



**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)**



**Third Quarterly Report 2013**

**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 Co., Ltd (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 nine months ended 30 September, 2013 was approximately RMB5,000 (2012: RMB793,000), representing a decrease of approximately 99.37% as compared with the same period in the previous year.
- Profit/(Loss) attributable to shareholders of the Company ("Shareholders") for the nine months ended 30 September, 2013 was approximately RMB5,745,000 (2012: RMB7,813,000), representing a decrease of approximately 26.47% as compared with the same period in the previous year.
- Earnings/(Loss) per share ("Shares") of the Company for the nine months ended 30 September, 2013 was approximately RMB0.77 cents.
- The Directors do not recommend the payment of any dividend for the nine months ended 30 September, 2013.

### RESULTS (UNAUDITED)

The board of Directors ("Board") hereby announces the unaudited results of the Company for the nine months ended 30 September, 2013, together with the comparative figures for the corresponding periods of the previous financial year, as follows:

	Notes	Nine months ended 30 September,		Three months ended 30 September,	
		2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
<b>Turnover</b>	b	<b>5</b>	793	-	204
Cost of sales		(4)	(540)	-	(55)
Gross profit		<b>1</b>	253	-	149
Other revenue	c	<b>11,390</b>	14,430	<b>3,842.00</b>	4,746.00
Distribution and selling expenses		(297)	(623)	(104)	(96)
General, administrative and other operating expenses		(4,126)	(4,880)	(1,279)	(991)
<b>Operating profit/(Loss)</b>	d	<b>6,968</b>	9,180	<b>2,459</b>	3,808
Finance costs		(1,223)	(1,367)	(391)	(449)
Profit/(Loss) before taxation		<b>5,745</b>	7,813	<b>2,068</b>	3,359
Taxation	e	-	-	-	-
Profit/(Loss) after taxation		<b>5,745</b>	7,813	<b>2,068</b>	3,359
Other comprehensive income		-	-	-	-
<b>Total comprehensive income/(Loss) attributable to shareholders</b>		<b>5,745</b>	7,813	<b>2,068</b>	3,359
Dividends		N/A RMB	N/A RMB	N/A RMB	N/A RMB
Earnings/(Loss) per Share-basic	f	<b>0.77 cents</b>	1.05 cents	<b>0.28 cents</b>	0.45 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 nine months ended 30 September, 2013 are consistent with those used in the audited accounts issued for the year ended 31 December, 2012.

**b. Turnover**

The principal activities of the Group are the production and sales of Chinese medicine products.

Turnover represents the sales value of goods supplied to customers and service income (net of sales tax, value-added tax and discounts). The amount of each significant category of revenue recognised in turnover during the Relevant Period is as follows:

Sales of Chinese medicine products

	Nine months ended 30 September, 2013		Three months ended 30 September, 2013	
	RMB'000	2012 RMB'000	RMB'000	2012 RMB'000
- Chinese herb products	5	304	-	204
- Others	-	489	-	-
	<b>5</b>	<b>793</b>	<b>-</b>	<b>204</b>

All of the Company's revenues are generated in the PRC

For the nine months ended 30 September, 2013, there are 2 customers individually contributed to 10% or more to the Group's revenue. Total sales to these customers amounted to approximately RMB5,000. There are no other customers individually contributed to 10% or more to the Group's revenue.

For the nine months ended 30 September, 2012, there is four customer individually contributed to 10% or more to the Group's revenue. Total sales to this customers amounted to approximately RMB793,000.

The management considers these customers have the strong financial background and good creditability, there are no significant credit risks.

**c. Other revenue**

	Nine months ended 30 September, 2013		Three months ended 30 September, 2013	
	RMB'000	2012 RMB'000	RMB'000	2012 RMB'000
- Government subsidies	-	-	-	-
- Rental income	750	1,070	250	250
- Write-off bad debt recovered	10,887	13,360	3,592	4,496
- Others	(247)	-	-	-
	<b>11,390</b>	<b>14,430</b>	<b>3,842</b>	<b>4,746</b>

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

**d. Operating profit**

Operating profit is stated after charging the following items:

	Nine months ended 30 September, 2013		Three months ended 30 September, 2013	
	RMB'000	2012 RMB'000	RMB'000	2012 RMB'000
- Interest expenses	1,223	1,367	391	449
- Depreciation of fixed assets	2,054	2,087	637	695
- Amortization of land use right	184	184	61	61
- Amortization of long-term prepaid Rental	1,710	1,710	570	570

**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/(Loss) 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 nine months ended 30 September, 2013 are 746,654,240 (2012: 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**

Operating segments, and the amount of each segment item reported in the Financial Information, 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 purpose unless the segments have similar characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customer, 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.

No segment information is presented as the Group is principally engaged in one operating segment which is the production and sales of Chinese medicine products in PRC.

**MOVEMENT IN RESERVES**

The movements of reserves are as follows:

	<b>Capital Reserve</b>		<b>Statutory public welfare fund</b>	<b>Statutory revenue reserve</b>	<b>Retained earnings</b>	<b>Total reserves</b>
	<b>Share premium</b>	<b>Others</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
As at 1 January, 2012	19,027	11,326	-	9,685	(43,979)	(3,941)
Total comprehensive income/(Loss) for the period	-	-	-	-	5,745	5,745
As at 30 September, 2012	19,027	11,326	-	9,685	(38,234)	1,804
As at 1 January, 2013	19,027	11,326	-	9,685	(24,339)	15,699
Total comprehensive income/(Loss) for the period	-	-	-	-	5,745	5,745
As at 30 September, 2013	19,027	11,326	-	9,685	(18,594)	21,444

**DIVIDENDS**

The Board does not recommend the payment of any interim dividend for the nine months ended 30 September, 2013 (2012: nil).

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

The Group has been engaged in breeding, processing and sales of underground ginseng and related traditional Chinese medicine herbs. The processing and trading are mainly in the Jinlin City, the breeding of underground ginseng and related traditional Chinese medicine herbs are situated at 福滿林場山泉村 (Fu Man Lin Chang Shan Quan Cun\*), Anfao County, Jilin Province, the PRC where the Group acquired the forest concession right. The Forest Land has not yet been developed and it is now covered with natural forest and underground ginseng underneath the Forest Land. The area of the Forest Land is approximately 2,533.10 hectares (consisting of 2,125.10 hectares located in 山泉村 (Shan Quan Chu\*) and 408 hectares located in 鹿柴山 (Lucaishan\*)).

The acquired the Forest Concession Right of the Forest Land by the Group can be used to develop three major industries on the Forest Land, namely:- (A) breeding of traditional Chinese medicine herbs, (B) regeneration logging (更新采伐) on mature timber and (C) tourism industry.

**A. Breeding and processing of Traditional Chinese Medicine**

Chinese medicine herbs including underground ginseng (林下參), asarum (細辛), acanthopanax (刺五加), fritillaria ussuriensis maxim (平貝母), fragrant solomonseal rhizome (玉竹), and forest frog (林蛙) can be planted or breed on the Forest Land taking into account the weather and soil conditions of the Forest Land. Wild schisandra chinensis (野生五味子) can also be artificially cultivated and managed on the Forest Land.

(i) *Underground Ginseng* (林下參)

Ginseng is regarded as "King of Herbs" (百草之王) and is a precious Chinese medicine herbs. There are more than 4,000 years of history of using ginseng. Underground ginseng refers to a method where seeding of ginseng seeds is through manual methods on the mountainous area. Ginseng seeds are grown for 10 to 20 years or above without any human interruption. Underground ginseng can also be called transplanted ginseng. The nutrition effect of underground ginseng can be as good as wild ginseng. In the PRC, breeding of underground ginseng was developed in 1990. At first, transplantation of family ginseng (家參) was developed. In view of the increasing demand for ginseng, seeding of ginseng seeds through manual methods and allow ginseng to grow naturally became the trend. In 2004, PRC Government announced 14 cities or counties in Changbai Mountain areas as place of origin of ginseng and "Changbai Mountain Ginseng" became place of origin for protected products nationally. To better control the quality of "Changbai Mountain Ginseng", 《關於振興人參產業的意見》(Opinion Regarding Reinforcing Ginseng Industry) was introduced in 2012. In the above opinion, the brand "Changbai Mountain Ginseng" has to be reinforced in full gear and through various policies, industry production chain will be reinforced. As such, GAP underground ginseng will be further developed in the near future.

(ii) *Asarum* (細辛)

Asarum belongs to Aristolochiaceae (馬兜鈴科) and asarum, the perennial herb for medicinal plant which is suitable for undergrowth. Wild species are the *A. Heterotropoides* Fr (遠細辛) which spreads over the Northeast part of the PRC and *A. sieboldi* Miq (華細辛) spreads over the Shanxi Province of the PRC. Normally, the quality of *A. Heterotropoides* Fr is better than *A. sieboldi* Miq, therefore, the breeding is mainly on *A. Heterotropoides* Fr. Asarum is not only for the domestic demand, but there is also a great demand of asarum from other countries and asarum has been a quick selling product in the traditional Chinese medicine herbs market. Upon conducting a site visit of the Forest Land, the Forest Land suitable for undergrowth of asarum is up to 400 hectares (the available area is 160 hectares), with the production cycle of 4 years. At present, the price of dry asarum product is approximately RMB26-40 per kg. The artificial breeding production can be harvested in 3-4 years, and this kind of breeding can produce fresh asarum of approximately 2.5kg per square meter on the Forest Land.

(iii) *Acanthopanax senticosus* (刺五加)

*Acanthopanax senticosus* is *acanthopanax* and deciduous shrub with perennial rootstock. It is mainly distributed in three provinces of Northeast part of the PRC (Heilongjiang, Jilin and Liaoning), also in Hebei Province and Shanxi Province. Cortex of *Acanthopanax Senticosus* (cortex *acanthopanax*) is a common valuable Chinese material for producing Chinese medicine. *Acanthopanax Senticosus* is suitable to be planted in a sparse forestland and the harvesting cycle is normally about 4-6 years. Before the freeze-up starting from late October each year, 133 *acanthopanax senticosus* per mu can be planted in the Forest Land and can be harvested once every 5 years. According to on-site investigation of the Forest Land, approximately 350 hectares (the available area is 140 hectares) is suitable for breeding of *acanthopanax senticosus*. The production value of *acanthopanax senticosus* is approximately RMB1064 per mu.

(iv) *Fritillaria Ussuriensis Maxim* (平貝母)

*Fritillaria Ussuriensis Maxim* is a perennial plant of liliaceae and its subterranean stem can be for medicinal use. *Fritillaria Ussuriensis Maxim* has 60 days of growth period, can be interplanted or planted in forest land. Artificially cultivated *Fritillaria Ussuriensis Maxim* can be harvested once in two years. It is estimated that planted use level is 0.35-0.75kg/m<sup>2</sup>, with the output of unit area of 1-2.5kg/m<sup>2</sup>. According to on-site investigation of the Forest Land, approximately 100 hectares is suitable for planting *Fritillaria Ussuriensis Maxim* and it is estimated that the production cycle is about 2 years. It is estimated that approximately RMB7,000 production value can be generated on each mu of the Forest Land.

(v) *Fragrant Solomonseal Rhizome* (玉竹)

*Fragrant Solomonseal Rhizome* is a perennial plant of liliaceae and its subterranean stem can be for medical use. It is suitable to survive in a cool, damp, shade environment and is wild in darkness place in valley, river, underwood, brushwood and by a mountain road side. It is suitable to grow in subacid yellow sand soil and can be planted in uncultivated or idle hillside. *Fragrant Solomonseal Rhizome* can be harvested after 2-3 years' planting. According to on-site investigation of the Forest Land, there is an area of 100 hectares suitable for planting *fragrant solomonseal rhizome* in the Forest Land and the production cycle is approximately 3 years. The current market price of *fragrant Solomonseal Rhizome* is approximately RMB24.30 per kg.

(vi) *Management and Conservation of Wild Schisandra Chinensis (野生五味子)*

Schizandra (北五味子) is a common valuable Chinese medicinal material. Schizandra chinensis is nourishing and is the first choice for producing health care products and drugs that are beneficial to brain, can soothe the nerves and regulate the nervous system. Schizandra can also serve as a processing raw material for fruit wines and fruit drinks. Schizandra is a multi-functional, multi-use wild plant with high development and utilization value, a broad application prospect and beneficial in resource conservation. According to on-site investigation, 125 tones (50 kg per hectare) of fresh fruit of schizandra can be produced annually, meaning 25 tones of dry schizandra can be produced. The current market price of dry Schizandra is approximately RMB40-50 per kg. Planting (cultivating) the materials in the Forest Land can enhance taste of product, prolong or shorten harvest time, according to market quotations because of less manpower and material resources, avoid market risk and effectively use forest lands while protecting species resources.

(vii) *Forest frog's oviduct (林蛙油) of Changbai Mountain*

"the Chinese Pharmacology" records: forest frog's oviduct is "can Run lung, promotes saliva or body fluids, the intensifier and nutritious high quality goods for the feeble human body". The forest frog for producing forest frog's oviduct (林蛙油) mainly produces in our country Northeast's Changbai Mountain area, is the Northeast area unique frog Variety. The current market price of forest frog's oviduct is approximately RMB5200 per kg.

**B. Tourism Industry**

The tourism industry in Jilin Province has been developing gradually in these years. In order to develop local economy, the local county government of Jilin Province has been developing forest tourism and eco-tourism to attract local tourists from other parts of the PRC. Changbai Mountain (長白山) is a famous tourist spot in Jilin Province in view of its beautiful scenery and unique environment. Mingyue Town (明月鎮) of Antao County has rich natural resources that can develop tourism industry. There are three scenery districts nearby, namely 福滿溝生態景區 (Fu Man Natural Scenery District), Mingyue Lake Scenery District (明月湖景區) and Hexi Ski Scenery District (河西滑雪場景區) which is under development. As the Forest Land is geographically near to Mingyue Town, developing relevant tourist facilities for tourists' leisure use can be a good investment option.

**C. Timber logging**

The area of the Forest Land is 2,529.6 hectares, of which approximately 200,258 m<sup>3</sup> is forest stock volume, so developing timber logging. As per consultation with Antao County Forestry Bureau, timber logging is subject to 育林費 (Forestry Fee) representing 21% of sales amount and no other taxes are required, however, logging permits and transportation permit must be obtained.

Based on the specific natural and geographic circumstance of Jinlin Province, and the situation of the Group, at present, will focus on breeding and processing of traditional Chinese medicine, especially breeding and processing of underground Ginseng.

There is no significant improvement in the market demand in 2013 so far, and the market competition remains intense for bulk pharmaceuticals. As affected by the bidding system and price cuts for essential drugs and increasing control efforts placed by the government, the marketing of the Group experienced great difficulties.

During the year under review, compared with the corresponding period in 2012, turnover amounted to approximately RMB5,000 (2012: RMB793,000), representing a decrease of approximately 99.37% mainly due to that the price of underground ginseng is lower than expect and the Company believed it is not the right time for sale; Other income amounted to approximately RMB11,390,000 (2012: RMB14,430,000), mainly comprises rental income of RMB750,000 from renting out of redundant plant, and recovery of write-off bad debt amounted to RMB10,887,000. Distribution and selling expenses amounted to RMB297,000, decreased respectively of 52.33% due to the drop of sales; General, administrative and other operating expenses decrease 15.45% to RMB4,126,000 due to strict control put on controllable costs. Finance costs decreased 10.53% due to partial repay of loan. Total comprehensive income attributable to Shareholders amounted to approximately RMB5,745,000 (2012: RMB7,813,000).

### Prospects

The Group's vision is to become one of the leading breeding, processing and sales of underground ginseng and related traditional Chinese medicine herbs enterprises in Jilin Province, the PRC. To achieve this, the Group plans to accomplish its goal through the following strategies:

- (1) expanding production capacities of breeding of underground ginseng;
- (2) maintaining the quality of ginseng seedlings and seeds so that high quality ginseng can be produced;
- (3) continuing to focus on production safety, environmental protection, operational excellence and community relations; and
- (4) strengthening its research and development and develop more ginseng-related products. The Group's plan is to sell the underground ginseng to be bred on the Forest Land as raw materials to other pharmaceutical companies and sell to market directly, if the whole pieces of underground ginseng are of good quality with complete whole pieces of costs.

As mentioned above, Jilin Province is being recognized as possessing high technology in large scale production and breeding of traditional Chinese herbs materials including underground ginseng, Asarum (細辛), Acanthopanax senticosus (刺五加), Fritillaria Ussuriensis Maxim (平貝母), Fragrant Solomonseal Rhizome (玉竹), Wild Schisandra Chinensis (野生五味子) etc.. The Company has also engaged China Agricultural Science Academy Special Products Research Institute (中國農業科學院特產研究所) to provide assistance for the staff of the Group on the process of production and breeding of traditional Chinese herbs materials including underground ginseng, Asarum (細辛), Acanthopanax senticosus (刺五加), Fritillaria Ussuriensis Maxim (平貝母), Fragrant Solomonseal Rhizome (玉竹), Wild Schisandra Chinensis (野生五味子) etc.. China Agricultural Science Academy Special Products Research Institute is the only research institution in the PRC recognized by the State that conducts research on cultivation and resources reservation on precious animals and plants. They have experiences in cultivation and breeding on traditional Chinese herbs materials including underground ginseng, Asarum (細辛), Acanthopanax senticosus (刺五加), Fritillaria Ussuriensis Maxim (平貝母), Fragrant Solomonseal Rhizome (玉竹), Wild Schisandra Chinensis (野生五味子) etc.. in Northeast part of the PRC. The Directors believe that with their professional advice and assistance, the production and breeding of traditional Chinese herbs materials including underground ginseng, Asarum (細辛), Acanthopanax senticosus (刺五加), Fritillaria Ussuriensis Maxim (平貝母), Fragrant Solomonseal Rhizome (玉竹), Wild Schisandra Chinensis (野生五味子) etc. on the Forest Land can be positively developed.

Looking forward, despite the overall economic growth in China has started to slow down, however, the drivers of the continuous expansion of the PRC pharmaceutical market are as follow: firstly, the pace of population aging is accelerating and diseases with patients of mainly the aged, such as cardiovascular disease, cancer, diabetes mellitus and neurologic disorder rank among the top in respect of morbidity rate and relevant treatment costs; secondly, the coverage of national medical insurance system is getting more and more comprehensive which reaching over 1.3 billion population, there is an increase in medical insurance premium such as increases in the medical insurance for urban residents, government subsidies for new rural co-operation medical scheme and the reimbursement ratio of serious diseases; thirdly, the government increases its input of resources into the public health medical sector. Urban community hospitals and county hospitals (especially township hospitals), are developing rapidly while medical conditions are significantly improved; fourthly, health demand by urban residents has increased continuously with increasing purchasing power, and the demand for traditional Chinese herb medicine will also benefit. 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.

### LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 September, 2013, the Company had total assets of approximately RMB152,705,000 which were financed by long term liabilities of approximately RMB35,520,000 which included unsecured unlimited-term and interest-free loan of RMB10,000,000 from China Hi-Tech Investment Company, short term liabilities of approximately RMB21,076,000 and shareholders' equity of approximately RMB96,109,000.



The Company generally services its debts primarily through cash generated from its operations. The financial position of the Company remains healthy. As at 30 September, 2013, the Group had cash and bank balances of approximately RMB1,431,995. The Group expects to collect more outstanding accounting receivables back till the end of 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 Company shall have adequate fund for its continual operation and development.

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

As at 30 September, 2013, 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
Zhang Ya Bin	1,618,960	0.22
	<b>379,295,980</b>	<b>50.80</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 30 September, 2013, the Company was not a party to any arrangements to enable the Directors and Supervisors to acquire benefits by means of the acquisition of shares in, or debt securities, including debentures, of the Company or any other body corporate, and none of the Directors and Supervisors or their spouses or children under the age of 18 had any right to subscribe the securities of the Company, or had exercised any such right.

### **SUBSTANTIAL SHAREHOLDERS**

So far as was known to any Director or Supervisor, as at 30 September, 2013, the Directors were not aware of any persons or companies (not being a Director or Supervisor of the Company) 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 September, 2013 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 CODE

The Directors considered that during the period under review, the Company has complied with the code provisions in the Corporate Governance Code 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  
13 November, 2013

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

*This report will remain on the "Latest Company Announcements" page of the GEM website at <http://www.hkgem.com> for at least 7 days from the day of its posting.*