



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 2014

Characteristics of The Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited ("Stock Exchange")

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This report, for which the directors ("Directors") of Northeast Tiger Pharmaceutical Co., Ltd. ("Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange ("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:- (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS (Unaudited)

- Turnover of the Company for the six months ended 30 June, 2014 was approximately RMB8,000 (2013: RMB5,000), representing an increase of approximately 60% 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, 2014 was approximately RMB(20,717,000) (2013: RMB3,677,000).
- Earnings/(loss) per share ("Shares") of the Company for the six months ended 30 June, 2014 was approximately RMB(2.8 cents).
- The Directors do not recommend the payment of any dividend for the six months ended 30 June, 2014.

RESULTS (UNAUDITED)

The board of Directors ("Board") hereby announces the unaudited consolidated results of the Company for the six months ended 30 June, 2014, 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	
		2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Turnover	b	8	5	8	2
Cost of sales		(7)	(4)	(69)	(1)
Gross profit		1	1	(61)	1
Other revenue	c	323	7,548	73	4,103
Distribution and selling expenses		-	(193)	-	(103)
General, administrative and other operating expenses		(20,326)	(2,847)	(18,474)	(866)
Operating profit/(Loss)	d	(20,002)	4,509	(18,462)	3,135
Finance costs		(715)	(832)	(356)	(416)
Profit/(Loss) before taxation		(20,717)	3,677	(18,818)	2,719
Taxation	e	-	-	177.00	-
Profit/(Loss) after taxation		(20,717)	3,677	(18,995)	2,719
Other comprehensive income		-	-	-	-
Total comprehensive income/(Loss) attributable to shareholders		(20,717)	3,677	(18,641)	2,719
Dividends		N/A	N/A	N/A	N/A
		RMB	RMB	RMB	RMB
Earnings/(Loss) per Share-basic	f	(2.8) cents	0.5 cents	(2.5) cents	0.4 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 Jun., 2014 (Unaudited) RMB'000	31 Dec., 2013 (Audited) RMB'000
	Notes		
NON-CURRENT ASSETS			
Intangible assets, net	h	-	-
Land use rights	i	9,488	9,611
Long-term prepaid rentals	j	-	76,968
Property, plant and equipment	k	31,489	32,440
		40,977	119,019
CURRENT ASSETS			
Inventories		109	-
Biological assets		20,687	20,687
Long-term prepaid rentals - Current portion		-	2,280
Trade receivable, net	l	14	6
Advance to staff		-	-
Prepayment and other receivables		71,706	1,069
Cash and bank deposits		2,477	3,434
		94,993	27,476
LESS: CURRENT LIABILITIES			
Trade payable	m	2,770	3,488
Accruals and other payables		16,794	2,934
Short-term borrowings		10,000	10,000
		29,564	16,422
NET CURRENT ASSETS			
		65,429	11,054
NON-CURRENT LIABILITIES			
Amount due to a shareholder		-	1,450.00
Long-term borrowings		30,100	31,600
		30,100	33,050
TOTAL NET ASSETS			
		76,306	97,023
CAPITAL AND RESERVES			
Share capital	n	74,665	74,665
Reserves		1,641	22,358
TOTAL CAPITAL AND RESERVES			
		76,306	97,023

CONDENSED STATEMENT OF CASH FLOW

	Six months ended 30 June, 2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000
Net cash inflow from operating activities	572	3,533
Net cash inflow/(outflow) from investing activities	(29)	(5,208)
Net cash inflow/(outflow) from financing activities	(1,500)	(1,500)
Increase/(Decrease) in cash and cash equivalents	(957)	(3,175)
Cash and cash equivalents at beginning of period	3,434	5,863
Cash and cash equivalents at end of period Represented by Cash and Bank Balances	2,477	2,688

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 Group has adopted a number of new and revised HKFRSs issued by the HKICPA. The Directors considered the adoption of these new HKFRSs 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, 2014 are consistent with those used in the audited accounts issued for the year ended 31 December, 2013.

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

	Six months ended 30 June,		Three months ended 30 June,	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
- Chinese herb products	8	5	8	2
- Others	-	-	-	-
	8	5	8	2

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

For the six months ended 30 June, 2014, there are two customers individually contributed to 10% or more to the Group's revenue. Total sales to these customers amounted to approximately RMB8,000. There are no other customers individually contributed to 10% or more to the Group's revenue.

For the six months ended 30 June, 2013, there is two customer individually contributed to 10% or more to the Group's revenue. Total sales to this customers amounted to approximately RMB5,000.

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

c. Other revenue/(Expenses)

	Six months ended 30 June,		Three months ended 30 June,	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
-Government subsidies	-	-	-	-
-Rental income	500	500	250	250
-Write-off bad debt recovered	-	7,295	-	4,100
-Others	(177)	(247)	(177)	(247)
	323	7,548	73	4,103

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,		Three months ended 30 June,	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
- Interest Expenses	715	832	356	416
- Depreciation of Fixed Assets	980	1,417	474	911
- Amortization of Land Use Right	123	123	62	62
- Amortization of Long-term prepaid rentals	-	1,140	-	570
- 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, 2014 are 746,654,240 and 746,654,240 respectively (2013: 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

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.

h. Intangible assets, net

	As at 30 June 2014 (Unaudited) RMB'000	As at 31 December 2013 (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 2014 (Unaudited) RMB'000	As at 31 December 2013 (Audited) RMB'000
Net book value, beginning of period	9,611	9,858
Additions	-	-
Disposal	-	-
Amortisation	(123)	(247)
Net book value, end of period	9,488	9,611

j. Long-term prepaid rentals

	As at 30 June 2014 (Unaudited) RMB'000	As at 31 December 2013 (Audited) RMB'000
Net book value, beginning of period	79,248	78,128
Additions	-	3,400
Disposal	(79,248)	-
Amortisation	-	(2,280)
Net book value, end of period	-	79,248
-Non-current portion	-	76,968
-Current portion	-	2,280
Net book value, end of period	-	79,248

k. Property, plant and equipment, net

	As at 30 June 2014 (Unaudited) RMB'000	As at 31 December 2013 (Audited) RMB'000
Net book value, beginning of period	32,440	37,688
Additions	29	555
Disposals	-	(141)
Depreciation	(980)	(2,727)
Impairment	-	(2,935)
Net book value, end of period	31,489	32,440

l. Accounts receivable, net

	As at 30 June 2014 (Unaudited) RMB'000	As at 31 December 2013 (Audited) RMB'000
Accounts receivable	4,227	4,219
Less: Provision for doubtful receivables	(4,213)	(4,213)
	14	6

Aging analysis of accounts receivable is as follow:

	As at 30 June 2014 (Unaudited) RMB'000	As at 31 December 2013 (Audited) RMB'000
Aged:		
0-30 days	8	-
31-60 days	-	-
61-90 days	-	-
91-180 days	-	-
181 to 365 days	6.00	6
Over 365 days	4,213	4,213
	4,227	4,219

m. Accounts payable

The aging analysis of accounts payable is as follows:

	As at 30 June 2014 (Unaudited) RMB'000	As at 31 December 2013 (Audited) RMB'000
Aged:		
0 to 1 month	-	-
2 to 6 months	-	-
7 to 12 months	6	6
Over 1 year	2,764	3,482
	2,770	3,488

n. Share capital

	Six months ended 30 June, 2014		As at 31 December, 2013	
	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 2013	19,027	11,326	-	9,685	(24,339)	15,699
Total comprehensive income/(Loss) for the period	-	-	-	-	3,677	3,677
As at 30 June 2013	19,027	11,326	-	9,685	(20,662)	19,376
As at 1 January 2014	19,027	11,326	-	9,685	(17,680)	22,358
Total comprehensive income/(Loss) for the period	-	-	-	-	(20,717)	(20,717)
As at 30 June 2014	19,027	11,326	0	9,685	(38,397)	1,641

DIVIDENDS

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

On 27 September 2010, Xinxing Co (a wholly-owned subsidiary of the Company) entered into the Agreement (as amended by a supplemental agreement dated 24 February 2011) with Fu Man Shan Zhen, pursuant to which Fu Man Shan Zhen has agreed to transfer to Xinxing Co the Forest Concession Right of the Forest Land at the consideration of approximately RMB173,530,000 for a term of approximately 70 years until 31 December 2080. Pursuant to the Agreement, the first instalment of RMB100,000,000 shall be paid by Xinxing Co to the Fu Man Shan Zhen by way of cash on or before 31 December 2010; the remaining RMB73,530,000 shall be paid in 10 equal instalments in cash in the coming ten years before 31 December each year, commencing from 2011. The Acquisition was approved in an extraordinary general meeting of the Company on 6 October 2011, and was subsequently completed.

As disclosed in the latest annual report of the Company, the acquisition of 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) tourism industry, (C) timber logging. The timber logging business has not been carried out by the Group and the Company has focused on breeding and processing of traditional Chinese medicine, especially breeding and processing of underground ginseng. In order to extend the business to the timber logging, the logging permits are required. It has recently been discovered that the relevant logging permits could not be obtained. The relevant government authorities did not indicate the relevant logging permits could be obtained in the foreseeable future and no reason has been provided so far.

The key factor for the Group to pursue the Acquisition at that time was for the development of business of breeding of Chinese medicine herbs and the Group had no intention to expand to the business of the timber logging at that time. In this connection, the Group was not concerned whether the logging permits has been obtained at the time of Acquisition and the valuation conducted at the time of Acquisition did not take into account any valuation on logging permits or any possible economic return to be derived from timber logging on the Forest Land.

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, of which RMB2,300,000 has been returned by Fu Man Shan Zhen to Xinxing Co in December 2013. As a result of the said subsequent development, Fu Man Shan Zhen and Xinxing Co entered into the Settlement Agreement on 14 March 2014 whereby the parties thereto agreed and confirmed that: (i) the Forest Concession Right (subject to the Breeding Rights) shall be returned to Fu Man Shan Zhen; and (ii) Xinxing Co shall no longer be liable to settle the unpaid portion of the consideration pursuant to the Agreement. According to the Settlement Agreement, for a sum of approximately RMB102,300,000 paid by Xinxing Co: (a) RMB10,000,000 be paid by Fu Man Shan Zhen in cash within 15 days after the signing of the Settlement Agreement and (b) remaining sum of RMB90,000,000 be paid by 18 equal installments in cash in the coming 18 years before 31 December each year, commencing from 2014. In order to secure the repayment of the Amount owed by Fu Man Shan Zhen, Fu Man Shan Zhen also agreed that Xinxing Co shall continue to have the Breeding Rights until full payment, in addition to the right to further claim against Fu Man Shan Zhen for its default in repaying any part of the Amount owed, if any. For the avoidance of doubt, Fu Man Shan Zhen and Xinxing Co agreed that the ownership of any biological assets in the Forest Land shall belong to Xinxing Co. In the event of early repayment of the Amount owed by Fu Man Shan Zhen with prior consent of Xinxing Co, the Settlement Agreement will be terminated. The Breeding Rights shall lapse upon termination of the Settlement Agreement. The ownership of the biological assets on the Forest Land (if not harvested beforehand) will belong to Fu Man Shan Zhen instead after the termination. However, Xinxing Co has the right to harvest all biological assets on the Forest Land prior to the time of lapse of Breeding Rights. Further, Xinxing Co has the priority to continue to use the Forest Land on same rate as those offered by other parties, should it wish to continue to use the Forest Land.

The Settlement Agreement was approved on 29 May 2014 by Shareholders of the Company at a general meeting in accordance with the GEM Listing Rules. As at 30 June 2014, the remaining sum of RMB7,200,000 out of the RMB10,000,000 has been received by Xinxing Co.

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 (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 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/m², with the output of unit area of 1-2.5kg/m². 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 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 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. *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 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.

There is no significant improvement in the market demand in 2014 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 2013, turnover amounted to approximately RMB8,000 (2013: RMB5,000), representing a increase of approximately 60%; Other income amounted to approximately RMB323,000 (2013: RMB7,548,000), mainly comprise rental income of RMB500,000 from renting out of redundant plant, and other expenses amounted to RMB177,000. General, administrative and other operating expenses increase 613.94% to RMB20,326,000 (2013: 2,847,000) due to RMB90,000,000 to be paid by Fu Man Shan Zhen in cash in the coming 18 years recognized as long-term receivable resulting in a fair value loss of approximately RMB17,277,000 arising from the settlement arrangement. Finance costs decreased 14.06% due to partial repay loan. Total comprehensive income/(loss) attributable to Shareholders amounted to approximately RMB(20,717,000) (2013: RMB3,677,000).

Prospects

Xinxing Co belong to Antao Country which 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. 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) 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;

- (2) 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
- (3) 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.

The Group's vision is to become one of the leading pharmaceutical 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.

Looking forward, the Group will focus our resources in developing our breeding and processing 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 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 2014, the Company had total assets of approximately RMB135,970,000 which were financed by current liabilities of approximately RMB29,564,000, long term liability of approximately RMB30,100,000 which included unsecured unlimited-term and interest-free loan of RMB10,000,000 from China Hi-Tech Investment Company and shareholders' equity of approximately RMB76,306,000.

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, 2014, the Company had cash and bank balances of approximately RMB2,477,000. 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 2014, the Company did not have any committed borrowing facilities.

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

As at 30 June, 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.

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

As at 30 June 2014, 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 June, 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.

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, 2014 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

Throughout the year, the Group has been fully compliant with all code provisions of the Corporate Governance Code as contained in Appendix 15 of 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
9 August, 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.

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