



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 2011

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

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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 nine months ended 30 September, 2011 was approximately RMB1,429,000 (2010: RMB13,414,000), representing a decrease of approximately 89.35% as compared with the same period in the previous year.
- Profit/(Loss) attributable to shareholders of the Company ("Shareholders") for the nine months ended 30 September, 2011 was approximately RMB(6,227,000) (2010: RMB(7,320,000)).
- Earnings/(Loss) per share ("Shares") of the Company for the nine months ended 30 September, 2011 was approximately RMB(0.83) cents.
- The Directors do not recommend the payment of any dividend for the nine months ended 30 September, 2011.

RESULTS (UNAUDITED)

The board of Directors ("Board") hereby announces the unaudited results of the Company for the nine months ended 30 September, 2011, together with the comparative figures for the corresponding periods of the previous financial year, as follows:

		Nine months ended 30 September, 2011		Three months ended 30 September, 2011	
	Notes	RMB'000	2010 RMB'000	RMB'000	2010 RMB'000
Turnover	b	1,429	13,414	99	3,138
Cost of sales		(1,391)	(9,202)	(82)	(2,573)
Gross profit		38	4,212	17	565
Other revenue	c	11.00	-	-	-
Distribution and selling expenses		(2,386)	(3,049)	(772)	(1,174)
General, administrative and other operating expenses		(1,387)	(8,130)	(1,240)	(2,496)
Operating profit/(Loss)	d	(3,724)	(6,967)	(1,995)	(3,105)
Finance costs		(2,503)	(353)	(825)	(134)
Profit/(Loss) before taxation		(6,227)	(7,320)	(2,820)	(3,239)
Taxation	e	-	0	-	0
Profit/(Loss) after taxation		(6,227)	(7,320)	(2,820)	(3,239)
Other comprehensive income		-	-	-	-
Total comprehensive income/(Loss) attributable to shareholders		(6,227)	(7,320)	(2,820)	(3,239)
Dividends		N/A	N/A	N/A	N/A
		RMB	RMB	RMB	RMB
Earnings/(Loss) per Share -basic	f	(0.83) cents	(0.98) cents	(0.38) cents	(0.43) 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, 2011 are consistent with those used in the audited accounts issued for the year ended 31 December, 2010.

b. Turnover

Sales of goods are recognized when the significant risks and rewards of ownership of goods have been transferred to the buyer.

c. Other revenue

	Nine months ended 30 September, 2011		Three months ended 30 September, 2011	
	RMB'000	2010 RMB'000	RMB'000	2010 RMB'000
Government subsidies	-	-	-	-
Others	-	-	-	-
	-	-	-	-

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

d. Operating profit

Operating profit is stated after charging the following items:

	Nine months ended 30 September, 2011		Three months ended 30 September, 2011	
	RMB'000	2010 RMB'000	RMB'000	2010 RMB'000
-Interest expenses	2,503	358	825	131
-Depreciation of Fixed assets	2,129	1,966	695	698
-Amortization of land use right	183	183	61	61

e. Taxation

The Company was established in the Jilin High-Technology Development Zone, the PRC. It is subject to enterprise income tax at a rate of 25%.

The Company provides for taxation on the basis of its income for financial reporting purpose, adjusted for income and expense items which are not assessable or deductible for income tax purpose.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Initial recognition of assets or liabilities that affect neither accounting nor taxable profit is regarded as a temporary difference which is not provided for. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be used. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

f. Earnings/(Loss) per Share

The calculation of basic earnings per Share for a relevant period is based on unaudited profit attributable to Shareholders for the period, divided by the respective weighted average number of ordinary shares in issue during the period. The weighted average number of ordinary shares in issue for the nine months ended 30 September, 2011 are 746,654,240 (2010: 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	Others				
	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000
As at 1 January 2010	19,027	11,326	3,928	5,757	(29,471)	10,567
Net profit/(loss) for the period	-	-	-	-	(7,320)	(7,320)
Government Subsidies	-	-	-	-	-	-
Profit appropriated to reserve funds	-	-	-	-	-	-
As at 30 September 2010	19,027	11,326	3,928	5,757	(36,791)	3,247
As at 1 January 2011	19,027	11,326	-	9,685	(51,841)	(11,803)
Net profit/(loss) for the period	-	-	-	-	(6,227)	(6,227)
Government Subsidies	-	-	-	-	-	-
Profit appropriated to reserve funds	-	-	-	-	-	-
As at 30 September 2011	19,027	11,326	3,928	5,757	(58,068)	(18,030)

DIVIDENDS

The Board does not recommend the payment of any interim dividend for the nine months ended 30 September, 2011 (2010: nil).

BUSINESS REVIEW AND PROSPECTS

Business review

The Company was established in Jilin High-Technology Development Zone, the People's Republic of China ("PRC"). It is principally engaged in the manufacture and sale of Chinese medicines under the brand name of "Northeast Tiger" in the PRC as well as conducting pharmaceutical research and development. The Company owns several production lines which were granted GMP and GSP certifications by the State Food And Drug Administration, namely large volume injection, small volume injection, granules, tablets, capsules, liquid pills and raw material (Yong Chong Cao Jun Powder) etc.

The year 2011 was an important one in which the Company embarked on a new development. At a time when its existing manufacture and sale of Chinese medicines under the brand name of "Northeast Tiger" businesses were under extreme difficulties, the Group had, upon considering the long-term interests of all shareholders, decided to switch to a new direction and venture into the highly promising breeding of underground ginseng and related Chinese medicine herbs business. After carrying out in-depth studies and probing of the industry, and with much active lobbying, searching and surveying, 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 proposed acquisition has been approved at the Extraordinary General Meeting by shareholders of the Company on 6 October 2011. To fully demonstrate our keenness in building up this new business, the Company started the active recruitment of notables in Jilin Province's breeding of underground ginseng and related Chinese medicine herbs business, e.g. Mr. Li Aimin (李愛民), Mr. Zhang Jun (張軍) and Mr. Wang Junhai (王君海) (see Profiles of Directors, Supervisors and Senior Management section), and set up a strong management team of professionals. This management team is charged with laying a good foundation for the Company's long-term development in the business and seize development opportunities and growth momentum as they come along.

The Ecology Construction Outline of Jilin Province (吉林省生態省建設綱要), the Planning for Forestry Industry Development in Jilin (吉林林業產業發展規劃), the National Economy and Social Development Planning in Yanbian Korean Autonomous Prefecture (延邊自治區國民經濟與社會發展規劃) and other economic and industrial policies, promulgated by Jilin Provincial Government, aim to attract enterprises to invest in forestry industry and support various protective development and use of forest resources and forest land environment to develop local economy of Jilin Province.

Yanbian Prefecture (延邊自治區) and Antao County (安圖縣) are mainly mountainous areas in Jilin Province. For striving to develop local economy, the local government 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 tourism 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 with private enterprises. As such the Board considers that the Acquisition will be beneficial to the future development of the Company's breeding of underground ginseng and Chinese medicine herbs.

After official access to the World Trade Organization (WTO), the PRC has blended into international economic system and its quality of agricultural products has become a core to compete with other countries in the international market. Traditional Chinese medicine herbs are mainly exported to Asia, North America and Europe. Asian countries include Japan, Taiwan, Vietnam, Hong Kong, Korea, Singapore and India. In North America and Europe, the traditional Chinese medicine herbs are mainly sold to the United States of America and Germany.

At present, the PRC has exported around 500 traditional Chinese herbs materials, of which, the materials produced in Northeast part of the PRC are, for example, ginseng, antler (鹿茸), schisandra chinensis (五味子), asarum (細辛), forest frog's oviduct (林蛙油) etc. Taking into account the climatic condition and environment, Jilin Province is an area suitable for breeding of many kinds of Chinese medicine herbs.

Since 2005, Chinese herbal slices industry (中藥飲片行業) has grown very fast. 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.

For the period ended 30 September, 2011, turnover amounted to approximately RMB1,429,000 (2010: RMB13,414,000), representing a decrease of approximately 89.35% as compared with the corresponding period in 2010. Total comprehensive loss attributable to Shareholders amounted to approximately RMB6,227,000 (2010: total comprehensive loss: RMB7,320,000). During the period under review, due to the Group is planning to shift the business direction to focus our resources in developing our breeding of underground ginseng and related Chinese medicine herbs business, the sales of the Company has been temporarily affected. As the acquisition has been approved by the extraordinary general meeting, currently the Group is make full effort to push relevant production and sales. During the period under review, the finance costs increased around 6.1 times due to the Group need to borrow from bank to finance the acquisition resulted in increased interest expenses; Other costs or expenses items decreased respectively as the turnover decreased, especially the General, administrative and other operating expenses decreased 83% due to the Group successfully collected back a few long-outstanding account receivables and written-back over-provided impairment loss on account receivables according to our credit policy.

In order to match up the acquisition mentioned above, by the end of September this year, the Group has successfully collected the outstanding accounting receivables for around RMB11,000,000 which has dramatically increased our cash flow, and the Group expect to collect RMB7,000,000 more outstanding accounting receivables back till the end of year. Meanwhile, substantial shareholders of the Company have expressed their intention to provide all necessary financial support to the Group.

Prospects

The Group has been engaging in the manufacture 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 Group'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 Group'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.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 September 2011, the Company had total assets of approximately RMB112,344,000 which were financed by liabilities of approximately RMB55,709,000 and shareholders' equity of approximately RMB56,635,000.

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, 2011, the Group had cash and bank balances of approximately RMB2,852,000. The Group expect to collect more outstanding accounting receivables back till the end of year. Meanwhile, substantial shareholders of the Company have expressed their intention to provide all necessary financial support to the Group. Taken into consideration of its current financial resources, the Directors believe that the Company shall have adequate fund for its continual operation and development.

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

As at 30 September, 2011, 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
Wang Xue Hua	150,644,480	20.18
Zhang Ya Bin	1,618,960	0.22
	529,940,460	70.98

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, 2011, 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, 2011, the Directors were not aware of any persons or companies (not being a Director or Supervisor of the Company) who had an interest or short position in the Shares of the underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or who was interested in 5% or more of the nominal value of any class of share capital, or options in respect of such capital, carrying rights to vote in all circumstances at general meetings of the Company.

COMPETING INTERESTS

None of the Directors and Supervisors, the management shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) has an interest in any business which competes or may compete with the business of the Company.

AUDIT COMMITTEE

Pursuant to Rule 5.28 of the GEM Listing Rules, the Company has set up an audit committee. In compliance with Rule 5.29 of the GEM Listing Rules, the authority and responsibility of the audit committee has been properly written out. The primary duties of the audit committee are to review and supervise the financial reporting and internal control systems of the Company. The audit committee comprises Mr. Lam Kai Yeung, Ms. Niu Shu Min and Mr. Zhao Zhen Xing, all of whom are independent non-executive Directors.

The audit committee had conducted a meeting and reviewed the Company's unaudited results for the period ended 30 September, 2011 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.

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
11 November, 2011

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