



東北虎藥業股份有限公司

NORTHEAST TIGER PHARMACEUTICAL CO., LTD.

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

(Stock Code: 8197)



Interim Report 2011

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

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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 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 six months ended 30 June, 2011 was approximately RMB1,330,000 (2010: RMB10,276,000), representing a decrease of approximately 87% as compared with the same period in the previous year.
- Total comprehensive income/(Loss) attributable to shareholders of the Company ("Shareholders") for the six months ended 30 June, 2011 was approximately RMB(3,407,000) (2010: RMB(4,081,000)).
- Earnings/(loss) per share ("Shares") of the Company for the six months ended 30 June, 2011 was approximately RMB(0.5) cents.
- The Directors do not recommend the payment of any dividend for the six months ended 30 June, 2011.

RESULTS (UNAUDITED)

The board of Directors ("Board") hereby announces the unaudited results of the Company for the six months ended 30 June, 2011, together with the comparative figures for the corresponding periods of the previous financial year, as follows:

	Notes	Six months ended 30 June,		Three months ended 30 June,	
		2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Turnover	b	1,330	10,276	497	5,896
Cost of sales		(1,309)	(6,629)	(488)	(4,053)
Gross profit		21	3,647	9	1,843
Other revenue	c	11	-	11	-
Distribution and selling expenses		(1,614)	(1,875)	(749)	(756)
General, administrative and other operating expenses		(147)	(5,634)	2,600	(2,884)
Operating profit/(Loss)	d	(1,729)	(3,862)	1,871	(1,797)
Finance costs		(1,678)	(219)	(845)	(129)
Profit/(Loss) before taxation		(3,407)	(4,081)	1,026	(1,926)
Taxation	e	-	-	-	-
Profit/(Loss) after taxation		(3,407)	(4,081)	1,026	(1,926)
Other comprehensive income		-	-	-	-
Total comprehensive income/(Loss) attributable to shareholders		(3,407)	(4,081)	1,026	(1,926)
Dividends		N/A	N/A	N/A	N/A
		RMB	RMB	RMB	RMB
Earnings/(Loss) per Share -basic	f	(0.5) cents	(0.5) cents	0.1 cents	(0.3) cents

CONDENSED STATEMENT OF FINANCIAL POSITION

		30 Jun., 2011 (Unaudited) RMB'000	31 Dec., 2011 (Audited) RMB'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Intangible assets, net	h	-	-
Land use rights	i	10,228	10,350
Property, plant and equipment	j	37,281	38,705
		47,509	49,055
CURRENT ASSETS			
Inventories		437	437
Trade receivable, net	k	1,330	5,390
Advance to staff		283	283
Prepayment and other receivables		69,749	67,871
Amounts due from related parties		-	-
Cash and bank deposits		9,358	13,524
		81,157	87,505
LESS: CURRENT LIABILITIES			
Short-term borrowings		32,520	36,520
Trade payable	l	3,034	3,067
Advance payments from customers		-	-
Accruals and other payables		1,657	1,611
		37,211	41,198
NET CURRENT ASSETS		43,946	46,307
NET ASSETS		91,455	95,362
NON-CURRENT LIABILITIES			
Long-term borrowings		32,000	32,500
		59,455	62,862
CAPITAL AND RESERVES			
Share capital	m	74,665	74,665
Reserves		(15,210)	(11,803)
TOTAL CAPITAL AND RESERVES		59,455	62,862

CONDENSED STATEMENT OF CASH FLOW

	Six months ended 30 June,	
	2011	2010
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Net cash inflow from operating activities	344	5
Net cash outflow from investing activities	(10)	(1,816)
Net cash inflow from financing activities	(4,500)	8,800
Decrease in cash and cash equivalents	(4,166)	6,989
Cash and cash equivalents at beginning of period	13,524	19,551
Cash and cash equivalents at end of period	9,358	26,540
Represented by Cash and Bank Balances	9,358	26,540

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

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

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

The principal accounting policies used in the preparation of the unaudited financial statement of the Company for the six months ended 30 June, 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/(Expenses)

	Six months ended 30 June, 2011		Three months ended 30 June, 2011	
	2011	2010	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000
- Government subsidies	-	-	-	-
- Others	11	-	11	-
	11	-	11	-

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

d. Operating profit/(loss)

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

	Six months ended 30 June, 2011		Three months ended 30 June, 2011	
	2011	2010	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000
- Interest Expenses	1678	227	845	217
- Depreciation of Fixed Assets	1,434	1,268	736	649
- Amortization of Land Use Right	122	122	61	61
- Amortization of Intangible Assets	-	-	-	-

e. Taxation

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

The Company provides for taxation on the basis of its income for financial reporting purpose, adjusted for income and expense items which are not assessable or deductible for income tax purpose.

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

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

f. Earnings per Share

The calculation of basic earnings per Share for a relevant period is based on unaudited profit attributable to Shareholders for the period, divided by the respective weighted average number of ordinary shares in issue during the period. The weighted average number of ordinary shares in issue for the six months and three months ended 30 June, 2011 are 746,654,240 and 746,654,240 respectively (2010: 746,654,240 and 746,654,240 respectively).

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

g. Segment reporting

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

h. Intangible assets, net

	As at 30 June, 2011 (Unaudited) RMB'000	31 December, 2010 (Audited) RMB'000
Net book value, beginning of period	-	-
Additions	-	-
Impairment losses	-	-
Amortisation	-	-
Net book value, end of period	-	-

i. Land use rights

	As at 30 June 2011 (Unaudited) RMB'000	31 December 2010 (Audited) RMB'000
Net book value, beginning of period	10,350	10,597
Additions	-	-
Disposal	-	-
Amortisation	(122)	(247)
Net book value, end of period	10,228	10,350

j. Fixed assets, net

	As at 30 June 2011 (Unaudited) RMB'000	As at 31 December 2010 (Audited) RMB'000
Net book value, beginning of period	38,705	38,652
Additions	10	2,568
Impairment losses	-	-
Disposals	-	-
Depreciation	(1,434)	(2,515)
Net book value, end of period	37,281	38,705

k. Accounts receivable, net

	As at 30 June 2011 (Unaudited) RMB'000	As at 31 December 2010 (Audited) RMB'000
Accounts receivable	8,612	12,672
Less: Provision for doubtful receivables	(7,282)	(7,282)
Net account receivable	1,330	5,390

Aging analysis of accounts receivable is as follow:

	As at 30 June 2011 (Unaudited) RMB'000	As at 31 December 2010 (Audited) RMB'000
Aged:		
0-30 days	-	-
31-60 days	1,264	-
61-90 days	66	1,205
91-180 days	654	2,526
181 to 365 days	1,984	2,370
over 365 days	4,644	6,571
	8,612	12,672

I. Accounts payable

The aging analysis of accounts payable is as follows:

	As at 30 June 2011 (Unaudited) RMB'000	As at 31 December 2010 (Audited) RMB'000
Aged:		
0 to 1 month	123	-
2 to 6 months	203	777
7 to 12 months	2,708	260
Over 1 year	-	2,030
	3,034	3,067

m. Share capital

	Six months ended 30 June, 2011		As at 31 December, 2010	
	Number of shares	Amount RMB'000	Number of shares	Amount RMB'000
Issued and fully paid (RMB0.10 each)				
Beginning of period/year	746,654,240	74,665	746,654,240	74,665
Placing of shares	-	-	-	-
Repurchase of shares	-	-	-	-
End of period/year	746,654,240	74,665	746,654,240	74,665

MOVEMENT IN RESERVES

The movements of reserves are as follows:

	Capital Reserve		Statutory public welfare fund	Statutory revenue reserve	Retained earnings	Total reserves
	Share premium	Others				
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 1 January 2010	19,027	11,326	3,928	5,757	(29,471)	10,567
Total comprehensive income/(Loss) for the period	-	-	-	-	(3,407)	(3,407)
As at 30 June 2010	19,027	11,326	3,928	5,757	(32,878)	7,160
As at 1 January 2011	19,027	11,326	-	9,685	(51,841)	(11,803)
Total comprehensive income/(Loss) for the period	-	-	-	-	(3,407)	(3,407)
As at 30 June 2011	19,027	11,326	-	9,685	(55,248)	(15,210)

DIVIDENDS

The Board does not recommend the payment of any interim dividend for the six months ended 30 June, 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.

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 (吉林省林業產業發展規劃), 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 RMB1,330,000 (2010: RMB10,276,000), representing a decrease of approximately 87% as compared with the corresponding period in 2010. Total comprehensive loss attributable to Shareholders amounted to approximately RMB3,407,000 (2010: total comprehensive loss: RMB4,081,000). 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. Currently, the Group are waiting for the Stock Exchange of Hong Kong Limited to approve the circular for the very substantial acquisition, once approval obtained and passed by following extraordinary general meeting, the Group will initiate the new business immediately. During the period under review, the finance costs increased around 6.7 times due to the Group need to borrow from bank to finance the acquisition resulted in increased interest expenses; Other costs or expenses items decreased respectively as the turnover decreased, especially the General, administrative and other operating expenses decreased 97% due to the Group successfully collected back a few long-outstanding account receivables and written-back over-provided impairment loss on account receivables of RMB4,526,000 according to our credit policy.

In order to match up the acquisition mentioned above, by the end of June this year, the Group has successfully collected the outstanding accounting receivables for around RMB9,000,000 which has dramatically increased our cash flow, and the Group expect to collect more outstanding accounting receivables back in near future. 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 30 June 2011, the Company had total assets of approximately RMB 128,666,000 which were financed by current liabilities of approximately RMB 37,211,000, long term liability of approximately RMB 32,000,000 and shareholders equity of approximately RMB59,455,000.

The Company generally services its debts primarily through cash generated from its operations. The financial position of the Company remains healthy. As at 30 June, 2011, the Company had cash and bank balances of approximately RMB 9,358,000. In order to match up the acquisition mentioned above, the Group is striving to collect the outstanding accounting receivables, and expect to collect more outstanding accounting receivables back in near future. 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 30 June 2011, the Company did not have any committed borrowing facilities.

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

As at 30 June, 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

Name of Directors or Supervisors	Number of Domestic Shares held	Approximate percentage of shareholding (%)
Liu Yang	194,194,580	26.01
Guo Feng	183,482,440	24.57%
Wang Xue Hua	150,644,480	20.18%
Zhang Ya Bin	1,618,960	0.22%
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	529,940,460	70.98%

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

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

As at 30 June 2011, the Company was not a party to any arrangements to enable the Directors and Supervisors to acquire benefits by means of the acquisition of shares in, or debt securities, including debentures, of the Company or any other body corporate, and none of the Directors and Supervisors or their spouses or children under the age of 18 had any right to subscribe the securities of the Company, or had exercised any such right.

SUBSTANTIAL SHAREHOLDERS

As at 30 June, 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 Company and their respective associates (as defined in the GEM Listing Rules) has an interest in any business which competes or may compete with the business of the Company.

AUDIT COMMITTEE

Pursuant to Rule 5.28 of the GEM Listing Rules, the Company has set up an audit committee. In compliance with Rule 5.29 of the GEM Listing Rules, the authority and responsibility of the audit committee has been properly written out. The primary duties of the audit committee are to review and supervise the financial reporting and internal control systems of the Company. The audit committee comprises Mr. Lam Kai Yeung, Ms. Niu Shu Min and Mr. Zhao Zhen Xing, all of whom are independent non-executive Directors.

The audit committee had conducted a meeting and reviewed the Company's unaudited results for the period ended 30 June, 2011 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.

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

By Order of the Board

Liu Yang
Chairman

Jilin, the PRC
13 August, 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.