



EVERPRIDE BIOPHARMACEUTICAL COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

Third Quarter 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.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website with the domain name of www.hkgem.com in order to obtain up-to-date information on GEM-listed issuers.



Contents

3

Highlights

4

Results

8

Business Review and Prospects

11

Other Information

2

HIGHLIGHTS

- The shares of the Company have been listed on GEM since 20 July, 2001.
- Turnover of the Group for the nine months ended 30 September, 2001 was approximately RMB97,113,000, representing an increase of approximately 1 per cent. over the corresponding period in 2000.
- Operating profit of the Group for the nine months ended 30 September, 2001 was approximately RMB25,217,000, representing a decrease of approximately 29 per cent. as compared with the corresponding period in 2000.
- Earnings per share was approximately RMB3.93 cents.
- The Directors do not recommend payment of a dividend for the nine months ended 30 September, 2001.

RESULTS

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

	<i>Notes</i>	Three months ended		Nine months ended	
		30 September,		30 September,	
		2001	2000	2001	2000
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Turnover	(2)	23,930	35,680	97,113	96,389
Cost of sales		(5,248)	(14,386)	(32,793)	(28,378)
Gross profit		18,682	21,294	64,320	68,011
Distribution and marketing costs		(7,594)	(8,511)	(22,066)	(24,413)
General and administrative expenses		(7,521)	(4,805)	(17,037)	(8,199)
Profit from operations		3,567	7,978	25,217	35,399
Finance cost, net		17	(272)	(92)	(387)
Profit before taxation		3,584	7,706	25,125	35,012
Taxation	(3)	(1,145)	—	(5,585)	—
Profit attributable to shareholders		2,439	7,706	19,540	35,012
Dividends	(5b)	—	—	—	28,000
Earnings per share					
— basic	(4)	0.43 cents	1.68 cents	3.93 cents	7.61 cents

Notes:

(1) Group reorganisation and basis of presentation

The Company was incorporated in the Cayman Islands on 1 August, 2000 under the Companies Law (2000 Revision) of the Cayman Islands as an exempted company with limited liability. 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. Details of the Reorganisation are set out in the Company’s prospectus (the “Prospectus”) dated 16 July, 2001. The Company’s shares have been listed on GEM since 20 July, 2001.

The Reorganisation, which involved companies under common control, has been reflected in the accounts of the Group as a continuing group comprising the Company and its subsidiaries. Accordingly, the Reorganisation has been accounted for including the consolidated results of operations of the group companies as if the Company had been the holding company of the other companies comprising the Group throughout the three months and the nine months ended 30 September, 2001 and 2000, rather than from the date on which the Reorganisation was completed. In the opinion of the Directors, the accounts prepared on this 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 consolidated 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 and commission income.

(3) Taxation

	Three months ended		Nine months ended	
	30 September,		30 September,	
	2001	2000	2001	2000
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
PRC enterprise income tax	1,145	—	5,585	—

The Company is exempt from taxation in the Cayman Islands until 2020. No Hong Kong profits tax was provided as the Group had no assessable profit arising in or derived from Hong Kong. PRC enterprise income tax was provided at a rate of 18 per cent. (2000: Nil) by Shanxi Everpride Pharmaceutical Co., Ltd., ("Everpride Pharmaceutical"), a wholly owned subsidiary established in the PRC.

(4) Earnings per share

The calculation of the basic earnings per share for the three months and the nine months ended 30 September, 2001 was based on the unaudited consolidated profit attributable to shareholders of approximately RMB2,439,000 and RMB19,540,000 (2000: RMB7,706,000 and RMB35,012,000), and the weighted average number of approximately 571,000,000 and 497,000,000 (2000: 460,000,000 and 460,000,000) ordinary shares in issue throughout the relevant accounting periods respectively, after taking into consideration of the capitalisation issue in July 2001 as described in the Company's Prospectus.

Diluted earnings per share was not presented because there were no dilutive potential ordinary shares in existence during the period ended 30 September, 2001 (2000: Nil).

(5) Reserves

Movement in the reserves of the Group were as follows:—

	Statutory surplus reserve	Share premium	Capital reserve ^(a)	Retained earnings	Cumulative Translation Adjustments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance as at						
1 January, 2000	1,948	—	—	9,575	—	11,523
Transfer from (to)						
statutory surplus reserve	3,758	—	—	(3,758)	—	—
Profit attributable to shareholders	—	—	—	35,012	—	35,012
Dividends ^(b)	—	—	—	(28,000)	—	(28,000)
Balance as at						
30 September, 2000	5,706	—	—	12,829	—	18,535
Balance as at						
1 January, 2001	7,319	—	—	25,220	—	32,539
Effect of the						
Reorganisation	—	—	8,338	—	—	8,338
Premium on issue of ordinary shares	—	59,171	—	—	—	59,171
Capitalisation of share premium	—	(49,220)	—	—	—	(49,220)
Share issuance expenses	—	(9,951)	(1,010)	—	—	(10,961)
Translation differences	—	—	—	—	(229)	(229)
Profit attributable to shareholders	—	—	—	19,540	—	19,540
Balance as at						
30 September, 2001	7,319	—	7,328	44,760	(229)	59,178

(a) The capital reserve of the Group represented the difference between the nominal value of the ordinary shares issued by the Company and the aggregate of the share capital and share premium of a subsidiary acquired through an exchange of shares pursuant to the Reorganisation.

(b) No dividend has been paid or declared by the Company since its incorporation. The dividend for the period ended 30 September, 2000 was declared and paid by Everpride Pharmaceutical to its then shareholder.

BUSINESS REVIEW AND PROSPECTS

Business Review

The shares of the Company were listed on GEM on 20 July, 2001. An amount of net proceeds of approximately HK\$56,000,000 was raised to accelerate the business growth of the Group.

For the nine months ended 30 September, 2001, the turnover of the Group amounted to approximately RMB97,113,000, representing an increase of approximately 1 per cent. over the corresponding period in 2000. Operating profit of the Group was approximately RMB25,217,000, representing a decrease of approximately 29 per cent. as compared with the corresponding period in 2000, principally attributable to the reduction in the selling price of the Group's product and the increased administrative expenses of the Group in respect of its head office in Hong Kong.

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\$32.40 million, representing approximately 36 per cent. of the total turnover of the Group for the nine months ended 30 September, 2001, from approximately HK\$1.1 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 the reduction in the selling price of the 36-capsule "Plasmin Capsule" and the increased administrative expenses of the Group in respect of its head office in Hong Kong. As disclosed in the Prospectus, such price reduction was requested by the Shanxi Provincial Price Administration Bureau and was consistent 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, is expected to increase the competitiveness of the Group’s product.

The profit attributable to the shareholders of the Company for the nine months ended 30 September, 2001 decreased by approximately 44 per cent. as compared with the corresponding period in 2000. Such decrease was principally due to the increased administrative expenses of the Group in respect of its head office in Hong Kong and the PRC enterprise income tax of 18 per cent. incurred in 2001.

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 a third-generation thrombotic medicine. The development of this medicine has basically reached the completion of its pre-clinical pharmacology toxification and efficacy tests as a new medicine. The Directors expect that this project will complete its clinical trials, obtain new medicine certificate and commence trial production by June 2003.

The Clinical Trials Centre of the Faculty of Medicine of the University of Hong Kong continues its clinical trial on the “Plasmin Capsule” pursuant to a clinical trial agreement with the Group dated 5 June, 2001. Such clinical trial is expected to complete in December 2001.

The construction by the Group of a Good Manufacturing Practice compliant production complex in Tai Gu County, Shanxi Province is currently underway. As at 30 September, 2001, the construction of the main production complex was basically completed while other auxiliary production facilities are still in progress and are expected to complete 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 as disclosed in the Prospectus.

By order of the Board
Everpride Biopharmaceutical Company Limited
Zhang Xue Min
Executive Director

Hong Kong, 12 November, 2001

OTHER INFORMATION

Dividend

The Directors do not recommend payment of a dividend for the nine months ended 30 September, 2001. During the nine months ended 30 September, 2000, Everpride Pharmaceutical declared and paid dividend of RMB28,000,000 to its then shareholder.

Directors' and chief executive's interests in securities

As at 30 September, 2001, 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 Directors, the chief executive of the Company and their respective 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 the sole director of Montgomery Properties Holding Limited (formerly known as 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 to full-time employees and Executive Directors of the Company or its subsidiaries options to subscribe for shares in the Company subject to the terms and conditions stipulated therein.

As at 30 September, 2001, none of the Directors and employees of the Company or its subsidiaries were granted options to subscribe for shares in the Company.

Directors' and chief executive's rights to acquire shares or debt securities

As at 30 September, 2001, neither the Company nor any of its subsidiaries was a party to any arrangements to enable the directors of the Company 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 chief executive of the Company or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right.

Substantial Shareholders

As at 30 September, 2001, the register of substantial shareholders maintained under Section 16(1) of the SDI 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.

<u>Name</u>	<u>Number of Shares</u>	<u>Percentage of holding</u>
<u>Montgomery Properties Holding Limited (Note)</u>	<u>450,000,000</u>	<u>75</u>

Note: Montgomery Properties Holding Limited (formerly known as Montgomery Property Limited) is a company established in the British Virgin Islands with limited liability and wholly owned by Mr. Chung, the Chairman and an Executive Director of the Company.

Competing interest

Save as disclosed 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 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 30 September, 2001.

Audit Committee

The Company established an audit committee in July 2001 with terms of reference in compliance with Rules 5.23 to 5.25 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 nine months ended 30 September, 2001 have been reviewed by the audit committee, and it was in the opinion that (i) the preparation of such results complied with the applicable standards and statutory requirements and the requirements of the Stock Exchange and that (ii) 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 nine months ended 30 September, 2001, no material matters were identified and reported by the Board to the audit committee of the Board and the supervisory committee of the Board. The auditors of the Group, Arthur Andersen & Co, have also considered the contents of the reports submitted by the audit committee on the internal reporting and monitoring system of the Group and noted the report

indicated that the internal reporting and monitoring system had been properly implemented and that there were no material adverse affairs 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.