



EVERPRIDE BIOPHARMACEUTICAL COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

Interim Report 2001

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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability.

Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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Contents

3
Highlights
4
Results
8
Business Review and Prospects
11
Other Information

HIGHLIGHTS

- The shares of the Company have been listed on GEM since 20 July, 2001.
- Turnover for the six months ended 30 June, 2001 was approximately RMB73.2 million representing an increase of approximately 20.5 per cent. over the corresponding period in 2000.
- Operating profit for the six months ended 30 June, 2001, decreased to approximately RMB21.7 million representing a decrease of approximately 21.0 per cent. as compared with the corresponding period in 2000.
- Earnings per share was approximately RMB3.72 cents.
- The Directors do not recommend payment of interim dividend for the six months ended 30 June, 2001.

RESULTS

The board (“Board”) of Directors of the Company is pleased to announce the unaudited combined results of the Company and its subsidiaries (together, the “Group”) for the six and three months ended 30 June, 2001 together with the comparative unaudited figures for the corresponding periods in 2000 as follows:—

	<i>Notes</i>	Six months ended		Three months ended	
		30 June,		30 June,	
		2001	2000	2001	2000
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Turnover	(2)	73,183	60,709	29,679	26,945
Cost of sales		(27,545)	(13,992)	(11,624)	(6,539)
Gross profit		45,638	46,717	18,055	20,406
Distribution and marketing costs		(14,472)	(15,902)	(3,738)	(7,205)
Administrative expenses		(9,516)	(3,394)	(4,357)	(1,737)
Profit from operations		21,650	27,421	9,960	11,464
Finance cost		(109)	(115)	(58)	(57)
Profit before taxation		21,541	27,306	9,902	11,407
Taxation	(3)	(4,440)	—	(2,085)	—
Net profit for the period		17,101	27,306	7,817	11,407
Dividends		—	—	—	—
Earnings per share —					
basic	(4)	3.72 cents	5.94 cents	1.70 cents	2.48 cents

Notes:

(1) Group reorganisation and basis of presentation

The Company was incorporated in the Cayman Islands under the Companies Law (2001 Second Revision) of the Cayman Islands as an exempted company with limited liability on 1 August, 2000. Pursuant to a group reorganisation (the “Reorganisation”) in preparation for the listing of the Company’s shares on GEM, the Company became the ultimate holding company of the Group on 5 July, 2001. Further details of the Reorganisation are set out in the Company’s prospectus dated 16 July, 2001. The Company’s shares have been listed on GEM since 20 July, 2001.

The Reorganisation has been reflected in the accounts of the Group, which comprises the Company and its subsidiaries, as a continuing entity. Accordingly, the Group’s accounts for the six months ended 30 June, 2001 and 2000 have been prepared using the merger basis of accounting as if the current Group structure had been in existence since 1 January, 2000, and comprise the results of the companies being members of the Group since 1 January, 2000 or the date of incorporation, whichever is later. In the opinion of the Directors, the accounts prepared on the above basis present fairly the results and the state of affairs of the Group as a whole.

The principal accounting policies adopted in preparing the unaudited combined results conform to the International Accounting Standards issued by the International Accounting Standards Committee.

(2) Turnover

The Group’s turnover represented the sales of “Plasmin Capsule” after allowance for returns and discount.

(3) Taxation

	Six months ended		Three months ended	
	30 June,		30 June,	
	2001	2000	2001	2000
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
PRC income tax	4,440	—	2,085	—
Hong Kong profits tax	—	—	—	—
Deferred tax	—	—	—	—
	4,440	—	2,085	—

The subsidiary of the Company in the People's Republic of China ("PRC"), Shanxi Everpride Pharmaceutical Co., Ltd. ("Everpride Pharmaceutical"), is subject to PRC enterprise income tax on taxable income as reported in its statutory financial statements adjusted in accordance with relevant income tax laws. Pursuant to the relevant income tax laws and regulations in PRC, Everpride Pharmaceutical is entitled to full exemption from income tax for two years starting from the first profit-making year and a 50 per cent. reduction for the next three years. The year ending 31 December, 2001 was the third profit-making year of Everpride Pharmaceutical. Everpride Pharmaceutical is therefore entitled to a 50 per cent. PRC enterprise income tax reduction. The existing income tax rate of Everpride Pharmaceutical after the said 50 per cent. reduction is 18 per cent.

The Group had no income assessable under Hong Kong profits tax for the six months and the three months ended 30 June, 2001 and 2000.

The Company is exempt from taxation in the Cayman Islands until 2020.

There was no material deferred taxation for the six months and three months ended 30 June, 2001 and 2000.

(4) Earnings per share

The calculation of the basic earnings per share for the six months ended 30 June, 2001 and 2000 is based on the unaudited combined profit attributable to shareholders of approximately RMB17,101,000 and RMB27,306,000, respectively, and on the assumption that 460,000,000 shares had been in issue during the respective periods.

The calculation of the basic earnings per share for the three months ended 30 June, 2001 and 2000 is based on the unaudited combined profit attributable to shareholders of approximately RMB7,817,000 and RMB11,407,000, respectively, and on the assumption that 460,000,000 shares had been in issue during the respective periods.

Diluted earnings per share for the six months and three months ended 30 June, 2001 and 2000 have not been calculated because no significant potential dilutive ordinary shares existed during such periods.

(5) Reserves

Movement in the reserves of the Group during the relevant periods were as follows:—

	Six months ended		Three months ended	
	30 June,		30 June,	
	2001	2000	2001	2000
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Statutory surplus reserve				
Beginning of the period	7,319	1,948	7,319	1,948
Transfer from retained earnings	—	—	—	—
End of the period	7,319	1,948	7,319	1,948
Retained earnings				
Beginning of the period	25,220	9,575	34,504	25,474
Profit for the period	17,101	27,306	7,817	11,407
Transfer to statutory surplus reserve	—	—	—	—
Dividends	—	—	—	—
End of the period	42,321	36,881	42,321	36,881

BUSINESS REVIEW AND PROSPECTS

Business Review

For the six months ended 30 June, 2001, the turnover of the Group amounted to approximately RMB73.2 million, representing an increase of approximately 20.5 per cent. over the corresponding period in 2000. Operating profit of the Group decreased to approximately RMB21.7 million, representing a decrease of approximately 21.0 per cent. as compared with the same period in 2000, principally attributable to the reduction in the selling price of the Group's product.

The growth in the turnover of the Group was primarily due to its enhanced marketing efforts and sales and distribution capability in Hong Kong and the Philippines through Everpride Pharmaceutical (H.K.) Co., Ltd. ("Everpride Hong Kong"). The turnover of the Group arising from the sales in these markets increased to approximately HK\$21.5 million, representing approximately 31.4 per cent. of the total turnover of the Group, for the six months ended 30 June, 2001 from approximately HK1.1 million, representing approximately 0.8 per cent. of the total turnover of the Group, for the year ended 31 December, 2000.

The decrease in the operating profit of the Group was a result of reduction in the selling price of the 36-capsule "Plasmin Capsule". As disclosed in the prospectus (the "Prospectus") of the Company dated 16 July, 2001, such price reduction was requested by the Shanxi Provincial Price Administration Bureau and was in line with the policy of the State Development and Planning Commission to reduce the costs of domestic medicines and the medical costs in order to complement the reforms of the basic medicare insurance system for urban workers. The Directors believe that such price reduction was beneficial to the inclusion of "Plasmin Capsule" in the "State Basic Pharmaceutical Catalogue" and the "Public Medicare Insurance Catalogue" in the PRC and, therefore, will increase the competitiveness of the Group's product.

The profit attributable to the shareholders of the Group for the six months ended 30 June, 2001 decreased by approximately 37.4 per cent. as compared with the same period last year. Such decrease was due to the price reduction of the Group's product and the PRC enterprise income tax of 18 per cent. to be incurred in 2001. The Directors anticipate that the expected increase in overseas sales of the Group will contribute positively to the performance of the Group for the year ending 31 December, 2001.

During the six months ended 30 June, 2001, the Group had been actively pursuing its business objectives, details of which were disclosed in the Prospectus.

Prospects

In addition to the development of overseas markets through Everpride Hong Kong, the Directors intend to continue to strengthen the sales and distribution capability of the regional sales and distribution centre in Shanghai and increase the level of advertising and promotional activities in the PRC in order to further explore the markets in Eastern and South-eastern China.

Staphylokinese is a genetic-engineered medicine which is the third generation of thrombotic medicine. This project has basically completed its pre-clinical pharmacology toxication and efficacy tests as a new medicine. As disclosed in the Prospectus, it is intended that a clinical application sample and other related materials will be submitted to the State Drug Administration of the PRC before December 2001. The Directors expect that this project will complete its clinical trials, obtain new medicine certificate and commence trial production by June 2003.

The construction by the Group of a Good Manufacturing Practice compliant production complex in Tai Gu County, Shanxi Province is still ongoing and is expected to be completed by December 2001. Prior to the establishment of its own production complex, the Group will continue to maintain its current production arrangements by employing subcontractors as its principal means of production.

By order of the Board
Everpride Biopharmaceutical Company Limited
Chung Chi Mang
Chairman

Hong Kong, 13 August, 2001

OTHER INFORMATION

Interim Dividend

The Directors do not recommend payment of interim dividend for the six months period ended 30 June, 2001 (six months ended 30 June, 2000: HK\$Nil).

Directors' and chief executive's interest in securities

As at 20 July, 2001 (date of listing) and the date of this report, according to the register required to be kept by the Company under Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), the interests of the Company's Directors, chief executive and their associates were as follows:—

(a) *Shares in the Company*

<u>Name of Director</u>	<u>Corporate Interests</u>	<u>Personal/ Family/ Other Interest</u>	<u>Total</u>	<u>Percentage of issued Shares</u>
Chung Chi Mang	450,000,000	—	450,000,000	75

Chung Chi Mang ("Mr. Chung") is the sole shareholder and sole director of Montgomery Property Limited which is the holder of 75 per cent. of the share capital of the Company.

(b) *Options to subscribe for shares in the Company*

Pursuant to a share option scheme adopted by the Company on 5 July, 2001, the Directors may, at their discretion, offer full-time employees and executive directors of the Company options to subscribe for shares in the Company subject to the terms and conditions stipulated therein. As at 20 July, 2001 (date of listing) and the date of this report, none of the Directors and employees of the Company or its subsidiaries was granted options to subscribe for shares in the Company.

Substantial Shareholders

As at 20 July, 2001 (date of listing) and the date of this report, the register of substantial shareholders maintained under Section 16(1) of the Securities (Disclosure of Interests) Ordinance showed that the Company has been notified of the following interests, being 10 per cent. or more of the Company's issued share capital.

Name	Number of Shares	Percentage of holding
Montgomery Property Limited (<i>Note</i>)	450,000,000	75

Note: Montgomery Property Limited is a company established in the British Virgin Islands with limited liability and wholly owned by Mr. Chung, the Chairman and executive Director of the Company.

Competing Interest

Pursuant to a deed of non-competition undertaking dated 10 July, 2001 entered into between Mr. Chung and the Company, Mr. Chung has undertaken that at any time during which securities of the Company are listed on and for so long as Mr. Chung controls the exercise of 35 per cent. or more of the voting power at general meeting of the Company, he will not and will procure that his associates (being any company in the equity capital of which he and/or his family interest taken together are directly or indirectly interested so as to exercise or control the exercise of 20 per cent. or more of the voting power at general meetings, or to control the composition of a majority of the board of directors and any other company which is its subsidiary or holding company or a fellow subsidiary of any such holding company) will not directly or indirectly carry on or be engaged or concerned or interested in any other business that is similar to the business of any member of the Group as described in the Prospectus.

Saved as disclosed above and in the Prospectus, none of the Directors or the management shareholders (as defined in the GEM Listing Rules) of the Company had an interest in a business which competes or may compete with the business of the Group in the PRC.

Sponsor's Interests

The sponsor of the Company is DBS Asia Capital Limited ("DBS Asia").

Pursuant to a stock borrowing agreement dated 13 July, 2001, DBS Asia borrowed a total of 22,500,000 shares of the Company from Montgomery Property Limited to cover over-allocations under the placing of the shares of the Company. As mentioned in the Prospectus, DBS Asia may cover such over-allocations by means of exercising the over-allotment option or making open-market purchases in the secondary market or a combination of both. In the event that DBS Asia chooses to exercise the over-allotment option, the Company will make a separate report.

Pursuant to a sponsor's agreement dated 13 July, 2001 entered into between the Company and DBS Asia, DBS Asia has been retained to act as the Company's sponsor for the period from 20 July, 2001 to 31 December, 2003 in return for an advisory fee.

Save as disclosed herein, none of DBS Asia, its directors, employees or associates (as referred to in to Rules 6.35 and 18.63 of the GEM Listing Rules) had any interests in any class of securities of the Company or any other company in the Group (including options or rights to subscribe for such securities) as at the date of this report.

Audit Committee

The Company established an audit committee in July 2001 with terms of reference in compliance with Rules 5.23 and 5.24 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and the internal control system of the Group. The audit committee has two members comprising Mr. Kwok Wai Fung (who is acting as the chairman of the audit committee) and Ms. Zhang Zuxun, the two independent non-executive Directors.

The Group's unaudited results for the six months ended 30 June, 2001 have been reviewed by the audit committee, and it was of the opinion that the preparation of such results complied with the applicable standards and the Stock Exchange and legal requirements and that the internal reporting and control system of the Group had been properly implemented and there were no material adverse affairs in the operation of the Group. During the six months period ended 30 June, 2001 and as at the report date, no material matters were identified and reported by the Board to the audit committee and the supervisory committee. The auditors of the Group, Arthur Andersen & Co., have also reviewed the unaudited combined results for the six months ended 30 June, 2001 and the internal reporting and control system of the Group and were of the opinion that the internal reporting and monitoring system has been properly implemented and that there were no abnormal matters in the operation of the Group that came to their attention.

Purchase, sale or redemption of shares

None of the members of the Group had purchased, sold or redeemed any of the Company's shares during the period from 20 July, 2001 (date of listing) to the date of this report.