



**東北虎藥業股份有限公司**

**NORTHEAST TIGER PHARMACEUTICAL CO., LTD.**

*(A joint stock limited company incorporated in the People's Republic of China)*

**(Stock Code: 8197)**



**First Quarterly Report 2011**

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

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

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

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.*

*This report, for which the directors (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 report 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 report misleading.*

### HIGHLIGHTS (Unaudited)

- Turnover of the Company for the three months ended 31 March, 2011 was approximately RMB833,000 (2010: RMB4,380,000), representing a decrease of approximately 81% as compared with the same period in the previous year.
- Total comprehensive Loss attributable to shareholders of the Company ("Shareholders") for the three months ended 31 March, 2011 was approximately RMB4,433,000 (2010 total comprehensive loss: RMB2,155,000).
- Loss per share ("Shares") of the Company for the three months ended 31 March, 2011 was approximately RMB0.6cents.
- The Directors do not recommend the payment of any dividend for the three months ended 31 March, 2011.

### RESULTS (UNAUDITED)

The board of Directors ("Board") hereby announces the unaudited results of the Company for the three months ended 31 March, 2011, together with the comparative figures for the corresponding periods of the previous financial year, as follows:

		Three months ended 31 March,	
	Notes	2011 RMB'000	2010 RMB'000
<b>Turnover</b>	b	<b>833</b>	4,380
Cost of sales		<b>(821)</b>	(2,576)
Gross profit		<b>12</b>	1,804
Other revenue	c	-	-
Distribution and selling expenses		<b>(865)</b>	(1,119)
General, administrative and other operating expenses		<b>(2,747)</b>	(2,750)
<b>Operating profit/(Loss)</b>	d	<b>(3,600)</b>	(2,065)
Finance costs		<b>(833)</b>	(90)
Profit/(Loss) before taxation		<b>(4,433)</b>	(2,155)
Taxation	e	-	-
Profit/(Loss) after taxation		<b>(4,433)</b>	(2,155)
Other comprehensive income		-	-
<b>Total comprehensive income/(Loss) attributable to shareholders</b>		<b>(4,433)</b>	(2,155)
Dividends		N/A	N/A
		<b>RMB</b>	<b>RMB</b>
<b>Earnings/(Loss) per Share-basic</b>	f	<b>(0.60) cents</b>	(0.30) cents

## Notes:

**a. Accounting policy and basis of presentation**

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention and certain fixed assets are stated at fair value.

In the current period, the Company adopted a number of new and revised Statements of Standard Accounting Practice ("SSAP") issued by the HKICPA. The Directors considered the adoption of these SSAPs had no material effect on the results of the current or prior accounting period. Accordingly, no prior period adjustment has been required.

The principal accounting policies used in the preparation of the unaudited financial statement of the Company for the three months ended 31 March, 2011 are consistent with those used in the audited accounts issued for the year ended 31 December, 2010.

**b. Turnover**

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

**c. Other revenue**

	Three months ended 31 March,	
	2011 RMB'000	2010 RMB'000
Government subsidies	-	-
Others	-	-
	<u>-</u>	<u>-</u>

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

**d. Operating profit/(loss)**

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

	Three months ended 31 March,	
	2011 RMB'000	2010 RMB'000
-Interest expenses	833	10
-Depreciation of Fixed Assets	698	619
-Amortization of Intangible Assets	-	-
-Amortization of Land Use Right	<u>61</u>	<u>61</u>

**e. Taxation**

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

The Company provides for taxation on the basis of its income for financial reporting purpose, adjusted for income and expense items which are not assessable or deductible for income tax purpose. No provision for EIT has been made as the Company has no estimated assessable profits after setting off against the unrelieved tax losses brought forward from previous year (2010: Nil).

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

**f. Earnings/(Loss) per Share**

The calculation of basic earnings per Share for a relevant period is based on unaudited total comprehensive income/(Loss) attributable to shareholders for the period, divided by the respective weighted average number of ordinary shares in issue during the period. The weighted average number of ordinary shares in issue for the three months ended 31 March, 2011 is 746,654,240 (2010: 746,654,240).

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

**g. Segment reporting**

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

**MOVEMENT IN RESERVES**

The movements of reserves are as follows:

	Capital Reserve		Statutory public welfare fund RMB'000	Statutory revenue reserve RMB'000	(Accumulated losses)/ Retained earnings RMB'000	Total reserves RMB'000
	Share premium RMB'000	Others RMB'000				
As at 1 January 2010	19,027	11,326	3,928	5,757	(29,471)	10,567
Total comprehensive income/(Loss) for the period	-	-	-	-	(2,155)	(2,155)
As at 31 March 2010	19,027	11,326	3,928	5,757	(31,626)	8,412
As at 1 January 2011	19,027	11,326	0	9,685	(51,841)	(11,803)
Total comprehensive income/(Loss) for the period	-	-	-	-	(4,433)	(4,433)
As at 31 March 2011	19,027	11,326	0	9,685	(56,274)	(16,236)

**DIVIDENDS**

The Board does not recommend the payment of any interim dividend for the three months ended 31 March, 2011 (2010: nil).

**BUSINESS REVIEW AND PROSPECTS****Business review**

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

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

The year 2011 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 Group 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 proposed acquisition is subject to passing of the resolution approving the Agreement and the transaction contemplated at the Extraordinary General Meeting by shareholders. 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.

For the period ended 31 March 2011, turnover amounted to approximately RMB833,000 (2010: RMB4,380,000), representing a decrease of approximately 81% as compared with the corresponding period in 2010. Total comprehensive loss attributable to Shareholders amounted to approximately RMB4,433,000 (2010: total comprehensive loss: RMB2,155,000). During the period under review, due to the Group is planning to shift the business direction to focus our resources in developing our breeding of underground ginseng and related Chinese medicine herbs business, the sales of the Company has been temporarily affected.

In order to match up the acquisition mentioned above, the Group is striving to collect the outstanding accounting receivables, and it is expected to collect back approximately RMB10,000,000 by the end of June this year. Meanwhile, substantial shareholders of the Company have expressed their intention to provide all necessary financial support to the Group.

### Prospects

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.

### LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 March 2011, the Group had total assets of approximately RMB135,927,000 which were financed by current liabilities of approximately RMB34,978,000, long-term liabilities of approximately RMB42,520,000 which included unsecured unlimited-term and interest-free loan of RMB10,000,000 from China Hi-Tech Investment Company, and shareholders' equity of approximately RMB58,429,000.

The Group generally services its debts primarily through cash generated from its operations. The financial position of the Group remains healthy. As at 31 March, 2011, the Group had cash and bank balances of approximately RMB3,058,000. In order to match up the acquisition mentioned above, the Group is striving to collect the outstanding accounting receivables, and it is expected to collect back approximately RMB10,000,000 by the end of June this year. Meanwhile, substantial shareholders of the Company have expressed their intention to provide all necessary financial support to the Group. Taken into consideration of its current financial resources, the Directors believe that the Group shall have adequate fund for its continual operation and development.

Except for the borrowings disclosed above, as at 31 March 2011, the Group did not have any committed borrowing facilities.

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

As at 31 March, 2011, 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**

<b>Name of Directors or Supervisors</b>	<b>Number of Domestic Shares held</b>	<b>Approximate percentage of Shareholding (%)</b>
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
	<b>529,940,460</b>	<b>70.98</b>



Save as disclosed above, none of the Directors, Supervisors and the chairman or their respective associates had interests in any securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO to be entered in the register referred to therein; or (c) pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors and Supervisors to be notified to the Company and the Stock Exchange.

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

As at 31 March, 2011, the 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 Group 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 Group, or had exercised any such right.

### **SUBSTANTIAL SHAREHOLDERS**

As at 31 March, 2011, 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 Group and their respective associates (as defined in the GEM Listing Rules) has an interest in any business which competes or may compete with the business of the 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 the Company. The audit committee comprises Mr. Lam Kai Yeung, Ms. Niu Shu Min and Mr. Zhao Zhen Xing, all of who are independent non-executive Directors.

The audit committee had conducted a meeting and reviewed the Company's results for the period ended 31 March, 2011 and was of the opinion that the preparation of results complied with applicable accounting standards, the relevant regulatory and legal requirements and that adequate disclosure had been made.

### **CODE ON CORPORATE GOVERNANCE PRACTICES**

The Directors considered that during the period under review, the Company has complied with the code provisions in the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules.

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

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

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

Since the H shares of the Company commenced trading on GEM on 28 February, 2002, the Company has not purchased, sold or redeemed any of the Company's listed securities.

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to all shareholders for their full support.

By Order of the Board  
**Liu Yang**  
*Chairman*

Jilin, the PRC  
12 May, 2011

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