



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 2006

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

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The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims 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 ("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 nine months ended 30 September, 2006 was approximately RMB28,570,000 (2005: RMB39,355,000), representing a decrease of approximately 27% as compared with the same period in the previous year.
- Loss attributable to shareholders of the Company ("Shareholders") for the nine months ended 30 September, 2006 was approximately RMB6,670,000 (2005 Loss: RMB680,000).
- Loss per share ("Shares") of the Company for the nine months ended 30 September, 2006 was approximately RMB0.9 cents.
- The Directors do not recommend the payment of any dividend for the nine months ended 30 September, 2006.

RESULTS (UNAUDITED)

The board of Directors ("Board") is pleased to announce the unaudited results of the Company for the nine months ended 30 September, 2006, 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,	
		2006 RMB'000	2005 RMB'000	2006 RMB'000	2005 RMB'000
Turnover	b	28,570	39,355	8,970	12,751
Cost of sales		(24,563)	(24,516)	(8,307)	(7,401)
Gross profit		4,007	14,839	663	5,350
Other revenue	c	0	(2)	0	(3)
Distribution and selling expenses		(3,651)	(6,232)	(830)	(1,691)
General, administrative and other operating expenses		(5,873)	(8,139)	(1,687)	(2,578)
Operating profit/(Loss)	d	(5,517)	466	(1,854)	1,078
Finance costs		(1,153)	(1,146)	(388)	(420)
Profit/(Loss) before taxation		(6,670)	(680)	(2,242)	658
Taxation	e	0	0	0	0
Loss attributable to shareholders		(6,670)	(680)	(2,242)	658
Dividends		N/A	N/A	N/A	N/A
		RMB	RMB	RMB	RMB
Profit/(Loss) per Share – basic	f	(0.9) cents	(0.1) cents	(0.3) cents	0.1 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, 2006 are consistent with those used in the audited accounts issued for the year ended 31 December, 2005.

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

	Nine months ended		Three months ended	
	30 September,		30 September,	
	2006	2005	2006	2005
	RMB'000	RMB'000	RMB'000	RMB'000
Government subsidies	0	0	0	0
Others	0	(2)	0	(3)
	0	(2)	0	(3)

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		Three months ended	
	30 September,		30 September,	
	2006	2005	2006	2005
	RMB'000	RMB'000	RMB'000	RMB'000
- Interest expenses	1,144	1,141	393	418
- Depreciation of Fixed assets	3,513	4,136	1,199	1,390
- Amortization of intangible assets/land use right	229	1,448	197	483

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 15%.

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.

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 nine months ended 30 September, 2006 are 746,654,240 (2005: 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

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

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	Property revaluation Reserve	Others				
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January, 2005 (Restated)	19,027	1,572	11,326	3,928	5,757	8,143	49,753
Net profit/(loss) for the period	-	-	-	-	-	(680)	(680)
Government Subsidies	-	-	-	-	-	-	-
Profit appropriated to reserve funds	-	-	-	-	-	-	-
As at 30 September, 2005	19,027	1,572	11,326	3,928	5,757	7,463	49,013
As at 1 January, 2006	19,027	-	11,326	3,928	5,757	(16,094)	23,944
Net profit/(loss) for the period	-	-	-	-	-	(6,670)	(6,670)
Government Subsidies	-	-	-	-	-	-	-
Profit appropriated to reserve funds	-	-	-	-	-	-	-
As at 30 September, 2006	19,027	-	11,326	3,928	5,757	(22,764)	17,274

DIVIDENDS

The Board does not recommend the payment of any interim dividend for the nine months ended 30 September, 2006 (2005: nil).

BUSINESS REVIEW AND PROSPECTS

Business review

For the period ended 30 September, 2006, turnover amounted to approximately RMB28,570,000, representing a decrease of approximately 27% as compared with the corresponding period in 2005. The main reason attribute to such decrease was changing of product sales mix.

During the period under review, loss attributable to Shareholders amounted to approximately RMB6,670,000 (2005: loss RMB680,000). The main reasons for the loss attributable to Shareholders included: i) overall gross profit margin dropped around 24% from approximately 38% to approximately 14% due to high raw material, energy and power price; ii) Intensified price competition.

Prospects

Looking forward, the competition within certain segment of domestic pharmaceutical market is expected to continue during 2006. The Company will keep striving to broaden its source of income, cut costs and continuously improve research and development capability in order to improve its operating result and reward its shareholders.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 September 2006, the Company had total assets of approximately RMB145,501,000 which were financed by current liabilities of approximately RMB53,562,000 and shareholders equity of approximately RMB91,939,000.

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, 2006, the Company had cash and bank balances of approximately RMB14,926,000, and short-term borrowings of RMB34,520,000, including unsecured interest-free loan of RMB10,000,000 from China Hi-Tech Investment Company. Taken into consideration of its current financial resources, the Directors believe that the Company shall have adequate fund for its continual operation and development.

Except for the borrowings disclosed above, as at 30 September, 2006, the Company did not have any committed borrowing facilities.

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

As at 30 September, 2006, 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 personally interested	Approximate percentage of Shareholding (%)
Xu Zhe	183,482,440	24.57
Xu Dao Tian	150,644,480	20.17
Zhang Ya Bin	1,618,960	0.21
Leng Zhan Ren	1,349,140	0.17
	338,983,810	45.12

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, 2006, 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, 2006, 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 (%)
Liu Yang	194,194,580	26.01

Save as disclosed above, as at 30 September, 2006, 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 Ms. Liu Jin, 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, 2006 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.

PRACTICES AND PROCEDURES OF THE BOARD

The Directors considered that during the period under review, the Company has complied with the requirement of Board practices and procedures as set out in Rules 5.34 to 5.45 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

Xu Zhe

Chairman

Jilin, the PRC

10 November, 2006

As at the date of this report, the Board comprises the following Directors:

Executive Directors:

Xu Zhe

Du Li Hua

Xu Dao Tian

Leng Zhan Ren

Independent Non-Executive Directors:

Liu Jin

Niu Shu Min

Zhao Zhen Xing