

### **NORTHEAST TIGER PHARMACEUTICAL COMPANY LTD : LOVE THAT TIGER ?**

One distinguishing factor of many, if not most, companies, domiciled in the People's Republic of China (PRC), is that they will carry accounts receivable, longer than one year.

For most countries of the Western World, this is quite unacceptable, but for PRC companies, it is not uncommon, especially if there is an element of government involvement, any government, be it provincial or federal, that is.

Northeast Tiger Pharmaceutical Company Ltd (Code: 8197, The Growth Enterprise Market [The GEM] of The Stock Exchange of Hongkong Ltd) is no exception to the general rule.

This Company, whose shares were listed on The GEM, just last Thursday, February 28, is principally engaged in the production and sale of Chinese medicines in the PRC, under the brand name '*Northeast Tiger*'.

Page 165 of the Prospectus shows that, as at August 31, 2001, of the Turnover for the 8 months to August 31, 2001 of about 58.51 million renminbi\*, accounts receivable amounted to about 48.09 million renminbi, with about 7.22 million renminbi, being more than one year old.

The following is the aging analysis of the accounts receivable, as shown on Page 165:

	Financial Year ended December 31		Eight Months to August 31
	1999	2000	2001
	<b>All Figures are Denominated in Renminbi*000</b>		
Aged 0 to 30 days	15,833	15,623	14,085
Aged 31 days to 60 days	5,165	4,192	4,804
Aged 61 days to 90 days	2,280	2,285	9,974
Aged 91 days to 180 days	4,482	3,944	8,335
Aged 181 days to 270 days	2,116	8,225	1,709
Aged 271 days to 365 days	241	1,147	1,966
More than 365 days' old	Nil	5,348	7,215
<b>TOTAL</b>	<b>30,117</b>	<b>40,764</b>	<b>48,088</b>

Not surprisingly, the Company's Auditors, Arthur Andersen and Company, demanded (TARGET's assumption) that the Company make Provisions for the track-record period of about 1.32 million renminbi in 1999, 3.44 million renminbi in 2000, and about 5.62 million renminbi for the 8 months, ended August 31, 2001.

Northeast Tiger claims that its normal credit terms are from 90 days to 120 days, however, it appears that exceptions are more frequent than the rule.

#### **The History**

This Company's history goes back to November 8, 1996 when what is now, Northeast Tiger, was known as Jilin Far East Pharmaceutical Company Ltd. It changed its name to Jilin Northeast Tiger Drugs Company Ltd on August 8, 1997.

Today, a little less than 6 years after the Company's formation, Northeast Tiger employs 542 workers (Page 116 of the Prospectus) and is earning more than 22 million renminbi per annum.

The following financial statements are taken from Page 147 of the Prospectus:

	Financial Year ended December 31		Eight Months to August 31
	1999	2000	2001
	<b>All Figures are Denominated in Renminbi'000 (unless otherwise stated)</b>		
Turnover	76,622	84,431	58,508
(Cost of Sales)	(48,776)	(44,694)	(23,418)
Gross Profit	27,846	39,737	35,090
Gross Profit Margin	36.34 percent	47.06 percent	59.97 percent
Other Revenue	7	1,184	1,655
Distribution and Selling Expenses	(7,623)	(10,253)	(7,597)
General, Administrative and Other Operating Expenses	(3,920)	(8,443)	(9,261)
Operating Profit	16,310	22,225	19,887
Interest Income	19	38	13
Interest Expenses	(4)	(8)	(90)
Profit before Taxation	16,325	22,255	19,810
Taxation	Nil	(321)	(3,477)
Net Profit Attributable to Shareholders	16,325	21,934	16,333

Page 137 of the Prospectus, under the heading, Adjusted Net Tangible Assets, states that the Company's accounts, unaudited, shows that the Net Profit Attributable to Shareholders for the 4 months, ended December 31, 2001, was about 5.67 million renminbi.

Therefore, for the last Financial Year, Northeast Tiger booked a Net Profit Attributable to Shareholders of about 22 million renminbi (16.33 million renminbi for the 8 months to August 31, 2001, to which one would add the amount of 5.67 million renminbi, being the Net Profit for the 4 months, ended December 31, 2001).

This is about 66,000 renminbi more than the 2000 Financial Year's Bottom Line.

Getting back to the Adjusted Net Tangible Assets, found at Page 137, it is said to be about 117.14 million renminbi.

The calculation is as follows:

Audited Net Assets as at August 31, 2001	81,702,000 renminbi
Less: Intangible Assets	(15,333,000 renminbi)
Audited Net Tangible Assets as at August 31, 2001	66,369,000 renminbi
Unaudited Net Profits Attributable to Shareholders for the 4 Months, ended December 31, 2001, excluding Extraordinary Profits	5,667,000 renminbi
Surplus arising from Valuation of the Company's Property Interests as at December 31, 2001	6,370,000 renminbi
Estimated Net Proceeds from the Share Placements	38,734,000 renminbi
Adjusted Net Tangible Assets	117,140,000 renminbi
Adjusted Net Tangible Asset Value Per Share*	0.163 renminbi

\*719,654,240 shares in issue

With regard to fixed assets of this Company, they comprise an industrial complex, located at Jilin City, Jilin Province, the PRC, with a fair market value of about 21.75 million renminbi. (Page 179)

## **Going Public**

Northeast Tiger went public, it is claimed ... [CLICK TO ORDER FULL ARTICLE](#)

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