"), in compliance with the provisions of the Company Law of the People's Republic of China (the "PRC Company Law"), the relevant laws and regulations of Hong Kong and the Articles of Association of the Company, under their fiduciary duty, took up an active role to work reasonably and cautiously with diligence to protect the interests of the Company and its shareholders.

During the year, Supervisory Committee had reviewed cautiously the operation and development plans of the Group and provided reasonable suggestions and opinions to the Board of Directors. It also strictly and effectively monitored and supervised the Group's management in making significant policies and decisions to ensure that they are in compliance with the laws and regulations of the PRC and the Articles of Association of the Company, and in the interests of its shareholders.

We have reviewed and agreed to the report of the Directors, audited financial statements and the dividend to be proposed by the Board of Directors for presentation at the forthcoming annual general meeting. We are of the opinion that the Directors, the general manager and other senior management of the Group were able to strictly observe their fiduciary duty, to act diligently and to exercise their authority faithfully in the best interests of the Group. The transactions between the Group and connected parties are in the interests of the shareholders as a whole and under fair and reasonable price. Up till now, none of the Directors, general manager and senior management staff had been found abusing their authority, damaging the interests of the Group and infringing upon the interests of its shareholders and employees. And none of them were found to be in breach of any laws and regulations or the Articles of Association of the Company.

The Supervisory Committee is satisfied with the achievement and cost-effectiveness of the Group in 2010 and has great confidence in the future of the Group.

By Order of the Supervisory Committee
Zhang Ya Bin
Chairman

Jilin, the PRC
4 March 2011

INTRODUCTION

Subject to the deviation as disclosed on this report, the Company has complied with all the code provisions on Corporate Governance Practices as set out in the GEM Listing Rules by establishing a formal and transparent procedure to protect and maximize the interests of shareholders during the period under review.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, the Directors have complied with such code of conduct and the required standard of dealings regarding securities transactions throughout the year ended 31 December 2010.

BOARD OF DIRECTORS AND BOARD MEETING

The Board currently consists of 4 executive Directors and 3 independent non-executive Directors.

Executive Directors:
Mr. Liu Yang
Madam Guo Feng
Mr. Wang Xuehua
Mr. Jin Xin

Independent non-executive Directors:
Mr. Lam Kai Yeung
Miss Niu Shu Min
Mr. Zhao Zhen Xing

The board of Directors is responsible for the Company's corporate policy formulation, business strategies planning, business development, risk management, major acquisitions, disposals and capital transactions, and other significant operational and financial matters. Major corporate matters that are specifically delegated by the board of Directors to the management include the preparation of annual and interim accounts for board approval before public reporting, execution of business strategies and initiatives adopted by the board of Directors, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements and rules and regulations.

Details of backgrounds and qualifications of the chairman of the Company and the other Directors are set out on page 7 of this Annual Report. All Directors have given sufficient time and attention to the affairs of the Group. Each executive Director has sufficient experience to hold the position so as to carry out his duties effectively and efficiently. There is no relationship among the members of the board of Directors.

The Company appointed three independent non-executive Directors who have appropriate and sufficient experience and qualification to carry out their duties so as to protect the interests of shareholders. Mr. Lam Kai Yeung, Miss Niu Shu Min and Mr. Zhao Zhen Xing are the independent non-executive Directors. All of them were re-elected on 19 March 2011 for a term of three years and are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Company's articles of association.

Under the code provision A.4.2, every director should be subject to retirement by rotation at least once every three years. The existing articles of association of the Company provide that no Director holding office as chairman shall be subject to retirement by rotation. Accordingly, as at the date of this report, Mr. Liu Yang, being the chairman of the Company, is not subject to retirement by rotation. In order to comply with the code provision A.4.2, others directors, once served their directorship for over three years will retire at the forthcoming annual general meeting of the company, and being eligible, will offer themselves for re-election.

Pursuant to the requirements of the GEM Listing Rules, the Company has received written confirmation from each independent non-executive Director of his independence to the Company. Based on such confirmations of independence, the Company considers all of the independent non-executive Directors to be independent.

During the year under review, Mr. Liu Yang was the chairman and Mr. Wang Xuehua was the chief executive officer.

The roles of the chairman and chief executive officer are segregated and are not exercised by the same individual during the year under review, the chairman's responsibility is to manage the Board while the chief executive officer's is to manage the business of the Group.

The board of Directors held a full board meeting for each quarter.

Details of the attendance of the meetings of the board of Directors are as follows:

Directors Attendance

Mr. Liu Yang	8/8
Madam Guo Feng	8/8
Mr. Wang Xuehua	8/8
Mr. Jin Xin	8/8
Mr. Lam Kai Yeung	8/8
Ms. Niu Shu Min	8/8
Mr. Zhao Zhen Xing	8/8

Apart from the above regular board meetings of the year, the board of Directors will meet on other occasions when a board-level decision on a particular matter is required. The Directors will receive details of agenda items for decision in advance of each board meeting.

REMUNERATION COMMITTEE

The remuneration committee was established in August 2005. The current chairman of the committee is Mr. Lam Kai Yeung, a non-executive Director, and other members are Miss Niu Shu Min and Mr. Zhao Zhen Xin, both of them are independent non-executive Directors, thus the all being independent non-executive Directors.

Under the code provision B.1.1, a listed issuer should establish a remuneration committee with specific written terms of reference which deal clearly with its authority and duties. It was not until August, 2005 that the Company established a remuneration committee as required under the code provision B.1.1.

The role and function of the remuneration committee included the determination of the specific remuneration packages of all executive Directors, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the board of the remuneration of non-executive Directors. The remuneration committee should consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration.

During the period under review, a meeting of the remuneration committee was held in December 2010. Details of the attendance of the meeting of the remuneration committee meeting are as follows:

Members	Attendance
Mr. Lam Kai Yeung	1/1
Ms. Niu Shu Min	1/1
Mr. Zhao Zhen Xing	1/1

The remuneration committee of the Company has considered and reviewed the existing terms of employment contracts of the executive Directors and appointment letters of the independent non-executive Directors. The remuneration committee of the Company considers that the existing terms of employment contracts of the executive Directors and appointment letters of the independent non-executive Directors are fair and reasonable.

NOMINATION OF DIRECTORS

No nomination committee was established by the Company during the year.

The Board of directors considers the past performance, qualification, general market conditions and the Company's articles of association in selecting and recommending candidates for directorship during the year.

During the period, the board of Directors considered and resolved that all the existing Directors shall be recommended to be retained by the Company. Further, in accordance with the Company's articles of association (subject to the proposed amendments at the forthcoming annual general meeting), except Mr. Liu Yang, those who have served the Company for more than three year will retire, and being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company.

Under code provision A.4.2 of the Corporate Governance Practices, every Director should be subject to retirement by rotation at least once every three years. The existing articles of association of the Company provide that no Director holding office as chairman shall be subject to retirement by rotation. Accordingly, as at the date of this report, Mr. Liu Yang, being the chairman of the Company, is not subject to retirement by rotation.

AUDITORS' REMUNERATION

The audit committee of the Company is responsible for considering the appointment of the external auditor and reviewing any non-audit functions performed by the external auditor, including whether such non-audit functions could lead to any potential material adverse effect on the Group.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with Rules 5.28 and 5.33 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process, financial controls, internal control and risk management systems of the Group and provide advice and comments on the Group's draft annual reports and accounts, half year reports and quarterly reports to Directors. The audit committee comprises three members, Mr. Lam Kai Yeung, Miss Niu Shu Min and Mr. Zhao Zhen Xing. All of them are independent non-executive Directors. The chairman of the audit committee is Mr. Lam Kai Yeung.

The audit committee held 4 meetings during the year under review. Details of the attendance of the audit committee meetings are as follows:

Members	Attendance
Mr. Lam Kai Yeung	4/4
Ms. Niu Shu Min	4/4
Mr. Zhao Zhen Xing	4/4

The Group's unaudited quarterly and interim results and annual audited results for the year ended 31 December 2010 have been reviewed by the audit committee during the year, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure have been made. The audited results of the Group for the year have been reviewed by the audit committee.

Directors' Responsibility for the Financial Statements

The Directors knowledge their responsibilities for the preparation of the financial statements of the Group and ensure that the financial statements are in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the timely publication of the financial statements of the Group. The statements of the external auditors of the Group, PAN-CHINA (H.K.) CPA Limited, about their reporting responsibilities on the financial statements of the Group is set out in the Report of Auditors on page 22 of this annual report.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

INTERNAL CONTROL

The Group has conducted a review of its system of internal control periodically to ensure the effective and adequate internal control system. The Group convened meeting periodically to discuss financial, operational and risk management control.

AUDITORS

During the year under review, the performance of the external auditors of the Group has been reviewed and it is proposed to reappoint external auditors.

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Company has disclosed all necessary information to the shareholders and investors in compliance with GEM Listing Rules and uses a number of formal communications channels to account to shareholders and investors for the Company. These include (i) the publication of quarterly and annual reports; (ii) the annual general meeting or extraordinary general meeting providing a forum for shareholders of the Company to raise comments and exchanging views with the Board; (iii) the Company replying to the enquires from shareholders timely; (iv) updated and key information of the Company available on website of the Company; (v) the Company's website offering communication channel between the Company and its shareholders and investors; and (vi) the Company's share registrar in Hong Kong serves the shareholders regarding all share registration matters.

LOOKING FORWARD

The Company will keep on reviewing its corporate governance standards on a timely basis and the Board endeavour to take the necessary actions to ensure compliance with the required practices and standards including the provisions of the Code on Corporate Governance Practices introduced by the Stock Exchange.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the annual general meeting ("AGM") of Northeast Tiger Pharmaceutical Co., Ltd. (the "Company") will be held at No.3, No.2 Road, Jilin Hi-Tech Development Zone, Jilin City, Jilin Province, the PRC on 18 May 2011 at 9:00 a.m. for the following purposes:–

To consider and, if thought fit, pass the following matters as ordinary resolutions:

1. To receive and consider the audited financial statements of the Group and the Report of the Directors and the Auditors respectively for the year ended 31 December 2010;

2. To appoint auditors and to authorize the board of directors of the Company to fix their remuneration;

3. To empower the executive directors of the Company to exercise the authority for the determination of incentive bonus to the relevant person of the Group as a motivation for the contribution of efforts to the development of the Group, if any;

4. To consider and approve the remuneration proposals for Directors and supervisors of the Company for the year ending 31 December 2010;

5. To consider and if the right fit, pass with or without modifications, the following resolution as a special resolution:

   "**THAT**:

   (a) subject to paragraphs (c), (d) and (e) below, the exercise by the Board of Directors of the Company (the "Board") during the Relevant Period (as defined in paragraph (f) below) of all the powers of the Company separately or concurrently to allot, issue and deal with domestic shares of nominal value of RMB0.10 each in the share capital of the Company (the "Domestic Shares") and/or overseas – listed foreign shares of nominal value of RMB0.10 each in the share capital of the Company (the "H Shares") be and is hereby approved;

   (b) the approval in paragraph (a) above shall authorise the Board to make an offer or agreement or grant an option during the Relevant Period which would or might require Domestic Shares and/or H Shares to be allotted and issued either during or after the end of the Relevant Period;

   (c) the aggregate nominal value of Domestic Shares to be allotted and issued or agreed to be allotted and issued (whether pursuant to an option or otherwise) by the Board pursuant to the approval in paragraphs (a) and (b) above, otherwise than pursuant to (i) a rights issue (as defined in paragraph (f) below); (ii) the exercise of the conversion rights under the terms of any securities which are convertible into such shares; (iii) the exercise of rights of subscription under the terms of any warrants issued by the Company; or (iv) any scrip dividend or similar arrangement providing for the allotment of such shares in lieu of the whole or part of a dividend on such shares in accordance with the articles of association of the Company, shall not exceed 20 per cent of the aggregate nominal value of the Domestic Shares then in issue at the date of the passing of this resolution;

(d) the aggregate nominal value of H Shares to be allotted and issued or agreed to be allotted and issued (whether pursuant to an option or otherwise) by the Board pursuant to the approval in paragraphs (a) and (b) above, otherwise than pursuant to (i) a rights issue (as defined in paragraph (f) below); (ii) the exercise of the conversion rights under the terms of any securities which are convertible into such shares; (iii) the exercise of rights of subscription under the terms of any warrants issued by the Company; or (iv) any scrip dividend or similar arrangement providing for the allotment of such shares in lieu of the whole or part of a dividend on such shares in accordance with the articles of association of the Company, shall not exceed 20 per cent. of the aggregate nominal value of the H Shares then in issue at the date of the passing of this resolution;

(e) the approval in paragraph (a) above shall be conditional upon the approval of the China Securities Regulatory Commission being obtained by the Company;

(f) for the purpose of this special resolution: Relevant Period" means the period from the passing of this special resolution until whichever is the earlier of:

  (i) the conclusion of the next annual general meeting of the Company following the passing of this special resolution;

  (ii) the expiration of a period of 12 months following the passing of this special resolution; or

  (iii) the date on which the authority set out in this special resolution is revoked or varied by a special resolution of the members of the Company in general meeting.

  "Rights issue" means an offer of shares open for a period fixed by the Directors to holders of shares of the Company on the register of members of the Company on a fixed record date and, where appropriate, the holders of the other equity securities of the Company entitled to be offered therein, in proportion to their then holdings of such shares or other equity securities (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of any relevant jurisdiction, or the requirements of any regulatory body or any stock exchange); and

(g) the Board be and is hereby authorised to make such amendments to the articles of association of the Company as it thinks fit so as to increase the registered share capital and to reflect the new capital structure of the Company as a result of the allotment and issue of shares of the Company pursuant to the approval granted under paragraph (a) above"; and

6. To transact any other business, if any.

By Order of the Board
Liu Yang
Chairman

Jilin, the PRC
4 March 2011

As at the date of this announcement, 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.

Notes:

1. Any shareholder entitled to attend and vote at the meeting mentioned above is entitled to appoint one or more proxies to attend and vote at the meeting on his or her behalf in accordance with the articles of association of the Company. A proxy needs not be a shareholder of the Company.

2. In order to be valid, the proxy form of holder of H shares and, if such proxy form is signed by a person under a power of attorney or other authority on behalf of the appointer, a notarially certified copy of that power of attorney or authority shall be deposited at the Company's registered office not less than 24 hours before the time for holding the meeting or 24 hours before the time appointed for taking the poll.

3. Shareholders or their proxies shall produce their identity documents when attending the meeting.

4. The H share register of shareholders of the Company will be closed from 15 April 2011 to 18 May 2011 (both days inclusive), during which no transfer of shares will be registered. In order to ascertain the entitlement to attend at the above meeting, all properly completed transfer forms accompanied by the relevant share certificate must be lodged with the Company's share registrar not later than 4:00 p.m. on 14 April 2011, for registration.

5. Shareholders who intend to attend the AGM should complete the enclosed reply slip for the AGM and return it to the Company's registered office not later than 27 April 2011.

Report of the Directors

The Directors are pleased to present their report together with the audited financial statements of Northeast Tiger Pharmaceutical Co., Ltd. (the "Company") its subsidiary (collectively referred to as the "Group") for the year ended 31 December 2010.

COMPANY ORGANISATION

The Company was incorporated in the People's Republic of China (the "PRC") on 20 November 1998 as a privately owned company with limited liability. On 30 June 2000, the Company was converted into a joint stock company with limited liability in the PRC.

The Company's H shares have been listed on the Growth Enterprise Market (the "GEM") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 28 February 2002.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the manufacturing and sale of Chinese medicine products in the PRC as well as conducting pharmaceutical research and development. Its subsidiary is inactive.

MAJOR SUPPLIERS AND CUSTOMERS

The percentages of purchases and sales for the year attributable to Group's major suppliers and customers are as follows:

Purchases	
– the largest supplier	66.53%
– five largest suppliers combined	80.18%
Sales	
– the largest customer	71.60%
– five largest customers combined	88.56%

None of the Directors, Supervisors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

RESULTS AND APPROPRIATIONS

The results of Group for the year are set out in the consolidated income statement on page 24.

The Directors do not recommend the payment of a dividend.

RESERVES

Movement of the reserves of Group during the year is set out in consolidated statement of change in equity on page 27.

FIXED ASSETS

Details of the movements of fixed assets of Group are set out in Note 17 to the consolidated financial statements.

FOREIGN EXCHANGE RISK

Since all of the income and most of expenses of Group are denominated in Renminbi, as at 31 December 2010 the Directors consider the impact on foreign exchange exposure of Group is minimal.

CONTINGENT LIABILITIES

Up to the date of this report, Group did not have any material contingent liabilities.

SIGNIFICANT INVESTMENT

Except for the investment in subsidiaries by the Company as set out in note 18 to the consolidated financial statements, the Group has no significant investment during the year.

MERGERS AND ACQUISITIONS

On 27 September 2010, Antao County Northeast Tiger Xinxing New Product Co., Ltd. (安圖縣東北虎新興特產有限公司), a company established in the PRC and a wholly-owned subsidiary of the Company entered into the Agreement with the Vendor, pursuant to which the Vendor has agreed to transfer to the Antao County Northeast Tiger Xinxing New Product Co., Ltd. the Forest Concession Right of the Forest Land at the consideration of approximately RMB173,530,000 (equivalent to approximately HK$197,193,182) for a term of approximately 70 years until 31 December 2080. The proposed Acquisition is subject to passing of the resolution approving the Agreement and the transaction contemplated at the EGM by shareholders. For details, please refer to our announcement made on 30 September 2010.

Save as disclosed above, during the year, the Group has not engaged in any other mergers and acquisitions which need to disclose.

DISPOSAL OF MAJOR ASSETS AND INVESTMENTS

During the year, Group has not disposed of any major assets and investments.

SHARE CAPITAL

Details of movement of share capital of the Company are set out in Note 26 to the consolidated financial statements.

DIRECTORS

The Directors during the year and up to the date of this report are:

Executive Directors

Mr. Liu Yang
Madam Guo Feng
Mr. Wang Xuehua
Mr. Jin Xin

Independent Non-executive Directors

Lam Kai Yeung
Niu Shu Min
Zhao Zhen Xing

In accordance with the Articles of Association of the Company, except chairman, all Directors will retire every three years and, being eligible, offer themselves for re-election at the forthcoming AGM.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

None of the Directors and Supervisors has a service contract with the Company which is not terminable within one year without payment of compensation, other than statutory compensation.

RETIREMENTS SCHEME, PERSONNEL AND PAYROLL

Particulars of the retirement scheme of Group are set out in Note 12 to the accompanying consolidated financial statements.

CHARGES ON ASSETS

As at 31 December 2010, land use rights and buildings with net book value of approximately RMB20,853,000 (2009: Nil) were pledged as security for Group's short-term bank loans.

BORROWINGS

Particulars of borrowings of Group as at 31 December 2010 are set out in Note 24 and 25 to the accompanying consolidated financial statements.

CONNECTED PARTY TRANSACTIONS

The related party transactions disclosed in Note 29 to the accompanying consolidated financial statements constitute the connected transactions under Chapter 20 of the GEM Listing Rules.

The non-executive directors of the Company had reviewed the connected transactions of the year ended 31 December 2010 and confirmed that the transactions have been entered into:

(i) in the ordinary and usual course of business of Group;

either on normal commercial terms or, if there are no sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favorable than those available to or from independent third parties; and

(ii) in accordance with the relevant agreements governing the transactions; and

(iii) on terms that are fair and reasonable and in interests of the shareholders of the Company as a whole.

(iv) the aggregate amount of each of these transactions has not exceeded the cap amount as agreed with the Stock Exchange in this regard.

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

As at 31 December, 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
	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 31 December, 2010, Group was not a party to any arrangements to enable the Directors and Supervisors to acquire benefits by means of the acquisition of shares in, or debt securities, including debentures, of the Company or any other body corporate, and none of the Directors and Supervisors or their spouses or children under the age of 18 had any right to subscribe the securities of the Company, or had exercised any such right.

SUBSTANTIAL SHAREHOLDERS

As at 31 December, 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 that competes or may compete, either directly or indirectly, with the business of Group, nor any conflicts of interest which has or may have with the Group.

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 Group. 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 Group's unaudited results for the period ended 31 December, 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.

CORPORATE GOVERNANCE

During the period under review, the Company complied with the provisions set out in Appendix 15 of the Code on Corporate Governance Practices of the Rules Governing the Listing of Securities on the GEM.

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.

DIVIDEND AND CLOSURE OF H SHARE REGISTER

The Directors do not recommend the payment of a dividend for the year end 31 December 2010. The H share register of shareholders of the Company will be closed from 15 April 2011 to 18 May 2011 (both days inclusive), during which no transfer of shares will be registered. In order to ascertain the qualification, all properly completed transfer forms accompanied by the relevant share certificate must be lodged with the Company's share registrar not later than 4:00 p.m. on 14 April 2011, for registration.

INDEPENDENT AUDITORS

The financial statements have been audited by PAN-CHINA (H.K.) CPA Limited who retire and, being eligible, offer themselves for re-appointment at the forthcoming AGM.

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
Liu Yang
Chairman

Jilin, the PRC
4 March 2011

Independent Auditors' Report

TO THE SHAREHOLDERS OF
NORTHEAST TIGER PHARMACEUTICAL CO., LTD.
(A joint stock limited company incorporated in the People's Republic of China)

We have audited the consolidated financial statements of Northeast Tiger Pharmaceutical Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 24 to 59, which comprise the consolidated and Company's statements of financial position as at 31 December 2010, and the consolidated income statement, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2010 and of group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PAN-CHINA (H.K.) CPA LIMITED
Certified Public Accountants

Choi Man Chau, Michael
Practising Certificate Number P01188

20/F., Hong Kong Trade Centre,
161-167 Des Voeux Road,
Central, Hong Kong,
Hong Kong S.A.R., China

4 March 2011

Consolidated Income Statement

FOR THE YEAR ENDED 31 DECEMBER 2010

(Expressed in Renminbi)

	Note	**2010 RMB'000**	2009 RMB'000
Turnover	6	**10,247**	37,025
Cost of sales		**(7,455)**	(23,760)
Gross profit		**2,792**	13,265
Other revenue	6	**4,311**	5,341
Impairment losses on trade receivables		**(11,873)**	(4,421)
Distribution and selling expenses		**(4,278)**	(6,590)
General, administrative and operating expenses		**(12,354)**	(7,153)
Finance costs	7	**(968)**	–
(Loss)/profit before income tax expense	8	**(22,370)**	442
Income tax expense	9	**–**	–
(Loss)/profit for the year attributable to owners of the Company		**(22,370)**	442
Dividends	10	**–**	–
(Loss)/earnings per share	11		
Basic		**(3.00cents)**	0.06cents
Diluted		**N/A**	N/A

All of the Group's operations are classed as continuing.

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

FOR THE YEAR ENDED 31 DECEMBER 2010

(Expressed in Renminbi)

	Note	**2010 RMB'000**	2009 RMB'000
Non-current assets			
Intangible assets	15	**–**	–
Land use rights	16	**10,350**	10,597
Property, plant and equipment	17	**38,705**	38,652
		49,055	49,249
Current assets			
Inventories	19	**437**	2,957
Trade and other receivables	20	**73,544**	30,883
Cash and bank balances	22	**13,524**	19,551
		87,505	53,391
Total assets		**136,560**	102,640
Less: Current liabilities			
Trade and other payables	23	**4,678**	17,388
Short-term borrowings	24	**36,520**	20
		41,198	17,408
Net current assets		**46,307**	35,983
Non-current liabilities			
Long-term borrowings	25	**32,500**	–
Net assets		**62,862**	85,232
Capital and reserves attributable to owners of the Company			
Share capital	26	**74,665**	74,665
Reserves		**(11,803)**	10,567
Total equity		**62,862**	85,232

These consolidated financial statements were approved by the Board of Directors on 4 March 2011 and signed on behalf of the Board by:

Liu Yang
Director

Jin Xin
Director

The accompanying notes form an integral part of these consolidated financial statements.

Statement of Financial Position

FOR THE YEAR ENDED 31 DECEMBER 2010

(Expressed in Renminbi)

	Note	**2010 RMB'000**	2009 RMB'000
Non-current assets			
Intangible assets	15	**–**	–
Land use rights	16	**10,350**	10,597
Property, plant and equipment	17	**38,705**	38,652
Investment in subsidiaries	18	**20,200**	–
		69,255	49,249
Current assets			
Inventories	19	**437**	2,957
Trade and other receivables	20	**6,544**	30,883
Amounts due from subsidiaries	21	**47,020**	–
Cash and bank balances	22	**13,313**	19,551
		67,314	53,391
Total assets		**136,569**	102,640
Less: Current liabilities			
Trade and other payables	23	**4,678**	17,388
Short-term borrowings	24	**36,520**	20
		41,198	17,408
Net current assets		**26,116**	35,983
Non-current liabilities			
Long-term borrowings	25	**32,500**	–
Net assets		**62,871**	85,232
Capital and reserves attributable to owners of the Company			
Share capital	26	**74,665**	74,665
Reserves	27	**(11,794)**	10,567
Total equity		**62,871**	85,232

These consolidated financial statements were approved by the Board of Directors on 4 March 2011 and signed on behalf of the Board by:

Liu Yang
Director

Jin Xin
Director

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2010

(Expressed in Renminbi)

	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory public welfare fund RMB'000	Statutory revenue reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
As at 1 January 2009	74,665	19,027	11,326	3,928	5,757	(29,913)	84,790
Profit for the year	–	–	–	–	–	442	442
As at 31 December 2009 and at 1 January 2010	74,665	19,027	11,326	3,928	5,757	(29,471)	85,232
Transfer to statutory revenue reserve	–	–	–	(3,928)	3,928	–	–
Loss for the year	–	–	–	–	–	(22,370)	(22,370)
As at 31 December 2010	74,665	19,027	11,326	–	9,685	(51,841)	62,862

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2010

(Expressed in Renminbi)

	2010 **RMB'000**	2009 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/profit before income tax expense	**(22,370)**	442
Depreciation of property, plant and equipment	**2,515**	2,455
Amortisation of land use right	**247**	247
Bank loans interest	**811**	–
Interest on long-term borrowings	**157**	–
Over-provision of other taxes payable	**(770)**	(3,425)
Over-provision of staff welfare fund	**(1,595)**	(1,888)
Provision for impairment of trade receivables written back	**(1,523)**	–
Provision for impairment of other receivables written back	**(392)**	–
Provision for impairment of trade receivables	**11,873**	4,421
Provision for impairment of other receivables	**4,036**	–
Provision for impairment of advances to staff	**–**	45
Interest income	**(30)**	(28)
Operating (loss)/profit before movements in working capital	**(7,041)**	2,269
Decrease in inventories	**2,520**	11,832
Increase in trade and other receivables	**(56,655)**	(2,868)
Decrease in trade and other payables	**(10,345)**	(3,147)
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES	**(71,521)**	8,086
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	**30**	28
Purchase of property, plant and equipment	**(2,568)**	(173)
NET CASH USED IN INVESTING ACTIVITIES	**(2,538)**	(145)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bank loans	**26,000**	–
Proceeds from short-term borrowings	**10,000**	–
Proceeds from long-term borrowings	**33,000**	–
Bank loan interest	**(811)**	–
Interest on long-term borrowings	**(157)**	–
NET CASH GENERATED FROM FINANCING ACTIVITIES	**68,032**	–

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2010

(Expressed in Renminbi)

	2010 RMB'000	2009 RMB'000
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(6,027)**	7,941
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**19,551**	11,610
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**13,524**	19,551
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**13,524**	19,551

All of the Group's cash and bank balances are denominated in Renminbi which is not freely convertible to other currencies.

1. CORPORATE INFORMATION

Northeast Tiger Pharmaceutical Co., Ltd. (the "Company") is a joint stock limited company incorporated in the People's Republic of China (the "PRC") and its shares are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. The addresses of its registered office and principal place of business are disclosed in the corporate information section of the annual report.

The principal activities of the Company are development, manufacture, sale of medicines and investment holdings in the PRC. The principal activities of its subsidiaries are set out in note 30 to the consolidated financial statements.

The consolidated financial statements are presented in Renminbi, which is the same as the functional currency of the Group.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised Standards, Amendments and Interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 1 (Amendments)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HKFRS 5 (Amendments)	Non-current Assets Held for Sale and Discontinued Operations
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendments)	Eligible Hedged Items
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners
HK(IFRIC)-Int 18	Transfers of Assets from Customers
HK (Int) 4 (Revised)	Determination of the Length of Lease Term in respect of Hong Kong Land Leases
HK (Int) 5	Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The adoption of the new and revised HKFRSs has no material effect on the consolidated financial statements of the Group for the current and prior accounting periods.

The Group has not early applied the following new and revised Standards, Amendments and Interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010 except for the amendments to HKFRS 3 (as revised in 2008), HKFRS 7, HKAS 1 and HKAS 28 (1)
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters (2)
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets (3)
HKFRS 9	Financial Instruments (4)
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets (5)
HKAS 24 (Revised)	Related Party Disclosures (6)
HKAS 32 (Amendments)	Classification of Rights Issues (7)
HK(IFRIC)-Int 14 (Amendments)	Prepayments of Minimum Funding Requirement (6)
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments (2)

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(1) Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.
(2) Effective for annual periods beginning on or after 1 July 2010.
(3) Effective for annual periods beginning on or after 1 July 2011.
(4) Effective for annual periods beginning on or after 1 January 2013.
(5) Effective for annual periods beginning on or after 1 January 2012.
(6) Effective for annual periods beginning on or after 1 January 2011.
(7) Effective for annual periods beginning on or after 1 February 2010.

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of financial assets.

The directors of the Company anticipate that the application of the other new and revised Standards, Amendments or Interpretations will have no material impact on consolidated financial statements.

3. PRINCIPAL ACCOUNTING POLICIES

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules").

(b) Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention except that the intangible assets, land use rights and buildings are measured at their revalued amount or fair value.

The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries (collectively referred to as the "Group"). Subsidiaries are those entities in which the Group, directly or indirectly, controls more than one half of the voting power; has the power to govern the financial and operating policies, to appoint or remove the majority of the board of directors, or to cast majority of votes at the meeting of the board of directors.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective disposal, as appropriate.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

In the Company's statement of financial position, the investments in subsidiaries are stated at cost less accumulated impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivables.

(d) Foreign currency translation

In preparing the consolidated financial statements of the Group, transactions in currencies other than the Group's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are dealt with in profit or loss for the period in which they arise.

(e) Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated at cost or revalued amount less subsequent depreciation and subsequent accumulated impairment losses, if any.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate costs or revalued amounts to their residual values over their estimated useful lives, as follows:

Buildings	:	25-35 years
Machinery	:	5-11 years
Motor vehicles	:	8 years
Office equipment and others	:	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is dealt with in profit or loss in the year in which the item is derecognised.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(f) Intangible assets

(i) Research and development costs

Research costs are expensed as incurred. Costs incurred on development projects relating to the design and testing of new or improved products are recognised as an intangible asset where the technical and commercial feasibility and intention of completing the product under development has been demonstrated and the resources are available to do so, costs are identifiable and there is an ability to sell or use the asset that will generate probable future economic benefits. Such development costs are recognised as an asset and amortised on a straight-line basis over a period of not more than 5 years to reflect the pattern in which the related economic benefits are recognised. Development costs that do not meet the above criteria are expensed as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

(ii) Technical know-how

Costs on acquired technical know-how are recognised and amortised using the straight-line method over the estimated useful lives of between 5 to 10 years, from the date when the technical know-how is available for use.

Both the period and method of amortisation are reviewed annually.

(g) Impairment of tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is indication that they may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another Standard, in which case the impairment loss is treated as a revaluation decrease under that Standard.

Where an impairment loss subsequently reverses, the carrying amount of the assets (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognised as an expense in the period the write-down or loss occures. The amount of any reversal of any written down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(i) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(j) Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

(i) Financial assets

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

The financial assets of the Group include loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment, except where the receivables are interest-free loans without any fixed repayment terms or the effect of discounting would be immaterial, in which case they are stated at cost.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(j) Financial instruments (continued)

(i) Financial assets (continued)

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition of the financial asset, the estimated future cash flows of the assets have been affected.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for similar financial assets. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment losses directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the debtor will enter bankruptcy or financial re-organisation

For financial assets are assessed not to be impaired individually are assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

(ii) Financial liabilities and equity instruments

Equity instruments issued by the Group are classified as equity in accordance with the substance of the contractual arrangements and the definitions of an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(j) Financial instruments (continued)

(ii) Financial liabilities and equity instruments (continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

(iii) Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(k) Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(l) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts. Revenue is recognized as follows:

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

(ii) Subsidy income is recognised upon granting of subsidy by the relevant authorities.

(iii) Interest income from bank deposits is recognised on a time-apportioned basis that takes into account the effective yield on the assets.

(iv) Dividend income from investments is recognised when the shareholder's right to receive payment has been established.

(m) Related parties

For the purposes of these consolidated financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the group or exercise significant influence over the group on making financial and operating policy decisions, or has joint control over the group;

(ii) the group and the party are subject to common control;

(iii) the party is an associate of the group or a joint venture in which the group is a venturer;

(iv) the party is a member of key management personnel of the group or the group's parent, or close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close member of the family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the group or of any entity that is a related party of the group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(n) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are charged as an expense when employees have rendered service entitling them to the contributions. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values. Details of employee benefits are set out in note 12.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(o) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(p) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Interest in leasehold land is accounted for as operating leases and amortised over the lease term on a straight-line basis.

(q) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

(a) Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations as discussed below, which have the most significant effect on the amounts recognised in the financial statements.

(i) Impairment of assets

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the Group has to exercise judgment in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may effect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

(ii) Income taxes

Deferred tax is provided using the liability method, on all temporary differences at the end of reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets are recognised for unused tax losses carried forward to the extent that it is probable that future taxable profits will be available against which the unused tax losses can be utilised, based on all available evidence. Recognition primarily involves judgement regarding the future performance of the particular legal entity or tax group in which the deferred tax asset has been recognised. A variety of other factors are also evaluated in considering whether there is convincing evidence that it is probable that some portion or all or the deferred tax assets will ultimately be realised, such as the existence of taxable temporary differences, tax planning strategies and the periods in which estimated tax losses can be utilised. The carrying amount of deferred tax assets and related financial models and budgets are reviewed at the end of each reporting period and to the extent that there is insufficient convincing evidence that sufficient taxable profits will be available within the utilization periods to allow utilisation of the carry forward tax losses, the asset balance will be reduced and charged to the profit or loss.

(b) Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of the Group's assets and liabilities within the next financial year are discussed below.

(i) Impairment test of assets

The Group determines whether an asset is impaired at least on an annual basis or where an indication of impairment exists. This requires an estimation of the value in use of the asset. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the assets and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(b) Estimation uncertainty (continued)

(ii) Income taxes

The Group reviews the carrying amount of deferred tax assets at the end of each reporting period and reduces the amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. This requires an estimation of the future taxable profits. Estimating the future taxable profits requires the Group to make an estimate of the expected future earnings from the Group and also to choose a suitable discount rate in order to calculate the present value of the earnings.

(iii) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account of their estimated residual value. The determination of the useful lives and residual values involve management's estimation. The Group assesses annually the residual value and the useful life of the property, plant and equipment and if the expectation differs from the original estimate, such a difference may impact the depreciation in the year when the estimate is changed and the future period.

5. SEGMENT INFORMATION

The development, manufacture and sale of medicine products which is the only reportable segment information reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment.

All Group's revenues, results, assets and liabilities are attributable to this reportable segment. The Group operates in the PRC. All Group's turnover is generated in the PRC.

The Group's customer base is diversified and includes only 1 customer (2009: 3) with whom transactions have exceeded 10% of the Group's revenues. In 2010 revenue from sales of medicine products to this customer amounted to approximately RMB7,336,000 (2009: RMB17,486,000). Details of concentration of credit risk arising from these customers are set out in note 33.

6. TURNOVER AND OTHER REVENUE

	2010 RMB'000	2009 RMB'000
Turnover:		
Sales of medicines in the PRC	**10,247**	37,025
Other revenue:		
Interest income from bank deposits	**30**	28
Over-provision of other taxes payable	**770**	3,425
Over-provision of staff welfare fund	**1,595**	1,888
Provision for impairment loss on trade receivables written back	**1,523**	–
Provision for impairment loss on other receivables written back	**392**	–
Sundry income	**1**	–
	4,311	5,341
Total revenues	**14,558**	42,366

Turnover represents the net amounts received and receivable for goods sold by the Group to outside customers. All of the Group's sales made in the PRC are subject to value added tax ("VAT") at a rate of 17% ("output VAT"). Such output VAT is payable after offsetting VAT paid by the Group on purchases ("input VAT").

7. FINANCE COSTS

	2010 RMB'000	2009 RMB'000
Bank loan interest	**811**	–
Interest on long-term borrowings	**157**	–
	968	–

8. (LOSS)/PROFIT BEFORE INCOME TAX EXPENSE

(Loss)/profit before income tax expense is stated after charging:

	2010 RMB'000	2009 RMB'000
Cost of inventories sold	**7,455**	23,760
Staff costs excluding directors' emoluments		
– Staff salaries and wages	**3,335**	2,626
– Provision for staff and workers' bonus and welfare fund	**384**	306
– Contributions to defined contribution retirement scheme	**774**	640
Provision for impairment of advances to staff	**–**	45
Provision for impairment of other receivables	**4,036**	–
Amortisation of land use rights	**247**	247
Depreciation of property, plant and equipment	**2,515**	2,455
Research and development costs	**465**	49
Auditors' remuneration	**430**	430

9. INCOME TAX EXPENSE

The income tax expense represents:

	2010 **RMB'000**	2009 RMB'000
PRC enterprise income tax ("EIT")	**–**	–

The Company was established in Jilin High-Technology Development Zone, the PRC. The enterprise income tax rate applicable to the Company and its subsidiaries was 25% (2009: 25%).

No provision for EIT has been made as the Company and its subsidiaries were operating at a loss for the year (2009: Nil).

The following is a reconciliation of the expected income tax calculated at the applicable income tax rate of 25% (2009: 25%) on the (loss)/profit before income tax expense:

	2010 **RMB'000**	2009 RMB'000
(Loss)/profit before income tax expense	**(22,370)**	442
Expected income tax thereon at applicable income tax rate	**(5,592)**	111
Unrecognised tax loss	**5,592**	–
Utilisation of tax losses brought forward	**–**	(111)
Income tax expense for the year	**–**	–

No deferred tax has been recognised for the year as there are no material temporary differences which will result in a liability to be payable in the foreseeable future and the stream of future taxable profits which will be available to set off the tax losses is unpredictable. (2009: Nil)

10. DIVIDENDS

The directors do not recommend the payment of any dividend for the year ended 31 December 2010 (2009: Nil).

11. (LOSS)/EARNINGS PER SHARE

(a) The calculation of basic (loss)/earnings per share is based on the Group's (loss)/profit attributable to owners of the Company of approximately RMB(22,370,000) (2009: RMB442,000) and the weighted average number of 746,654,240 shares (2009: 746,654,240 shares) in issue during the year.

(b) No diluted (loss)/earnings per share is presented as there are no dilutive potential ordinary shares in issue for each of the years ended 31 December 2010 and 2009.

12. EMPLOYEE BENEFITS

(a) Retirement scheme

The Group participates in defined contribution retirement schemes organised by the relevant local government authorities in the PRC. Each employee covered by these schemes is entitled, after retirement from the Group, to a pension as of their retirement dates. The local government authorities are responsible for the pension liabilities to these retired employees. The Group is required to make monthly contributions to the retirement scheme at a rate of 20% (2009: 21%) based on the eligible employees' salaries.

The Group has arranged for its Hong Kong employees to join a mandatory provident fund scheme (the "MPF Scheme") in accordance with the Hong Kong Mandatory Provident Fund Schemes Ordinance, which is a defined contribution scheme managed by an independent trustee. Both the Group (the employer) and its employees make monthly contributions to the MPF Scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund Schemes Ordinance. The contributions of employer and employees are subject to a cap of monthly earnings of HK$20,000 and thereafter contributions are voluntary. The assets of the fund are held separately from those of the Group and are managed by independent professional fund managers.

(b) Housing fund

The Group has opened housing fund accounts for all its employees in January 2001. The housing fund scheme comprised of two parts, the Group and individual employees are required to contribute to the housing fund. The amount payable by each employee will be deducted from the employee's monthly salary by the Group. The ratio of housing fund to be deposited by individual employee and the Group is 5% of the average monthly salary of such employee for the previous year. Withdrawals from the fund are subject to qualifications and procedures specified under local regulations.

13. DIRECTORS' EMOLUMENTS

Details of directors' emoluments disclosed pursuant to the requirements of the GEM Listing Rules and Section 161 of the Hong Kong Companies Ordinance are as follows:

	2010 **RMB'000**	2009 RMB'000
Fees	**–**	–
Other emoluments:		
Salaries, allowances and other benefits	**151**	780
Pension scheme contributions	**–**	12
Bonuses paid and payable	**–**	–
	151	792

13. DIRECTORS' EMOLUMENTS (CONTINUED)

The emoluments of every director for the year ended 31 December 2010 are set out below:

	Fees RMB'000	Salaries, allowances and other benefits RMB'000	Pension scheme contributions RMB'000	Bonuses paid and payable RMB'000	Total emoluments RMB'000
2010					
Executive directors:					
Liu Yang	**-**	**50**	**-**	**-**	**50**
Guo Feng	**-**	**12**	**-**	**-**	**12**
Wang Xue Hua	**-**	**40**	**-**	**-**	**40**
Jin Xin	**-**	**49**	**-**	**-**	**49**
Independent non-executive directors:					
Niu Shu Min	**-**	**-**	**-**	**-**	**-**
Zhao Zhen Xing	**-**	**-**	**-**	**-**	**-**
Lam Kai Yeung	**-**	**-**	**-**	**-**	**-**
	-	**151**	**-**	**-**	**151**

The emoluments of every director for the year ended 31 December 2009 are set out below:

	Fees RMB'000	Salaries, allowances and other benefits RMB'000	Pension scheme contributions RMB'000	Bonuses paid and payable RMB'000	Total emoluments RMB'000
2009					
Executive directors:					
Liu Yang (note (a))	–	–	–	–	–
Guo Feng (note (b))	–	–	–	–	–
Wang Xue Hua (note (b))	–	–	–	–	–
Jin Xin (note (b))	–	60	6	–	66
Xu Zhe (note (c))	–	600	6	–	606
Du Li Hua (note (d))	–	–	–	–	–
Xu Dao Tian (note (d))	–	120	–	–	120
Leng Zhan Ren (note (d))	–	–	–	–	–
Independent non-executive directors:					
Niu Shu Min	–	–	–	–	–
Zhao Zhen Xing	–	–	–	–	–
Lam Kai Yeung	–	–	–	–	–
	–	780	12	–	792

Note:
a. Liu Yang appointed on 4 December 2009.
b. Guo Feng, Wang Xue Hua and Jin Xin appointed on 11 December 2009.
c. Xu Zhe resigned on 4 December 2009.
d. Du Lai Hua, Xu Dao Tian and Leng Zhan Ren resigned on 11 December 2009.

The three (2009: three) independent non-executive directors did not receive any emoluments for the year ended 31 December 2010 (2009: Nil). The emoluments of each of the directors were within the band of nil to RMB880,000 (equivalent to HK$1,000,000) for the years ended 31 December 2010 and 2009.

13. DIRECTORS' EMOLUMENTS (CONTINUED)

None of the directors waived or agreed to waive any emoluments during the year ended 31 December 2010 (2009: Nil). No emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office during the year ended 31 December 2010 (2009: Nil).

14. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with highest emoluments, one (2009: three) is a director whose emoluments are disclosed in note 13. The aggregate of the emoluments in respect of the other four (2009: two) individuals are as follows:

	2010 **RMB'000**	2009 RMB'000
Basic salaries, housing benefits and other benefits	**295**	898
Pension scheme contributions	**7**	18
Bonuses paid and payable	**–**	–
	302	916

The emoluments of each of the five highest paid individuals, including a director, were within the band of nil to RMB880,000 (equivalent to HK$1,000,000).

No emoluments were paid by the Group to the respective five highest paid individuals, including directors, as an inducement to join or upon joining the Group or as compensation for loss of office during the year ended 31 December 2010 (2009: Nil).

15. INTANGIBLE ASSETS

	THE GROUP AND THE COMPANY		
	Technical know-how RMB'000	**Computer software** RMB'000	**Total** RMB'000
At cost:			
As at 1 January 2009	16,096	223	16,319
Additions	–	–	–
As at 31 December 2009 and at 1 January 2010	16,096	223	16,319
Additions	–	–	–
As at 31 December 2010	16,096	223	16,319
Accumulated depreciation and impairment losses:			
As at 1 January 2009	16,096	223	16,319
Charge for the year	–	–	–
As at 31 December 2009 and at 1 January 2010	16,096	223	16,319
Charge for the year	–	–	–
As at 31 December 2010	16,096	223	16,319
Net carrying amount:			
As at 31 December 2010	–	–	–
As at 31 December 2009	–	–	–

16. LAND USE RIGHTS

Interests in land use rights represented prepaid operating lease payments and their net carrying value are analysed as follows:

	THE GROUP AND THE COMPANY RMB'000
At Cost:	
As at 1 January 2009	12,323
Additions	–
As at 31 December 2009 and at 1 January 2010	12,323
Additions	–
As at 31 December 2010	12,323
Accumulated amortization:	
As at 1 January 2009	1,479
Amortisation for the year	247
As at 31 December 2009 and at 1 January 2010	1,726
Amortisation for the year	247
As at 31 December 2010	1,973
Net carrying value:	
As at 31 December 2010	10,350
As at 31 December 2009	10,597

Notes:

(a) The land use rights of the Group as at 31 December 2010 are held on medium term leases and situated in the PRC.

(b) As at 31 December 2010, land use rights with net carrying value of approximately RMB4,289,000 (2009: Nil) were pledged as security for the Group's short-term bank loans.

17. PROPERTY, PLANT AND EQUIPMENT

	THE GROUP AND THE COMPANY				
	Buildings	**Machinery**	**Motor vehicles**	**Office equipment and others**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At cost/carrying amount:					
As at 1 January 2009	53,963	10,445	1,535	3,801	69,744
Additions	–	159	14	–	173
As at 31 December 2009 and at 1 January 2010	53,963	10,604	1,549	3,801	69,917
Additions	–	2,207	–	361	2,568
As at 31 December 2010	53,963	12,811	1,549	4,162	72,485
Accumulated depreciation and impairment losses					
As at 1 January 2009	19,849	4,952	923	3,086	28,810
Charge for the year	1,156	1,007	158	134	2,455
As at 31 December 2009 and at 1 January 2010	21,005	5,959	1,081	3,220	31,265
Charge for the year	1,333	935	58	189	2,515
As at 31 December 2010	22,338	6,894	1,139	3,409	33,780
Net carrying amount:					
As at 31 December 2010	31,625	5,917	410	753	38,705
As at 31 December 2009	32,958	4,645	468	581	38,652

Notes:

(a) As at 31 December 2010, the Group's buildings were appraised by an independent Hong Kong professional valuer, Asset Appraisal Limited. These properties were appraised on the basis of depreciated replacement cost and the fair value at the end of the reporting period was approximately RMB32,600,000 (2009: RMB33,380,000). No impairment loss is charged to the profit or loss during the year.

(b) As at 31 December 2010, buildings with net carrying value of approximately RMB16,564,000 (2009: Nil) were pledged as a security for the Group's short-term bank loans.

18. INVESTMENT IN SUBSIDIARIES

	THE COMPANY	
	2010 RMB'000	2009 RMB'000
Unlisted shares, at cost	**20,200**	–

Particulars of the subsidiaries are set out in note 30 to the consolidated financial statements.

19. INVENTORIES

	THE GROUP AND THE COMPANY	
	2010 RMB'000	2009 RMB'000
Raw materials	**286**	1,389
Work-in-progress	**277**	704
Finished goods	**17**	1,007
Total inventories	**580**	3,100
Less: Provision for impairment of inventories	**(143)**	(143)
Total inventories, net of provision	**437**	2,957

All of the inventories are expected to be recovered within one year. No inventories had been pledged as security.

20. TRADE AND OTHER RECEIVABLES

	THE GROUP		THE COMPANY	
	2010 RMB'000	2009 RMB'000	**2010 RMB'000**	2009 RMB'000
Trade receivables	**5,390**	20,420	**5,390**	20,420
Advances to staff	**283**	359	**283**	359
Prepayment and other receivables (Note)	**67,871**	10,104	**871**	10,104
	73,544	30,883	**6,544**	30,883

Note:

Prepayment and other receivables included a deposit of RMB67,000,000 paid by a subsidiary Antao County Northeast Tiger Xinxing New Products Co., Limited for the proposed acquisition of a Forest Concession Right in the PRC. Details of the acquisition were set out in the announcement of the Company dated on 30 September 2010.

20. TRADE AND OTHER RECEIVABLES (CONTINUED)

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The average credit period on sale of goods is 90 days. In certain circumstance, the credit period may be extended to appropriate level after due diligence investigation. In determining the length of the credit term extended to any specific customer, the Group will consider the reputation of the customer, length of business relationship with the customer and its past payment record. The Group has made provision for impairment for receivables which considered unlikely to be fully recoverable.

As at 31 December 2010, the ageing analysis of trade receivables presented based on the invoice date is as follows:

	THE GROUP AND THE COMPANY	
	2010	2009
	RMB'000	RMB'000
0 – 30 days	**–**	6,105
31 – 60 days	**–**	1,249
61 – 90 days	**1,205**	1,309
91 – 180 days	**2,526**	6,864
181 – 365 days	**2,370**	6,893
Over 365 days	**6,571**	42,503
Total trade receivables	**12,672**	64,923
Less: Provision for impairment	**(7,282)**	(44,503)
Total trade receivables, net of provision	**5,390**	20,420

Trade receivables at the end of reporting period mainly comprise amounts receivable from sales of Chinese medicine products. No interest is charged on the trade receivables. The Group does not hold any collateral over these balances.

The Group's trade receivables are denominated in functional currency.

Included in trade receivables are debtors with carrying amounts of approximately RMB4,185,000 (2009: RMB11,757,000) which are past due at the end of the reporting period for which the Group had not provided for impairment loss as there is no significant change in credit quality and the amounts are still considered recoverable. The management of the Group monitors the recoverable amount of each individual trade debt and considers adequate impairment loss is made for irrecoverable amount, if necessary. In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated.

20. TRADE AND OTHER RECEIVABLES (CONTINUED)

Ageing of trade receivables which are past due but not impaired:

	THE GROUP AND THE COMPANY	
	2010 **RMB'000**	2009 RMB'000
91 – 180 days	**2,526**	6,864
181 – 365 days	**1,659**	4,893
	4,185	11,757

Movements in provision for impairment:

	THE GROUP AND THE COMPANY	
	2010 **RMB'000**	2009 RMB'000
Balance at beginning of the year	**44,503**	40,082
Provision made	**5,282**	4,421
Write off	**(40,980)**	–
Reversal	**(1,523)**	–
Balance at end of the year	**7,282**	44,503

21. AMOUNTS DUE FROM SUBSIDIARIES

The amounts due from subsidiaries are unsecured, non-interest bearing and are repayable on demand.

22. CASH AND CASH EQUIVALENTS

	THE GROUP		THE COMPANY	
	2010 **RMB'000**	2009 RMB'000	**2010** **RMB'000**	2009 RMB'000
Cash and bank balances	**13,524**	19,551	**13,313**	19,551

Cash and bank balances of the Group and the Company comprise cash and short-term bank deposits with an original maturity of three months or less.

Bank balances are interest bearing at respective saving deposits rate in the PRC, and the effective interest rates of the Group's balances is 0.36% (2009: 0.30% – 0.36%) per annum.

23. TRADE AND OTHER PAYABLES

	THE GROUP AND THE COMPANY	
	2010	2009
	RMB'000	RMB'000
Trade payables	**3,067**	11,007
Payable for PRC statutory contribution	**473**	1,970
Other taxes payable	**406**	3,008
Other payables and accruals	**732**	1,403
	4,678	17,388

As at 31 December 2010, the ageing analysis of trade payables presented based on the invoice date is as follows:

	THE GROUP AND THE COMPANY	
	2010	2009
	RMB'000	RMB'000
0 – 1 month	**–**	982
2 – 6 months	**777**	1,384
7 – 12 months	**260**	4,279
Over 1 year	**2,030**	4,362
	3,067	11,007

The average credit period on purchases of certain goods is 120 days.

24. SHORT-TERM BORROWINGS

	THE GROUP AND THE COMPANY	
	2010	2009
	RMB'000	RMB'000
Bank loans – Secured (Note a)	**26,000**	–
Other borrowings (Note b)	**10,020**	20
Long-term borrowings – current (Note 25)	**500**	–
	36,520	20

Notes:

(a) Bank loans were secured by the Group's certain land use rights and buildings (see notes 16 and 17). Bank loans with carrying amount of RMB8,800,000 bore fixed interest rate at 4.8675% per annum and the remaining balance with carrying amount of RMB17,200,000 bore fixed interest rate at 5.7525% per annum. The weighted average effective interest rate on the fixed rate loans is 5.453% (2009: Nil)

(b) The balance includes an interest-free unsecured loan of RMB10,000,000 granted by China Hi-Tech Investment Company (the "Lender"), an unrelated company which was administratively supervised by the State Economic Development Committee, for the purpose of developing Yong Chong Cao Jun Powder and Yong Chong Cao Jun Powder Capsule.

The balance of unsecured loan amounted to RMB20,000 from an independent third party was non-interest bearing and repayable on demand.

25. LONG-TERM BORROWINGS

	THE GROUP AND THE COMPANY	
	2010	2009
	RMB'000	RMB'000
Within one year	**500**	–
After one year but within two years	**500**	–
After two years but within five years	**1,500**	–
After five years	**30,500**	–
	33,000	–
Less: Amount shown under current liabilities	**(500)**	–
	32,500	–

Note:

The long-term borrowings with carrying amount of RMB33,000,000 were unsecured and bore interest at 90% of the five years' annual lending rate promulgated by the People's Bank of China. It was granted by Jilin City Finance Bureau for the purpose of developing Yong Chong Cao Jun Powder Capsule. The amounts due are repayable within 20 years in accordance with the repayment schedules as set out in the loan agreement.

26. SHARE CAPITAL

	2010	2009
	RMB'000	RMB'000
Authorised, issued and fully paid:		
539,654,240 domestic shares of RMB0.1 each	**53,965**	53,965
207,000,000 H shares of RMB0.1 each	**20,700**	20,700
Total ordinary shares as at 31 December	**74,665**	74,665

Domestic shares and H shares are ordinary shares in the registered share capital of the Company. However, H shares may only be subscribed for by or traded in Hong Kong dollars between legal or natural persons of Hong Kong, Macau, Taiwan and any country other than the PRC. Domestic shares, on the other hand, may only be subscribed for or purchased in Renminbi. Any dividends in respect of H shares are to be paid by the Company in Hong Kong dollars whereas any dividends in respect of domestic shares are to be paid by the Company in Renminbi.

27. RESERVES

	THE COMPANY					
	Share premium RMB'000	**Capital reserve** RMB'000	**Statutory public welfare fund** RMB'000	**Statutory revenue reserve** RMB'000	**Accumulated losses** RMB'000	**Total** RMB'000
As at 1 January 2009	19,027	11,326	3,928	5,757	(29,913)	10,125
Profit for the year	–	–	–	–	442	442
As at 31 December 2009 and at 1 January 2010	19,027	11,326	3,928	5,757	(29,471)	10,567
Transfer to statutory revenue reserve	–	–	(3,928)	3,928	–	–
Loss for the year	–	–	–	–	(22,361)	(22,361)
As at 31 December 2010	19,027	11,326	–	9,685	(51,832)	(11,794)

Notes:

(a) According to the relevant regulations in the PRC and the Articles of Association of the Company, when distributing net profit each year, the Company shall set aside 10% of its profit after tax based on the statutory financial statements for the statutory revenue reserve (except where the reserve balance has reached 50% of the Company's paid-up share capital) The statutory reserve cannot be used for purposes other than those for which it is created and is not distributable as dividends without the prior approval by shareholders under certain conditions.

(b) The statutory revenue reserve as approved by the shareholders may be converted into share capital when the level of the reserve reaches 25% of the registered share capital provided that the balance of the statutory revenue reserve should not fall below 25% of the registered share capital after the conversion. As at 31 December 2010, no statutory revenue reserve was transferred into share capital subsequent to the Company's reorganisation to a joint stock limited Company.

(c) Effect from 1 January 2010, the statutory public welfare fund RMB3,928,000 brought forward was transferred to the statutory revenue reserve.

(d) The capital reserve of the Company includes certain non-distributable reserves created in accordance with the relevant accounting and financial regulations in the PRC. The capital reserve can be capitalised into share capital upon approval by shareholders.

(e) Profit appropriation is subject to the approval of the Board of Directors and the shareholders' meeting. In accordance with the prevailing rules and regulations in the PRC, the reserve available for distribution is the lower of the amount determined under accounting principles generally accepted in the PRC and the amount determined under accounting principles generally accepted in Hong Kong.

28. (LOSS)/PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated (loss)/profit attributable to owners of the Company includes a loss of RMB22,361,000 (2009 Profit: RMB442,000) which has been dealt with in the financial statements of the Company.

29. RELATED PARTY TRANSACTIONS

(a) Balances and transactions between the Company and its subsidiaries, which are related parties of the Company have been eliminated on consolidation and are not disclosed in this note.

(b) Compensation of key management personnel of the Group

Details of remuneration and related benefits of the key management personnel are disclosed in note 13.

The remuneration of key management personnel is determined by the Remuneration Committee having regard to the performance of individuals and market trends.

30. PARTICULARS OF SUBSIDIARIES

Particulars of subsidiaries of the Company as at 31 December 2010 are as follows:

Name of Company	Place of incorporation/ operation	Form of legal entity	Registered capital	Proportion of nominal value of issued capital/registered capital directly held by the Company	Principal activities
Antao County Northeast Tiger Xinxing New Products Co., Limited	The People's Republic of China	Limited liability company	RMB20,000,000	100%	Inactive
吉林市東北虎經貿有限責任公司	The People's Republic of China	Limited liability company	RMB100,000	100%	Inactive
吉林市東北虎商務有限責任公司	The People's Republic of China	Limited liability company	RMB100,000	100%	Inactive

All subsidiaries were incorporated during the year.

31. COMMITMENTS

	THE GROUP AND THE COMPANY	
	2010 RMB'000	2009 RMB'000
Capital expenditure contracted for the acquisition of property, plant and equipment at the end of the reporting period but not provided in the financial statements	**–**	1,038

32. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total liabilities over total assets. Total liabilities represent current and non-current liabilities as shown in the consolidated statement of financial position. Total assets represent current assets and non-current assets as shown in the consolidated statement of financial position. The gearing ratios at 31 December 2010 and 2009 are as follows:

	2010 **RMB'000**	2009 RMB'000
Total liabilities	**73,698**	17,408
Total assets	**136,560**	102,640
Gearing ratio	**54%**	17%

33. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2010 **RMB'000**	2009 RMB'000
Financial assets		
Loans and receivables		
(including cash and cash equivalent)		
Trade and other receivables	**73,544**	30,883
Cash and bank balances	**13,524**	19,551
	87,068	50,434
Financial liabilities		
Trade and other payables	**4,678**	17,388
Short-term borrowings	**36,020**	20
Long-term borrowings	**33,000**	–
	73,698	17,408

33. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management and policies

The Group's major financial instruments include trade and other receivables, cash and bank balances, trade and other payables, short-term borrowings and long-term borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Market risk

Foreign currency risk

The Group's main trading operations are in the PRC and have no significant exposure to any specific foreign currency other than Renminbi.

All the Group's cash and cash equivalents are denominated in Renminbi and deposited in banks located in the PRC. All trade and other receivables, trade and other payables and borrowings of the Group are denominated in Renminbi. The management continuously monitors the foreign exchange exposure and will consider hedging foreign currency risk should the need arise.

Interest rate risks

The Group's cash flow interest rate risk relates primarily to bank balances and long-term borrowings as disclosed in note 22 and 25 respectively. The management considers the Group's exposure of the bank balances to interest rate risk is not significant as they have a short maturity period. The Group has not used any financial instruments to hedge potential fluctuations on interest rates.

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank loans as disclosed in note 24. The Group did not enter into interest rate swaps to hedge against its exposures to changes in fair value of those bank loans.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates at the end of reporting period. The analysis is prepared assuming the amount of floating-rate bank balances and long-term borrowing at the end of reporting period was the amount outstanding for the whole year.

The Group

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's result for the year ended 31 December 2010 would decrease/increase by approximately RMB97,000 (2009: increase/decrease RMB98,000). This is mainly attributable to the Group's exposure to interest rates on its floating-rate bank balances and long-term borrowings.

The Company

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Company's result for the year ended 31 December 2010 would decrease/increase by approximately RMB98,000 (2009: increase/decrease RMB98,000). This is mainly attributable to the Company's exposure to interest rates on its floating-rate bank balances and long-term borrowings.

33. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management and policies (continued)

(ii) Credit risk management

As at 31 December 2010, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to perform an obligation by the counterparties, is the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group's exposure to credit risk on trade and other receivables is influenced mainly by the individual characteristics of each customer rather than the industry in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As at the end of the reporting period, credit risk is concentrated as 22% (2009: 16%) of the total trade receivables was due from the Group's largest customer.

In order to minimise the credit risk in relation to trade and other receivables, the management of the Group has strengthened the credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the majority of the counterparties are reputable banks or banks with high credit-ratings assigned by international credit-rating agencies.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk.

(iii) Liquidity risk management

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group relies on funds generated from sale of goods, short-term borrowings and long-term borrowings as significant sources of liquidity.

As at 31 December 2010, the Group has available unutilized short term bank loan facilities of RMB 4 million.

The following tables detail the Group's remaining contractual maturity of the non-derivative financial liabilities at the end of the reporting period, which are based on the contractual undiscounted cash flows and the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows.

33. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management and policies (continued)

(iii) Liquidity risk management (continued)

2010

The Group and the Company

Non-derivative financial liabilities	On demand or less than 3 months RMB'000	3 months to 1 year RMB'000	More than 1 year RMB'000	Total undiscounted cashflow RMB'000	Total carrying amount at 31.12.2010 RMB'000
Trade and other payables	**4,678**	**-**	**-**	**4,678**	**4,678**
Short-term borrowings					
– Other borrowings	**10,020**	**-**	**-**	**10,020**	**10,020**
– Bank loans – Secured	**9,062**	**17,703**	**-**	**26,765**	**26,000**
Long-term borrowings	**799**	**1,467**	**54,412**	**56,678**	**33,000**
	24,559	**19,170**	**54,412**	**98,141**	**73,698**

2009

Non-derivative financial liabilities	On demand or less than 3 months RMB'000	3 months to 1 year RMB'000	More than 1 year RMB'000	Total undiscounted cashflow RMB'000	Total carrying amount at 31.12.2009 RMB'000
Trade and other payables	17,388	–	–	17,388	17,388
Short-term borrowings					
– Other borrowings	20	–	–	20	20
	17,408	–	–	17,408	17,408

33. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value of financial instruments

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

34. CONTINGENT LIABILITIES

As at 31 December 2010, the Group and the Company has no material contingent liabilities. (2009: Nil)

35. EVENTS AFTER THE REPORTING PERIOD PROPOSED MATERIAL ACQUISITION

On 27 September 2010, the Company's subsidiary, Antao County Northeast Tiger Xinxing New Products Co., Limited ("the Purchaser"), entered into an Agreement with Jilin Fu Man Shan Zen Co., Limited ("the Vendor"), an independent third party. Pursuant to the Agreement, the Vendor has agreed to transfer to the Purchaser the Forest Concession Right of the Forest Land at the consideration of approximately RMB173,530,000 for a term of approximately 70 years until 31 December 2080. The proposed acquisition is subject to passing the resolution approving the Agreement and the transaction contemplated at the EGM by shareholders. Further details please refer to the announcement dated 30 September 2010. As at the date of approval of these financial statements, a circular containing the details of this proposed acquisition has not yet been dispatched and no specific date has been fixed for the EGM.

Financial Summary

FOR THE YEAR ENDED 31 DECEMBER 2010

(Expressed in Renminbi)

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out below:

	Year ended 31 December				
	2010	2009	2008	2007	2006
Results	**RMB'000**	RMB'000	RMB'000	RMB'000	RMB'000
Profit/(Loss) attributable to owners of the Company	**(22,370)**	442	5,667	4,087	(23,573)

	2010	2009	2008	2007	2006
Assets and liabilities	**RMB'000**	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**136,560**	102,640	110,658	117,819	137,035
Total liabilities	**(73,698)**	(17,408)	(25,868)	(38,696)	(61,999)
Owners' equity	**62,862**	85,232	84,790	79,123	75,036