



EVERPRIDE BIOPHARMACEUTICAL COMPANY LIMITED
(Incorporated in the Cayman Islands with limited liability)

THIRD QUARTER REPORT 2003

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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 at www.hkgem.com in order to obtain up-to-date information on GEM-listed issuers.

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: (i) the information contained in this report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this report misleading; and (iii) 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.

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HIGHLIGHTS

- Consolidated turnover of the Group for the nine months ended 30 September 2003 was approximately RMB16,933,000, representing a substantial decrease of approximately 69 per cent. over the corresponding period in 2002.
- Loss attributable to shareholders for the nine months ended 30 September 2003 was approximately RMB34,288,000.
- Loss per share was approximately RMB5.71 cents.
- The Directors do not recommend the payment of any interim dividend for the nine months ended 30 September 2003.

UNAUDITED CONSOLIDATED RESULTS

The board of Directors (the “Board”) announces the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the nine months ended 30 September 2003 (the “Period”) as follows:

Consolidated Income statement

	Note	Nine months ended 30 September		Three months ended 30 September	
		2003 (unaudited)	2002 (unaudited)	2003 (unaudited)	2002 (unaudited)
		RMB'000	RMB'000	RMB'000	RMB'000
Turnover	2	16,933	55,398	7,331	32,416
Cost of sales		(2,945)	(18,546)	(1,356)	(10,662)
Gross profit		13,988	36,852	5,975	21,754
Selling and distribution expenses		(11,644)	(10,074)	(4,265)	(627)
General and administrative expenses		(34,110)	(22,409)	(17,585)	(7,434)
(Loss)/Profit from operations		(31,766)	4,369	(15,875)	13,693
Finance cost		(2,497)	(303)	(919)	(124)
Share of result of an associate		(38)	—	—	—
(Loss)/Profit from ordinary activities before taxation		(34,301)	4,066	(16,794)	13,569
Taxation	3	13	(2,665)	—	(2,665)
(Loss)/Profit attributable to shareholders		(34,288)	1,401	(16,794)	10,904
(Loss)/Earnings per share — Basic	4	RMB (5.71) cents	RMB 0.23 cents	RMB (2.80) cents	RMB 1.82 cents

Notes

1. Basis of presentation 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 unaudited consolidated results have been prepared in accordance with International Financial Reporting Standards ("IFRS") published by the International Accounting Standards Board, and are supplemented by the disclosure requirements of the Hong Kong Companies Ordinance and the GEM Listing Rules. The accounting policies adopted are consistent with those followed in the preparation of the Group's audited consolidated financial statements for the year ended 31 December 2002.

2. Turnover and segment information

The Company is an investment holding company and the Group is principally engaged in the manufacture and sales of medicines in Mainland China. Turnover represents the sales value of goods supplied to customers (which exclude value added tax) and is stated after deduction of all goods returns and trade discounts.

For the nine months ended 30 September 2003, the Group continued to engage in the manufacture and sales of medicines in Mainland China. More than 90% of the Group's turnover, contribution to operating loss and its assets are attributed to this business segment located in Mainland China.

3. Taxation

Taxation in the unaudited consolidated results represents:

	For the nine months ended 30 September	
	2003 RMB'000	2002 RMB'000
Current taxation		
— Mainland China enterprise income tax	—	(2,665)
Share of taxation of an associate	13	—
	13	(2,665)

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

4. (Loss)/Earnings per share

The calculation of basic loss per share for the nine months and three months ended 30 September 2003 is based on the unaudited consolidated loss attributable to shareholders of approximately RMB34,288,000 and RMB16,794,000 (2002: profit attributable to shareholders of approximately RMB1,401,000 and RMB10,904,000), respectively, and on the weighted average number of 600,000,000 (2002: 600,000,000) ordinary shares in issue during the Period.

Diluted (loss)/earnings per share for the nine months and three months ended 30 September 2003 and 2002 were not presented because there were no dilutive potential ordinary shares in existence during such Periods.

5. Reserves

During the Period, there was no movement in the reserves of the Group other than loss attributable to shareholders of approximately RMB34,288,000 (2002: profit attributable to shareholders of approximately RMB1,401,000).

6. Dividend

The Directors do not recommend the payment of any interim dividend for the Period (2002: Nil).

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATION

Business Review

The Group is principally engaged in the production and sales of the medicines known as "Plasmin Capsule" and "Puli Capsule" in Mainland China.

During the Period under review, the Group recorded an unaudited consolidated turnover of approximately RMB16,933,000 (2002: RMB55,398,000), which represented a substantial decrease of approximately 69 per cent. as compared with that of the corresponding period in 2002. The Group's unaudited consolidated loss attributable to shareholders for the Period was approximately RMB34,288,000 (2002: profit attributable to shareholders of approximately RMB1,401,000). This is due to a substantial increase in advertising expenses and provision for bad and doubtful debts. During the Period, the Group incurred advertising expenses amounting to approximately RMB8,195,000 (2002: RMB5,757,000). But unfortunately, the outbreak and the widespread of severe acute respiratory syndrome ("SARS") in Mainland China, especially in Shanxi Province where its factory and sales head office of the Group are located, led to the Group's prepaid advertising activities such as exhibitions, academic seminars and other promotion activities being cancelled or reduced in scale by local governments. These temporary policies substantially and adversely affected the results from the media advertising activities. As the competition intensified and the outbreak of "SARS" in Mainland China, especially in Beijing and Shanxi Province, where the most active customers of the Group are located, the financial position of some

major sales agents in these region were difficult and have deteriorated. These unfavourable situations led to substantial increase in the provision for bad and doubtful debts to approximately RMB18,266,000 (2002: RMB2,500,000) for the Period.

During the Period, the Group has only two medicines under production and sales: one is "Plasmin Capsule" which is classified as a prescription medicine and its sales are limited to hospitals which is a relatively weak market for the Group; the other is "Puli Capsule" which is originally a prescription medicine and has changed into an over-the-counter medicine (the "OTC") on 24 January 2003. Besides the reasons mentioned above, the substantial decrease in turnover during the Period was due to the following reasons: (i) the strict control over the medicine advertising campaigns in the mass media in Mainland China implemented by the State Drug Administration of the People's Republic of China ("SDA") and the State Administration of Industry and Commerce of the People's Republic of China from 2002 imposed additional restrictions on promotional channels available, which adversely affected the Group's sales through the OTC market which has been the major market for the Group in Mainland China; (ii) the continuous global economic downturn further adversely affected the sales and distribution in overseas markets.

Sales and Marketing

Due to the successful introduction of "Puli Capsule" into Mainland China market in 2002, it has made contributions to the Group. The sales of "Puli Capsule" was approximately RMB13,902,000 (2002: RMB9,219,000), representing approximately 82 per cent. of the consolidated turnover of the Group during the Period. Facing strict competition and adverse market conditions in the pharmaceutical

industry in Mainland China, the Group recorded a turnover from the sales of "Plasmin Capsule" of approximately RMB3,031,000 (2002: RMB46,179,000), representing approximately 18 per cent. of the consolidated turnover of the Group during the Period.

In response to the regulatory changes introduced by the SDA as mentioned above, the Group will, on one hand, continue to focus more on developing the prescription medicine market through doctors in hospitals. On the other hand, the Group had made an application to the SDA for changing the new medicine of "Puli Capsule" from a prescription medicine to an OTC medicine in order to maintain its market share in the OTC medicine market which was the major market for the Group in previous years. The approval for such change was obtained from the SDA on 24 January 2003. The Group will put more efforts in mass media advertising to promote "Puli Capsule" as in the previous years.

The Directors expect that the above-mentioned measures will improve the market share of the Group's products and add more contributions to the shareholders' return.

Research and development and the Staphylokinese Project

During the Period under review, the Group continued to engage Fujian Normal University Everpride Biopharmaceutical Research and Development Centre for its research work, especially the Staphylokinese Project. Staphylokinese is a genetically-engineered medicine, which is the third generation of thrombotic medicine. The clinical application sample and its other related materials were submitted to the SDA in 2002 for clinical trial approval. Up to the date of this announcement, such approval has not been obtained and the

application is still in progress. Once the clinical trials are completed and approved, the Group will make an application for a Certificate of New Medicine in respect of Staphylokinese. Such delay was due to the requests for additional information by the SDA.

Application for “GMP” certificate for the Group's production complex

The application for the GMP certification for the production complex of the Group was approved by the SDA on 28 February 2003 (certificate numbers: E2309-2310). The GMP certification was delayed mainly due to additional information being requested by the SDA.

Outlook

The Directors anticipate that fierce competition in the pharmaceutical industry in Mainland China will continue to strongly affect adversely the future earnings and prospects of the Group.

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 minimize the performance risk of the Group.

OTHER INFORMATION

Directors' and chief executives' interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations

As at 30 September 2003, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 under the Laws of Hong Kong ("SFO")), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they have taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Name of Director	Capacity/ Nature of interest	No. of shares (Note 1)	Approximate percentage of interest
Mr. Chung Chi Mang ("Mr. Chung")	Interest of a controlled corporation	363,070,000 (L) (Note 2)	60.5%

Notes:

1. The letter "L" denotes a long position in shares.

2. These shares are beneficially owned by Montgomery Properties Holding Limited (formerly known as Montgomery Property Limited). By virtue of his 100% shareholding in Montgomery Properties Holding Limited, Mr. Chung is deemed or taken to be interested in the 363,070,000 shares owned by Montgomery Properties Holding Limited.

Save as disclosed above, as at 30 September 2003, none of the Directors or chief executives of the Company had any other interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they have taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

Persons who have interests or short positions which are discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial shareholders of other members of the Group

So far as known to any Director or chief executive of the Company, as at 30 September 2003, persons who have interests and short positions in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or be interested in, directly or indirectly, 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the

Group, or substantial shareholders as recorded in the register of substantial shareholder required to be kept by the Company under Section 336 of the SFO were as follows:

Name	Capacity/Nature of interest	No. of shares	Approximate percentage of interest
Mr. Chung Chi Mang (<i>Note 1</i>)	Interest of a controlled corporation	363,070,000 (L)	60.5%
Ms. Ma Wai (<i>Note 2</i>)	Interest of spouse	363,070,000 (L)	60.5%
Montgomery Properties Holding Limited	Beneficial owner	363,070,000 (L)	60.5%

Notes:

- (1) Mr. Chung is deemed or taken to be interested in these shares which are beneficially owned by his wholly owned company, namely Montgomery Properties Holding Limited for the purpose of the SFO.
- (2) Ms. Ma Wai is the wife of Mr. Chung and is deemed to be interested in the 363,070,000 shares in which Mr. Chung is deemed or taken to be interested for the purpose of the SFO.

Save as disclosed above, as at 30 September 2003, the Directors were not aware of any other person who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or be interested in, directly or indirectly, 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO.

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 2003, 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 September 2003, neither the Company nor any of its subsidiaries was a party to any arrangements to enable the Directors and chief executives 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, chief executives 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.

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 Mainland China.

Sponsor's interests

Pursuant to a sponsor's agreement entered into between the Company and Goldbond Capital (Asia) Limited (formerly known as Asia Investment Capital Limited) on 20 September 2002, Goldbond Capital (Asia) Limited has been appointed as the Company's retained sponsor for the period from 21 September 2002 to 31 December 2003 in return for an advisory fee.

Save as disclosed herein, none of Goldbond Capital (Asia) Limited, their respective directors, employees and associates (as referred to in Note 3 of Rule 6.35 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 2003.

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 monitoring system of the Group. The audit committee has two members comprising Mr. Chau On Ta Yuen (who is acting as the chairman of the audit committee) and Mr. Ho Leong Leong, Lawrence, the two independent non-executive Directors. The audit committee met three times during the Period. The Group's unaudited consolidated results for the Period have been reviewed by the audit committee, and it was in its 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 monitoring system of the Group had been properly implemented and was adequate to keep

the Board informed of the business and the management affairs of the Group 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 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

Neither the Company nor any of its subsidiaries 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, 12 November 2003