



EVERPRIDE BIOPHARMACEUTICAL COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

INTERIM REPORT 2002

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This report, for which the directors (the “Directors”) of Everpride Biopharmaceutical Company 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; there are no other matters the omission of which would make any statement in this report misleading; and 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.

CONTENTS

●	Highlights	3
●	Consolidated Income Statement	4
●	Consolidated Balance Sheet	5
●	Consolidated Statement of Changes in Shareholders' Equity	7
●	Consolidated Cash Flow Statement	8
●	Notes to the Unaudited Interim Financial Statements	9
●	Management Discussion and Analysis	17
●	Comparison of Business Objectives and Actual Business Progress	23
●	Other Information	27

HIGHLIGHTS

- Consolidated turnover of the Group for the six months ended 30 June 2002 was approximately RMB22,982,000, representing a decrease of approximately 68.6 per cent. over the corresponding period in 2001.
- Loss from operations for the six months ended 30 June 2002 was approximately RMB9,324,000, whereas an operating profit of RMB21,650,000 was recorded in the corresponding period in 2001.
- Loss per share was approximately RMB1.58 cents.
- The Directors do not recommend payment of an interim dividend for the six months ended 30 June 2002.

INTERIM RESULTS (UNAUDITED)

The board ("Board") of Directors announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2002 (the "period") as follows:

Consolidated Income statement

	Note	Six months ended		Three months ended	
		30 June		30 June	
		2002	2001	2002	2001
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
		RMB'000	RMB'000	RMB'000	RMB'000
Turnover	2	22,982	73,183	14,928	29,679
Cost of sales		(7,884)	(27,545)	(6,174)	(11,624)
Gross profit		15,098	45,638	8,754	18,055
Selling and distribution expenses		(9,447)	(14,472)	(2,992)	(3,738)
General and administrative expenses		(14,975)	(9,516)	(8,412)	(4,357)
(Loss)/Profit from operations		(9,324)	21,650	(2,650)	9,960
Finance cost, net		(179)	(109)	(170)	(58)
(Loss)/Profit before taxation		(9,503)	21,541	(2,820)	9,902
Taxation	3	—	(4,440)	—	(2,085)
(Loss)/Profit attributable to shareholders		(9,503)	17,101	(2,820)	7,817
(Loss)/Earnings per share					
— Basic	4	(1.58)cents	3.72 cents	(0.47) cents	1.70 cents

Consolidated Balance Sheet

		As at	As at
		30 June 2002	31 December 2001
		(unaudited)	(audited)
	<i>Note</i>	RMB'000	RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	5	25,432	39,958
Leasehold properties	5	35,531	16,715
Intangible assets, net		234	284
Total non-current assets		61,197	56,957
CURRENT ASSETS			
Inventories	6	34,405	41,871
Prepayments, deposits and other current assets		11,570	7,869
Accounts receivable	7	25,324	20,730
Due from a director		—	6,924
Available-for-sale investments		—	6,172
Pledged bank deposits	8	—	17,120
Other cash and bank deposits	8	46,672	12,461
Total current assets		117,971	113,147

		As at	As at
		30 June 2002	31 December 2001
		(unaudited)	(audited)
	<i>Note</i>	RMB'000	RMB'000
CURRENT LIABILITIES			
Short term bank borrowings	9	(15,000)	(900)
Accounts payable	10	(1,598)	(2,385)
Accruals and other payables	11	(9,618)	(6,984)
Deposits and receipts in advance from customers		(12,030)	(14,602)
Finance lease obligation, current portion		(240)	(240)
Taxation payable		(28,676)	(23,365)
Total current liabilities		(67,162)	(48,476)
Net current assets		50,809	64,671
Total assets less current liabilities		112,006	121,628
NON-CURRENT LIABILITY			
Finance lease obligation, long-term portion		(620)	(739)
Net assets		111,386	120,889
Representing —			
SHARE CAPITAL	12	64,200	64,200
RESERVES		16,124	16,124
RETAINED PROFITS		31,062	40,565
Shareholders' equity		111,386	120,889

Consolidated Statement of Changes in Shareholders' Equity

	Share capital	Share premium	Statutory surplus reserve	Capital reserve*	Cumulative translation adjustments	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance as at							
1 January 2001	—	—	7,319	8,205	—	25,220	40,744
Share issuance expenses	—	—	—	(233)	—	—	(233)
Translation adjustments	—	—	—	—	(8)	—	(8)
Profit attributable to shareholders	—	—	—	—	—	17,101	17,101
Balance as at							
30 June 2001	—	—	7,319	7,972	(8)	42,321	57,604
Balance as at							
1 January 2002	64,200	—	9,025	7,195	(96)	40,565	120,889
Loss attributable to shareholders	—	—	—	—	—	(9,503)	(9,503)
Balance as at							
30 June 2002	64,200	—	9,025	7,195	(96)	31,062	111,386

* *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.*

**Consolidated Cash Flow Statement**

	Six months ended	
	30 June	
	2002	2001
	(unaudited)	(unaudited)
	RMB'000	RMB'000
NET CASH OUTFLOWS FROM OPERATING ACTIVITIES	(5,043)	(12,169)
INVESTING ACTIVITIES		
Additions of property, plant, equipment and leasehold properties	(5,361)	(2,895)
Interest received	248	200
Decrease in due from a director	7,095	8,224
Translation adjustments	—	(8)
Decrease in available-for-sale investments	6,172	—
	8,154	5,521
Net cash inflow/(outflow) before financing activities	3,111	(6,648)
FINANCING		
Share issuance expenses	—	(233)
New short-term bank borrowings	15,000	—
Repayment of short-term bank borrowings	—	(5,700)
Repayment of capital element of finance lease obligation	(120)	—
	14,880	(5,933)
Increase/(decrease) in cash and cash equivalents	17,991	(12,581)
Cash and cash equivalents, beginning of period	28,681	16,430
Cash and cash equivalents, end of period	46,672	3,849
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash and bank deposits, denominated in		
— Hong Kong Dollars and United States Dollars	16,041	—
— Chinese Renminbi	30,631	4,002
Bank overdraft	—	(153)
	46,672	3,849

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

1. Group reorganisation, basis of preparation and principal accounting policies

The Company was incorporated in the Cayman Islands on 1 August 2000 as an exempted company with limited liability under the Companies Law (2000 Revision) of the Cayman Islands. Its shares have been listed on GEM since 20 July 2001. The Company is an investment holding company. Its subsidiaries are principally engaged in the production and sales of "Plasmin Capsule", a Chinese medicine.

On 5 July 2001, the Company became the holding company of the other companies comprising the Group pursuant to a group reorganisation (the "Reorganisation"), which involved companies under common control, and the Company and its subsidiaries resulting from the Reorganisation are regarded as a continuing group, and accordingly, the Reorganisation has been accounted for on the basis of merger accounting, under which the comparative figures for the six months ended 30 June 2002 have been prepared as if the Company had been the holding company of the other companies comprising the Group, rather than from the date on which the Reorganisation was completed. The material intra-group transactions and balances have been eliminated on combination and consolidation.

The unaudited consolidated interim financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34 "Interim Financial Reporting" published by the International Accounting Standards Board, and have been supplemented by the Rules Governing the Listing of Securities on the GEM.

The accounting policies used in the preparation of unaudited consolidated interim financial statements are consistent with those used in the Company's annual reports for the year ended 31 December 2001.

2. Turnover and segment information

The Group's turnover represents the net invoiced value (excluding value-added tax) of "Plasmin Capsule" sold after allowances for returns and discounts.

Analysis of the Group's turnover and contribution to (loss)/profit from operations by geographical location of customers is as follows:

	Six months ended		Six months ended	
	30 June 2002		30 June 2001	
	Contribution		Contribution	
	to loss from		to profit from	
	Turnover*	operations	Turnover*	operations
	RMB'000	RMB'000	RMB'000	RMB'000
Mainland China	21,809	(8,807)	50,110	14,824
Philippines	—	—	11,582	3,399
Hong Kong	—	—	11,491	3,427
United States	826	(150)	—	—
Malaysia	347	(367)	—	—
	22,982	(9,324)	73,183	21,650

* *Turnover by geographical location is determined on the basis of the destination of shipment of merchandise.*

No segment information by business segments is presented as the Group operates in one single industry.

3. Taxation

The Company is exempted from taxation in the Cayman Islands until 2020. Its subsidiaries established in the British Virgin Islands are incorporated under the International Business Companies Acts of the British Virgin Islands and, accordingly, are exempted from payment of the British Virgin Islands income taxes.

No provision for Hong Kong profits tax has been made as the Group had no assessable profit in Hong Kong during the period.

Shanxi Everpride Pharmaceutical Co., Ltd. ("Everpride Pharmaceutical"), a wholly-owned subsidiary established and which operates in Shanxi Province, Mainland China, is subject to Mainland China enterprise income tax at a rate of 33% (state income tax — 30% and local income tax — 3%). However, it is exempted from state enterprise income tax and local income tax for two years starting from the first year of profitable operations after offsetting prior year losses, followed by a 50% reduction on the state enterprise income tax for the next three years. The tax exemption period of Everpride Pharmaceutical expired on 31 December 2000 and it is subject to enterprise income tax in Mainland China at a rate of 18% from 1 January 2001 to 31 December 2003. No provision for Mainland China enterprise income tax has been made as Everpride Pharmaceutical had no assessable profit in China during the period.

4. (Loss)/Earnings per share

The calculation of basic (loss)/earnings per share for the six months and three months ended 30 June 2002 is based on an unaudited consolidated loss attributable to shareholders of approximately RMB9,503,000 and RMB2,820,000 (2001: profit attributable to shareholders of approximately RMB17,101,000 and RMB7,817,000), respectively, and on the weighted average number of 600,000,000 (2001: 460,000,000 assuming capitalisation issue as described in the Company's prospectus dated 16 July 2001 (the "Prospectus") took place during the six months ended 31 June 2001) ordinary shares in issue during the period.

Diluted loss/earnings per share for the six months and three months ended 30 June 2002 and 2001 were not presented because there were no dilutive potential ordinary shares in existence during such periods.

5. **Property, Plant, Equipment and leasehold properties**

During the period, the Group spent approximately RMB5,361,000 (31 December 2001: RMB34,307,000) on the acquisition of property, plant, equipment and leasehold properties.

6. **Inventories**

Inventories consist of:

	As at 30 June 2002 (unaudited) RMB'000	As at 31 December 2001 (audited) RMB'000
Raw materials	32,962	39,800
Finished goods	1,866	2,494
	34,828	42,294
Less: Provision for obsolete inventories	(423)	(423)
	34,405	41,871

7. Accounts receivable

Ageing analysis of accounts receivable is as follows:

	As at 30 June	As at 31 December
	2002	2001
	(unaudited)	(audited)
	<i>RMB'000</i>	<i>RMB'000</i>
0 to 30 days	13,153	1,032
31 to 60 days	3,338	1,410
61 to 90 days	1,486	3,993
91 to 180 days	1,952	11,606
181 to 365 days	6,199	1,625
Over 365 days	2,194	1,885
	28,322	21,551
Less: Provision for bad and doubtful debts	(2,998)	(821)
	25,324	20,730

The Group generally requires its customers to pay a deposit shortly before delivery of merchandise, with the balance of the sales amount payable within credit periods ranging from 30 to 90 days.

8. Cash and bank deposits

Cash and bank deposits consist of:

	As at 30 June 2002 (unaudited) RMB'000	As at 31 December 2001 (audited) RMB'000
Pledged bank deposits, denominated in		
— Hong Kong dollars and United States dollars	—	17,120
Other cash and bank deposits, denominated in		
— Hong Kong dollars and United States dollars	16,041	10,698
— Chinese Renminbi	30,631	1,763
	46,672	12,461

Chinese Renminbi is not a freely convertible currency in the international market and its exchange rate is determined by the People's Bank of China.

9. Short term bank borrowings

During the period, Everpride Pharmaceutical entered into bank loan agreements with the Group's principal banker in the PRC whereby it obtained banking facilities of RMB20,000,000, of which RMB15,000,000 were utilized as at 30 June 2002. These banking facilities are secured by certain leasehold properties with an aggregate net book value of approximately RMB30,436,000 as at 30 June 2002, bear interest ranged from 5.75% to 7.6% per annum and are repayable within one year.

As at 31 December 2001, short-term bank borrowing represented bank overdraft, denominated in Hong Kong Dollars of approximately RMB900,000 was secured by pledged bank deposits of approximately RMB17,120,000.

10. Accounts payable

Ageing analysis of accounts payable is as follows:

	As at 30 June	As at 31 December
	2002	2001
	(unaudited)	(audited)
	<i>RMB'000</i>	<i>RMB'000</i>
0 to 30 days	713	356
31 to 60 days	—	—
61 to 90 days	—	46
91 to 180 days	80	1,610
181 to 365 days	805	373
	1,598	2,385

11. Accruals and other payables

Accruals and other payables consist of:

	As at 30 June	As at 31 December
	2002	2001
	(unaudited)	(audited)
	<i>RMB'000</i>	<i>RMB'000</i>
Accrued bonus and salary payable	1,796	2,228
Accrued advertising expense	5,150	1,127
Accrual for other operating expenses	2,672	3,629
	9,618	6,984

12. Share capital

	As at 30 June 2002 (unaudited) RMB'000	As at 31 December 2001 (audited) RMB'000
<i>Authorised</i>		
2,000,000,000 ordinary shares of		
HK\$0.1 each	214,000	214,000
<i>Issued and fully paid</i>		
600,000,000 ordinary shares of		
HK\$0.1 each	64,200	64,200

During the period, there were no changes in the Company's authorised and issued share capital.

13. Capital commitments

The Group had the following capital commitments (all of which are authorised and contracted for but not provided in the financial statements):

	As at 30 June 2002 (unaudited) RMB'000	As at 31 December 2001 (audited) RMB'000
Acquisition of machinery and equipment	1,200	2,046
Construction of factory buildings	3,800	438
	5,000	2,484

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group is principally engaged in the production and sales of a Chinese medicine known as “Plasmin Capsule” in the PRC. As at 30 June 2002, the “Plasmin Capsule” remained as the only product of the Group. As stated under “Risk relating to the business of the Group” of the Prospectus, all revenue of the Group relied solely on the market acceptance of the product.

During the period, the Group recorded an unaudited consolidated turnover of approximately RMB22,982,000, which represented a decrease of approximately 68.6 per cent. as compared with the corresponding period in 2001. The Group’s unaudited consolidated loss attributable to shareholders for the period was approximately RMB9,503,000 whereas in the corresponding period in 2001 a profit of RMB17,101,000 was recorded. During the period, the Group continued to face increasingly fierce competition in the Chinese medicine industry in the PRC due to the following reasons: (i) the single product risk was and is still one of the major risk factors for the Group’s performance. During the period, the Group faced such risk to a much more material extent than other competitors with diversified business. Therefore, until new products are introduced into the market, the Group had to rely solely on the market acceptance of the Group’s sole product — “Plasmin Capsule”; (ii) the strict control on the medicine advertising campaigns in the mass media in the PRC implemented by the State Drug Administration Bureau (the “SDA”) and the State Administration of Industry and Commerce of the PRC from the fourth quarter of 2001 imposed additional restrictions on promotional channels available, which adversely affected the Group’s sales through the over-the-counter (the “OTC”) market which was usually the major market for the Group in the PRC; and (iii) the continuous global economic downturn further adversely affected the sales and distribution in overseas markets.

Sales and Marketing

During the period, the Group started to export the earthworm powder, the major component of the "Plasmin Capsule", amounting to RMB347,000 (2001: Nil), to a pharmaceutical manufacturing company in Malaysia for its local production and sales. The sales of earthworm powder will create another source of revenue for the Group. With the anticipated expansion of the earthworm powder markets domestically and abroad in the foreseeable future, the Group will lay more emphasis on the promotion of earthworm powder in order to enhance its sales and production capability.

During the period under review, the Group also reinforced marketing efforts in strengthening the sales and distribution in the United States through Everpride Pharmaceutical (H.K.) Co. Ltd in order to maintain the market share and its competitive edge. The turnover derived from this market amounted to approximately RMB826,000 (2001: Nil), representing approximately 3.6 per cent. of the consolidated turnover of the Group over the period.

As a response to the regulatory changes introduced by the SDA as mentioned earlier, the Group will focus more on the prescription medicine market through doctors in hospitals, while trying to maintain the market share of the OTC medicine market which was the major market of "Plasmin Capsule" in previous years. The Directors expect that this should be able to reduce the adverse effects on the marketing and sales of Plasmin Capsule arising from the strict control on advertising in mass media imposed by the SDA.

Research and Development

As announced previously, on 8 February 2002, Everpride Pharmaceutical entered into a conditional co-operative agreement with 北京佳虹雨醫藥技術開發有限公司 (Beijing Jiahongyu Pharmaceutical Technology Development Co. Ltd.), an independent third party, in respect of the acquisition of the exclusive rights to produce and sell a new medicine of Glucosamine Hydrochloride Capsules (鹽酸氨基葡萄糖膠囊) (the "New

Medicine”) subject to the grant of the Certificate of New Medicine and production approval for such medicine by the SDA. For details of the co-operative agreement, please refer to the Company’s announcement dated 8 February 2002 on the GEM website.

On 23 July 2002, Everpride Pharmaceutical obtained the Certificate of New Medicine 《新藥證書》 (國藥証字H20020209) and its related production approval 《新藥證書及生產批件》 (國藥准字H20020306) for the New Medicine issued by the SDA. The New Medicine is classified as a State Class 4 Protected Product of Chemical Medicine (國家四級化學藥保護品種) and is therefore entitled to an administrative protection period of six years commencing from 23 July 2002 and expiring on 22 July 2008. During such an administrative protection period, the prescription and production technology used by the Group in producing the New Medicine are protected and no other producers in the PRC may produce or imitate the product in the PRC. According to the clinical studies conducted by major medical institutions in PRC, the New Medicine has the principal effect of treating osteoarthritis (骨關節炎). The New Medicine will be produced in the Group’s own factory, which has just been completed, and is in the process of obtaining the Good Manufacturing Practice (the “GMP”) certification.

The clinical trials conducted by the Clinical Trials Centre of the Faculty of Medicine of the University of Hong Kong (the “CTC”) were completed in February 2002 and it demonstrated that “Plasmin Capsule” was overall a safe and well-tolerated Chinese medicine. In order to further prove the efficacy of the “Plasmin Capsule”, the Group intends to engage the CTC or other institutions to conduct other series of clinical trials.

Staphylokinese Project

Staphylokinese is a genetically-engineered medicine, which is the third generation thrombotic medicine. The clinical application sample and its other related materials were submitted to the SDA in January 2002 for approval. The Group will start clinical trials once the sample and the related materials are approved by the SDA.

Until the date of this report, the approval for the clinical trails has not been obtained and is still in progress. Once the clinical trials are completed and approved, the Group will make an application for a state new medicine certificate in respect of the Staphylokinese. The delay was due to the requests for additional information by the SDA.

Completion of construction of GMP compliant production complex

The construction work of the main production complex in Taigu County, Shanxi Province has basically been completed. The trial production commenced in late June 2002 and the normal production will begin in October 2002. The application for the GMP certification has been delayed and are still in progress due to the fact that processing time is much longer than expected and additional information has been requested by the SDA. The Group has not obtained GMP certificate for its production complex as at the date of the report. However, the Directors are still confident that the Group will obtain the GMP certificate by 31 December 2002. Until normal operation of the production complex commences, the Group will continue to maintain its current production arrangements by engaging subcontractors as its principal means of production which is expected to have no adverse effect on the normal operation of the Group.

Liquidity and Financial Resources

The Group generally finances its operations through internally generated cashflows and banking facilities provided by its principal bankers. As at 30 June 2002, the Group had cash and bank deposits amounting to approximately RMB46,672,000 (31 December 2001: RMB29,581,000) and had banking facilities of RMB20,000,000 (31 December 2001: 16,050,000). With the available resources, the Directors believe that the Group has adequate working capital to finance its business objectives as stated in the Prospectus.

Foreign Exchange Exposure

The Group mainly earns revenue and incurs cost in Renminbi and its borrowings were all denominated in Renminbi. The Directors consider that the impact of foreign exchange exposure of the Group is minimal.

Significant investments

During the period, the Group had no significant investments.

Material acquisitions and disposals

Save as disclosed in note 5 to the unaudited interim financial statements, the Group had no material acquisitions or disposals during the period. It has no plans for material investments or capital assets other than those set out in the Prospectus.

Employee information

Currently, the Group has a total of 188 employees working in Hongkong and in the PRC. The Group remunerates its employees based on their performance, experience and the prevailing industry practice. The staff cost, including directors' emoluments was approximately RMB6,003,000 for the period (six months ended 30 June 2001: RMB2,410,000).

Gearing Ratio

As at 30 June 2002 the Group's gearing ratio, being the ratio of total liabilities to total assets was 37.8% (31 December 2001 — 28.9%).

Contingent liabilities

As at 30 June 2002, the Group had no contingent liabilities. (31 December 2001: Nil)

Outlook

The Directors anticipate that the fierce competition in the Chinese medicine industry in the PRC will continue to affect adversely the future earnings and prospects of the Group for the second half of 2002.

In July 2002, the New Medicine passed the relevant tests conducted by 國家興奮劑及運動營養劑測試研究中心 (Testing and Research Center of Stimulant and Sports nutrition of the PRC) and was included in the list of the designated medicines for the athletes participating in the 14th 2002 Asian Games in Busan by the Chinese Olympic Committee (中國奧林匹克運動委員會). The Directors consider that the commencement of sales of the New Medicine is a significant milestone of the Group which will expand its product range and expect that the downward trend in turnover and loss from operation may be improved with additional source of income generated by the New Medicine if it is introduced successfully into the market in the next half year.

The Group will continue to search for pharmaceutical manufacturers domestically or abroad to promote sales of the main component of "Plasmin Capsule", earthworm powder, and the Directors believe that it will further enhance the income base of the Group.

Going forward, the Board will make every effort to improve the operation results of the Group and continue to look for other pharmaceutical manufacturers for possible cooperation, such as merger and acquisition, so as to strengthen the profitability and minimise the performance risk of the Group.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

Business objectives up

to 30 June 2002

as stated in the Prospectus

Actual business progress up

to 30 June 2002

1. Research and development

- Fujian Normal University Everpride Biopharmaceutical Research and Development Centre to continue its research work.
- Continuing its research of a new medicine known as “Staphylokinese” (葡激酶) a kind of genetic engineered medicine, which is a blood clots solvent.
- To apply for a state new medicine certificate in respect of the staphylokinese.
- The delivery and submission of samples of staphylokinese for the preparation of pre-clinical trials were completed and were submitted to the SDA in January 2002 for approval. The clinical trials will start once such approval is obtained. Up to the date of this report, such approval has not been obtained and is still in progress. Once the clinical trails are completed and approved, the Group will make an application for a state new medicine certificate in respect of the Staphylokinese. Such delay was due to the requests for additional information by the SDA.

**Business objectives up
to 30 June 2002
as stated in the Prospectus**

- To reach cooperation agreement with Fujian Tianshen Pharmaceutical Co., Ltd. (“Fujian Tianshen”) in respect of the Baobijia project.

**Actual business progress up
to 30 June 2002**

- The negotiation has fully stopped due to the restructuring of Fujian Tianshen being still in progress and there is no specific time for the completion of the restructuring.
- The Directors believe that the ceased project will not have any adverse effects on the business objectives of the Group as a whole. The Directors will continue to search for other cooperation projects to replace the Baobijia project.

2. Sales and marketing

- To prepare for the sales of “Plasmin Capsule” in Europe by appointing pharmaceutical distributors in Germany
- To commence the promotion of the Baobijia products.
- The pharmaceutical distributor in Germany was appointed and has started to promote the product of “Plasmin Capsule” in April 2002.
- Due to the negotiation with Fujian Tianshan being cancelled already, the Baobijia product is not available anymore.

Business objectives up**to 30 June 2002****as stated in the Prospectus****Actual business progress up****to 30 June 2002****3. Production**

- To commence design or acquisition of staphylokinase production lines in its production complex in Taigu County, Shanxi Province.
- To obtain GMP certificate for its production complex in Taigu County, Shanxi Province.
- Due to the delay in both the clinical trials and the application for the new medicine certificate, the design or acquisition of staphylokinase production lines has been put on hold until the new medicine certificate is duly approved by the SDA. Once the new medicine certificate application is made and properly approved, the design or acquisition of the new medicine production lines will begin as soon as possible.
- Due to the fact that the processing time is much longer than expected and additional information has been requested by the SDA, the Group has not obtained the GMP certificate for its production complex as of the date of this report. However, the Directors are still confident that the Group will obtain the GMP certificate by 31 December 2002 and such delay has no adverse effect on the normal operation of the Group.

Business objectives up**to 30 June 2002****as stated in the Prospectus**

- To commence trial production of “Plasmin Capsule” in Taigu County, Shanxi Province.

Actual business progress up**to 30 June 2002**

- The facilities for production of “Plasmin Capsule” had been installed. The trial production commenced in June 2002 and the normal production will begin in October 2002.

4. Use of net proceeds from the initial placement

The net proceeds from initial placement had been applied in the following areas:

	Amount to be used in the period as disclosed in the Prospectus <i>HK\$'M</i>	Actual amount used up for the period ended 30 June 2002 <i>HK\$'M</i>	Amount to be used up to 30 June 2002 as disclosed in the Prospectus <i>HK\$'M</i>	Total actual amount used up to 30 June 2002 <i>HK\$'M</i>
For the development of new medicine projects (<i>Note</i>)	1.88	—	2.83	0.95
For the construction of the Group's production complex (<i>Note</i>)	2.36	—	18.37	15.46
For the development of research and development center	0.47	0.47	0.94	0.88
For the expansion of distribution networks in the PRC and overseas markets	1.00	1.1	6.5	7.1
Total	5.71	1.57	28.64	24.39

Note: The application for a state new medicine certificate has been delayed. The development of the new medicine projects and its construction are both postponed simultaneously, the non-used proceeds and the remaining balance of net proceeds have been deposited into a bank in Hong Kong and will be applied to such other business objectives as disclosed in the Prospectus.

OTHER INFORMATION

Directors' and chief executives' interests in securities

As at 30 June 2002, 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 executives of the Company and their respective associates were as follows:

(a) *Shares in the Company:*

Name of Director	Corporate Interests	Personal/ Family/Other Interest	Total	Approximately percentage of issued Shares
Chung Chi Mang ("Mr. Chung")	366,670,000	—	366,670,000	61.1

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 approximately 61.1 per cent. of the issued share capital of the Company.

Save as disclosed above, none of the Directors, chief executives or their associates had, as at 30 June 2002, any interests in shares of the Company or its subsidiaries as recorded in the register required to be kept under section 29 at the SDI Ordinance.

(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 June 2002, 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 executives' rights to acquire shares or debt securities

As at 30 June 2002, neither the Company nor any of its subsidiaries was a party to any arrangements to enable the Directors 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 June 2002, 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:

Name	Number of Shares	Approximately percentage of holding
Montgomery Properties Holding Limited (<i>Note</i>)	366,670,000	61.1

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 expiring on 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 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 June 2002.

Audit Committee

The Company established an audit committee in July 2001 with terms of reference in compliance with Rules 5.23 to 5.27 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 chairman of the audit committee) and Ms. Zhang Zuxun, the two independent non-executive Directors. The Group's unaudited interim results for the period have been reviewed by the audit committee, and it was in the opinion that (i) the preparation of such interim 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 period, 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, Messrs. Charles Chan, Ip & Fung CPA Ltd., have also reviewed the reports submitted by the audit committee on the internal reporting and monitoring system of the Group and were of opinion 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.

Board Practices and procedures

The Company has complied with the board practices and procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules for the period under review.

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

Hong Kong, 13 August, 2002