



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 2014

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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 three months ended 31 March, 2014 was approximately RMB0 (2013: RMB3,000), representing a decrease of approximately 100% 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, 2014 was approximately RMB2,076,000 (2013 total comprehensive income: RMB958,000).
- Loss per share ("Shares") of the Company for the three months ended 31 March, 2014 was approximately RMB0.30 cents.
- The Directors do not recommend the payment of any dividend for the three months ended 31 March, 2014.

RESULTS (UNAUDITED)

The board of Directors ("Board") hereby announces the unaudited results of the Company for the three months ended 31 March, 2014, together with the comparative figures for the corresponding periods of the previous financial year, as follows:

		Three months ended 31 March,	
		2014	2013
	<i>Notes</i>	RMB'000	RMB'000
Turnover	b	-	3
Cost of sales		62	(3)
Gross profit		62	0
Other revenue	c	250	3,445
Distribution and selling expenses		-	(90)
General, administrative and other operating expenses		(1,852)	(1,981)
Operating profit/(Loss)	d	(1,540)	1,374
Finance costs		(359)	(416)
Profit/(Loss) before taxation		(1,899)	958
Taxation	e	(177)	-
Profit/(Loss) after taxation		(2,076)	958
Other comprehensive income		-	-
Total comprehensive income/(Loss) attributable to shareholders		(2,076)	958
Dividends		N/A	N/A
Earnings/(Loss) per Share-basic	f	RMB (0.30) cents	RMB 0.10 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 Hong Kong Financial Reporting Standards ("HKFRSs") 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, 2014 are consistent with those used in the audited accounts issued for the year ended 31 December, 2013.

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,	
	2014	2013
	RMB'000	RMB'000
Government subsidies	-	-
Bad debts recovered	-	3,195
Rental income	250	250
	250	3,445

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, 2014 RMB'000	2013 RMB'000
- Interest expenses	359	416
- Depreciation of Fixed Assets	506	506
- Amortization of Intangible Assets	-	-
- Amortisation of long-term prepaid rentals	570	570
- Amortization of Land Use Right	61	61

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 (2013: 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, 2014 is 746,654,240 (2013: 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. Valuation of Biological Assets

The valuation has been carried out by Beijing Longyuan Zhibo Assets Valuation Company Limited, the responsible professional valuers are Jiang Qi Ming and Xiao Ying. They are members of Certified Valuer of China Appraisal Society. They have more than 9 years of experience in providing professional valuation services to corporations listed in PRC operating in forestry, agriculture and bio-technology. The valuation projects relating to biological assets conducted by the professional valuers firm are as follows:

Name of company	Subject of valuation	Date of valuation
Jinlin City Yuanda Agriculture Technology Company Limited ("吉林市遠大農業科技有限公司")	Forest concession right concerning valuation of asset transfer project	Feb 2008
Antu Wang Min Zhang Fu Agriculture Development Company Limited ("安圖旺民長富農業開發有限公司")	Valuation on economic forest asset	Jan & Sep 2009
Jinlin City High-tech Zone Automobile Circle("吉林市高新區汽車工業園")	Valuation on nursery stock (苗林評估)	Apr 2010
Shanxi Zhen Dong Daodi Medicinal Material Development Company Limited ("山西振東道地藥材開發有限公司") (stock code: 300158)	A share IPO project: valuation of the overall assets (including ginseng plantation sites in Shanxi Province to breed ginseng for its own use), liabilities and for the purpose of converting the company to a limited liability stock Company	Dec 2010

In order to perform the valuation engagement well, they have sought help from a ginseng expert to identify the attributes and to assess the quality of the underground ginsengs.

The professional valuers are not directors, shareholders, supervisors of the Group or their relatives. The fee for valuation is based on arm's length negotiation. They have been in charged for the valuation engagement for only 3 years. The Directors of the Company believed that they are independent valuers.

The valuers adopted market approach in valuing biological assets. Market prices for similar biological assets are available in local markets, they provide the most reliable basis for the fair value valuation of biological assets of the Group.

During the valuation process, the valuers has performed the following works:-

- Physical existence verification
 - The professional valuers with the ginseng expert and the staff of the Group conducted a site investigation of the Forest Land. The valuers used GPS technology to verify the location of underground ginsengs in the Forest Land.
- Quantities verification
 - Quantities were verified by ginseng expert
 - Physical count of underground ginsengs was carried out in 7 compartments
 - A total of 1,085 pieces of underground ginseng were extracted randomly from 150 sampling units distributed in 7 compartments
 - Quantities of underground ginsengs were projected based on the results of physical count in each compartments
 - Samples in directly proportional to the area of compartments

The underground ginsengs are valued at fair value less costs to sell at the end of the reporting period.

1. key inputs
 - market prices of similar underground ginsengs
 - harvest costs
2. assumptions
 - the highest and best use of the biological assets (underground ginsengs) are to be sold at local markets after harvest
 - the underground ginsengs are ready for sale and as part of a going concern business

According to relevant law and regulations of the PRC, the Group does not need licenses/rights/permits to carry out breeding of underground ginsengs.

MOVEMENT IN RESERVES

The movements of reserves are as follows:

	Capital Reserve					
	Share premium RMB '000	Others RMB '000	Statutory public welfare fund RMB '000	Statutory revenue reserve RMB '000	(Accumulated losses)/ Retained earnings RMB '000	Total reserves RMB '000
As at 1 January 2013	19,027	11,326	-	9,685	(24,339)	15,699
Total comprehensive income/(Loss) for the period	-	-	-	-	958	958
As at 31 March 2013	19,027	11,326	-	9,685	(23,381)	16,657
As at 1 January 2014	19,027	11,326	-	9,685	(17,680)	22,358
Total comprehensive income/(Loss) for the period	-	-	-	-	(2,076)	(2,076)
As at 31 March 2014	19,027	11,326	0	9,685	(19,756)	20,282

DIVIDENDS

The Board does not recommend the payment of any interim dividend for the three months ended 31 March, 2014 (2013: 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*), Antao 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) timber logging, (B) tourism industry, (C) breeding of traditional Chinese medicine herbs.

A. Timber logging

The area of the Forest Land is 2,529.6 hectares, of which approximately 200,258 m³ is forest stock volume, can be used for 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. Currently, such business has not yet been initiated by the Group.

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 has been approved at the Extraordinary General Meeting by shareholders of the Company on 6 October 2011.

It has recently been discovered that the relevant logging permits could not be obtained, and our Company considers it would amount to a breach of the relevant terms of the Agreement by the Vendor. The Company has already paid a sum of approximately RMB102,300,000 out of the total consideration of RMB173,530,000 pursuant to the Agreement. As a result of the said subsequent development, the Vendor has proposed to the Company the following settlement terms: (i) the Agreement shall be terminated and the Forest Concession Right (subject to the 20 Years Breeding Right, as defined below) shall be returned to the Vendor; (ii) the sum of RMB102,300,000 already paid by the Purchaser shall be refunded in the manner that (a) RMB12,300,000 be paid in cash upon the parties have agreed with the terms of settlement and (b) remaining sum of RMB90 million be paid by 18 equal instalments in cash in the coming 18 years before 31 December each year, commencing from 2014; (iii) the Purchaser shall no longer be liable to settle the unpaid portion of the consideration pursuant to the Agreement; (iv) the Purchaser shall have the right to use the Forest Land for agricultural and animal breeding purposes at

nil consideration for 20 years commencing from the date of the settlement and the economic benefits arising from such activities during the period (collectively, the "20 Years Breeding Rights") shall belong to the Purchaser so that the Group can continue its business of breeding and processing of traditional Chinese medicine; (v) upon expiry of the 20-year period and upon negotiation by the parties, the Purchaser may continue to use the Forest Land for agricultural and animal breeding purposes at market rate and has priority to continue to use the Forest Land on same rate as those offered by other parties.

The Company is currently reviewing the Vendor's offer and seeking the legal advice in this regard. The Company will make further announcement(s) as and when appropriate to keep the shareholders informed of the material developments in this matter.

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. Currently, such business has not yet been initiated by the Group.

C. Breeding of Traditional Chinese Medicine Herbs

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 2011. 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 (遼細辛) 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 RMB25-68 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 RMB20,000 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 $0.35\text{--}0.75\text{kg/m}^2$, with the output of unit area of $1\text{--}2.5\text{kg/m}^2$. 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 RMB56,610 to RMB106,560 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 onsite 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 RMB27 per kg. value, a broad application prospect and beneficial in resource conservation.
- (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. *Schisandra 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 RMB25-28 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 RMB2,650-4,000 per kg.

Based on the specific natural and geographic circumstance of Jilin Province, and the situation of the Group, recently, developing breeding of traditional Chinese medicine herbs, especially underground ginseng is the top priority of the Group.

Jilin Province is located in the Northeast part of the PRC and is regarded one of the most important provinces in terms of the development of forestry industry in the PRC. According to the information published by Jilin Province Forestry Bureau (吉林省林業廳), the forestry area in Jilin Province is approximately 9,288 million hectares, of which approximately 8,202 million hectares are covered with forest, representing a forest coverage rate of approximately 43.4%. Jilin Province has a total of 34 natural reserve areas of approximately 2.25 million hectares, representing approximately 11.9% of the total area of Jilin Province. Among these 34 natural reserve areas, 7 of which are classified as National level natural reserve areas (國家級自然保護區) and 12 of which are classified as Provincial level natural reserve areas (省級自然保護區) and the remaining. In Jilin Province, there are 46 provincial levels or above forest parks and the total areas are approximately 2.06 million hectares. Among the 46 forest parks, 29 of which are classified as National level forest parks (國家級森林公園) and 17 of which are classified as Provincial level forest parks (省級森林公園).

Antao County is located in the southwestern part of 延邊朝鮮自治區 (Yanbian Chaosian Autonomous Prefecture*), Jilin Province, the PRC. Antao County has an area of 7,438 km². Yanbian Prefecture and Antao County are mainly mountainous areas located in Jilin Province, the PRC. To strive for developing local economy, the local governments 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 activities 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 and forest land with private enterprises.

Jilin Province is geographically located in the middle latitude area of Northern continent. Its eastern part is near to Yellow Sea (黃海) and Japan Sea (日本海) and is relatively humid. Its western part is far away from the sea and is nearly to Mongolia Highland (蒙古高原) and is relatively dry. As a result of its unique geographical location, the four seasons in Jilin Province is particularly distinctive. The average yearly temperature in Jilin Province is 2-6 degree celsius. Sun light over a year is in average about 2,200-3,000 hours, yearly rainfall is about 400-900 mm. As the eastern part of Jilin Province is near to the sea, there are approximately 130 non-frozen days annually and approximately 150 non-frozen days annually in the western part of Jilin Province.

According to the Research on Local Chinese Medicines Herbs (道地藥材的成因研究) and Research on Relationship between Local Chinese Medicines Herbs and Environment (道地藥材與環境相關性研究), normally the breeding of Chinese medicine herbs is affected by factors like sunlight, temperature and rainfall. The 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. to be bred on the Forest Land is recognized as local Chinese medicine herbs suitable for breeding in Jilin Province by the State and the weather condition is suitable for breeding of underground ginseng.

The Directors consider the potential for future growth of ginseng industry can be attributed to a combination of the competitive strengths, including the following:

- (1) upon conducting the feasibility study report and valuation of the Forest Concession Right, underground ginseng currently underneath the Forest Land is of high quality and can generate immediate cash after being sold;
- (2) as the economy of the PRC is developing and people start to have more concern on their health, they are willing to spend on purchasing health-related products or health supplement to improve their health. Ginseng has long been regarded as having a high nutrition value and can cure different kinds of health problems and is widely used in Chinese pharmaceutical products;
- (3) Jilin Province is a province suitable for breeding of underground ginseng and there are no other provinces in the PRC where the climatic environment is suitable for breeding of underground ginseng, therefore, the Directors consider that the competition in ginseng industry is not as severe as other pharmaceutical companies in the PRC; and
- (4) the Company is a famous pharmaceutical company in Jilin Province and the Directors consider that engaging in ginseng industry can expand the business scope of the Group and strengthen its corporate identity as a pharmaceutical enterprise.

2013 is a year that full of challenge. In the global market, the growth of the global economy has slow down, the stability of the European Union zone has been under threat and the insolvency of Greece was also risk; In the domestic market, the overall economic growth in China has started to slow down, pressure on capital is high, weak demand in the pharmaceutical market, increased pressure on the tender system for essential drugs and on environmental protection and the implementation of the new version of GMP, the domestic consumption stands still. Despite these, turnover and net profit of the Group still increase under the continuous effort of management and all staffs.

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. 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.

The Company has been engaging in the processing 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 Company'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 Company'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.

For the period ended 31 March 2014, turnover amounted to approximately RMB0 (2013: RMB3,000), representing a decrease of approximately 100% as compared with the corresponding period in 2013 due to that the forest land was covered by snow and unable to gather the Underground Ginseng. Total comprehensive loss attributable to Shareholders amounted to approximately RMB2,076,000 (2013: total comprehensive income: RMB958,000).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 March 2014, the Group had total assets of approximately RMB226,986,000 which were financed by current liabilities of approximately RMB31,689,000 which included unsecured unlimited-term and interest-free loan of RMB10,000,000 from China Hi-Tech Investment Company, long-term liabilities of approximately RMB 100,350,000 and shareholders' equity of approximately RMB94,947,000.

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, 2014, the Group had cash and bank balances of approximately RMB 2,803,000. The 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 2014, the Group did not have any committed borrowing facilities.

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

As at 31 March, 2014, 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
Zhang Ya Bin	1,618,960	0.22
	379,295,980	50.80

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.

SUBSTANTIAL SHAREHOLDERS

So far as was known to any Director or Supervisor, as at 31 March, 2014, the persons or companies (not being a Director or Supervisor of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly deemed to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company were as follow:

- Long positions in Shares

Name	Number of domestic shares held	Approximate percentage of Shareholding (%)
Zhang Chun Hua	150,644,480	20.18%

Save as disclosed above, as at 31 March, 2014, 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.

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

As at 31 March, 2014, 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, 2014, 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, 2014 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
 15 April, 2014

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.