



**EVERPRIDE BIOPHARMACEUTICAL COMPANY LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

**INTERIM REPORT 2005**

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

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*This report, for which the directors (the “Directors”) of 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.*

## HIGHLIGHTS

- Unaudited turnover of the Group for the six months ended 30 June 2005 amounted to approximately RMB21,218,000, representing an increase of approximately 43 per cent. over the corresponding period in 2004.
- Profit attributable to shareholders of the Company for the six months ended 30 June 2005 was approximately RMB3,598,000.
- Earnings per share for the six months ended 30 June 2005 was approximately RMB0.60 cents.
- The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2005.

## UNAUDITED INTERIM RESULTS

The board of Directors (the "Board") of the Company is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months and the three months ended 30 June 2005, together with the comparative unaudited figures for the corresponding periods in last financial year as follows:

### Condensed Consolidated Income Statement (Unaudited)

	Notes	Six months ended 30 June		Three months ended 30 June	
		2005 RMB'000	2004 RMB'000	2005 RMB'000	2004 RMB'000
Turnover	2	<b>21,218</b>	14,815	<b>13,201</b>	7,620
Cost of sales		<b>(4,631)</b>	(1,338)	<b>(3,157)</b>	(695)
Gross profit		<b>16,587</b>	13,477	<b>10,044</b>	6,925
Other revenue		<b>183</b>	474	<b>168</b>	55
Selling and distribution expenses		<b>(6,638)</b>	(6,483)	<b>(3,462)</b>	(5,275)
General and administrative expenses		<b>(8,308)</b>	(8,960)	<b>(4,663)</b>	(5,442)
Other operating income		<b>2,682</b>	—	<b>2,682</b>	—
Profit/(loss) from operations		<b>4,506</b>	(1,492)	<b>4,769</b>	(3,737)
Finance costs		<b>(1,908)</b>	(1,486)	<b>(885)</b>	(680)
Write-back of provision for amount due from an associate		<b>1,000</b>	—	<b>1,000</b>	—
Profit/(loss) from ordinary activities before taxation		<b>3,598</b>	(2,978)	<b>4,884</b>	(4,417)
Taxation	3	—	—	—	—
Profit/(loss) attributable to shareholders of the Company		<b>3,598</b>	(2,978)	<b>4,884</b>	(4,417)
Earnings/(loss) per share — Basic	4	<b>RMB0.60 cents</b>	RMB(0.50) cents	<b>RMB0.81 cents</b>	RMB(0.74) cents

## Condensed Consolidated Balance Sheet

		(Unaudited) As at 30 June 2005 RMB'000	(Audited) As at 31 December 2004 RMB'000
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Leasehold properties		<b>21,131</b>	21,775
Other property, plant and equipment	7	<b>41,812</b>	41,764
Intangible assets		<b>1,667</b>	2,067
Interest in an associate	8	—	—
<b>Total non-current assets</b>		<b>64,610</b>	65,606
<b>CURRENT ASSETS</b>			
Inventories	9	<b>642</b>	803
Prepayments, deposits and other receivables		<b>10,849</b>	7,277
Trade receivables	10	<b>37,504</b>	30,737
Cash and cash equivalents		<b>791</b>	812
<b>Total current assets</b>		<b>49,786</b>	39,629
<b>CURRENT LIABILITIES</b>			
Trade payables	11	<b>(750)</b>	(956)
Accrued expenses, deposits received and other payables		<b>(44,838)</b>	(39,172)
Due to directors		<b>(1,484)</b>	(1,261)
Short-term bank borrowings, secured Obligations under a finance lease, current portion		<b>(45,000)</b>	(45,000)
		<b>(164)</b>	(264)
Current taxation		<b>(11,846)</b>	(11,846)
<b>Total current liabilities</b>		<b>(104,082)</b>	(98,499)
<b>Net current liabilities</b>		<b>(54,296)</b>	(58,870)
<b>Total assets less current liabilities</b>		<b>10,314</b>	6,736

	<i>Notes</i>	<b>(Unaudited) As at 30 June 2005 RMB'000</b>	(Audited) As at 31 December 2004 RMB'000
NON-CURRENT LIABILITY			
Obligations under a finance lease, non-current portion		—	(20)
NET ASSETS		<b>10,314</b>	6,716
CAPITAL AND RESERVES			
Share capital		<b>64,200</b>	64,200
Reserves	5	<b>(53,886)</b>	(57,484)
		<b>10,314</b>	6,716

## Condensed Consolidated Statement of Changes in Equity (Unaudited)

	Share capital	Capital reserve	General reserve fund	Exchange reserve fund	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2004	64,200	7,195	9,025	(97)	(74,146)	6,177
Loss attributable to shareholders of the Company for the six months ended 30 June 2004	—	—	—	—	(2,978)	(2,978)
At 30 June 2004	64,200	7,195	9,025	(97)	(77,124)	3,199
At 1 January 2005	64,200	7,195	9,025	(97)	(73,607)	6,716
Profit attributable to shareholders of the Company for the six months ended 30 June 2005	—	—	—	—	3,598	3,598
At 30 June 2005	64,200	7,195	9,025	(97)	(70,009)	10,314

**Condensed Consolidated Cash Flow Statement (Unaudited)**

	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2005</b>	2004
	<b>RMB'000</b>	RMB'000
Net cash generated from operating activities	<b>2,036</b>	3,616
Net cash (used in)/generated from investing activities	<b>(29)</b>	9,134
Net cash used in financing activities	<b>(2,028)</b>	(11,801)
Net (decrease)/increase in cash and cash equivalents	<b>(21)</b>	949
Cash and cash equivalents, at 1 January	<b>812</b>	275
Cash and cash equivalents, at 30 June	<b>791</b>	1,224



## Notes to the condensed financial statements

### 1. 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 unaudited condensed financial statements have been prepared in accordance with International Accounting Standard 34 (IAS 34) *Interim Financial Reporting* and with the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules. The principal accounting policies adopted in these condensed financial statements are consistent with those used in the preparation of the Group's audited consolidated financial statements for the year ended 31 December 2004. The Directors considered that the adoption of the revised International Accounting Standards (IASs) has had no material effect on how the results for the current or prior accounting periods are prepared and presented. Accordingly, no prior period adjustment has been made.

### 2. Turnover and segment information

The Company is an investment holding company and the Group is principally engaged in the manufacture and sale of medicines in the People's Republic of China ("PRC").

Turnover represents the sales value of goods supplied to customers, which excludes value-added tax, and is stated after deduction of any goods returns and trade discounts.

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group in making operating and financial decisions.

#### (a) *Business segment*

Throughout the six months ended 30 June 2005 (the "Period") and the six months ended 30 June 2004 (the "Last Period"), the Group has been operating in a single business segment, i.e. the manufacture and sale of medicines. Accordingly, no business segment information is presented.

(b) *Geographical segment*

As the Group's revenue and results were substantially derived from the PRC and its operating assets and liabilities are also based in the PRC, no geographical segment information is presented.

### 3. Taxation

No taxation has been provided for the Group for the six months and three months ended 30 June 2005 (2004: Nil).

*Notes:*

- a. 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.
- b. No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profit in Hong Kong during the Period (2004: Nil).
- c. Shanxi Everpride Pharmaceutical Co., Ltd. ("Shanxi Everpride"), a wholly-owned subsidiary established and operating in Shanxi Province, PRC, is subject to PRC 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 of Shanxi Everpride expired on 31 December 2000 and it is subject to PRC enterprise income tax at an effective rate of 18% from 1 January 2001 to 31 December 2003. No provision for PRC enterprise income tax has been made as Shanxi Everpride has accumulated tax losses brought forward which exceeds the estimated assessable profits for the Period and the Last Period.

#### 4. Earnings/(loss) per share

The calculations of basic earnings/(loss) per share for the six months and three months ended 30 June 2005 are based on the profit attributable to shareholders of the Company of approximately RMB3,598,000 and RMB4,884,000 (2004: loss attributable to shareholders of the Company of approximately RMB2,978,000 and RMB4,417,000), respectively, and on the weighted average of 600,000,000 (2004: 600,000,000) ordinary shares in issue during such periods.

Diluted earnings/(loss) per share for the six months and three months ended 30 June 2005 and 2004 are not presented as there were no dilutive potential ordinary shares in existence during such periods.

#### 5. Reserves

There were no movements in reserves of the Group during the Period other than profit attributable to shareholders of the Company of approximately RMB3,598,000 (2004: loss attributable to shareholders of the Company of approximately RMB2,978,000).

#### 6. Dividend

The Directors do not recommend the payment of an interim dividend for the Period (2004: Nil).

#### 7. Other property, plant and equipment

During the Period, the Group acquired other property, plant and equipment of approximately RMB1,032,000 mainly comprising machinery and equipment and motor vehicles.

**8. Interest in an associate**

	<b>(Unaudited)</b> <b>As at</b> <b>30 June</b> <b>2005</b> <b>RMB'000</b>	(Audited) As at 31 December 2004 RMB'000
Share of net assets	—	—
Due from an associate	<b>12,980</b>	13,980
Less: Provision	<b>(12,980)</b>	(13,980)
	—	—

**9. Inventories**

	<b>(Unaudited)</b> <b>As at</b> <b>30 June</b> <b>2005</b> <b>RMB'000</b>	(Audited) As at 31 December 2004 RMB'000
Raw materials, at cost	<b>13,790</b>	17,493
Finished goods, at cost	<b>1,527</b>	667
	<b>15,317</b>	18,160
Less: Provision for obsolete inventories	<b>(14,675)</b>	(17,357)
	<b>642</b>	803

**10. Trade receivables**

An ageing analysis of trade receivables is as follows:

	<b>(Unaudited)</b> <b>As at</b> <b>30 June</b> <b>2005</b> <b>RMB'000</b>	(Audited) As at 31 December 2004 RMB'000
0 to 30 days	<b>7,787</b>	14,135
31 to 60 days	<b>2,354</b>	10,328
61 to 90 days	<b>3,292</b>	1,530
91 to 180 days	<b>5,990</b>	2,152
181 to 365 days	<b>18,015</b>	2,462
Over 365 days	<b>45,475</b>	45,539
	<b>82,913</b>	76,146
Less: Provision for bad and doubtful debts	<b>(45,409)</b>	(45,409)
	<b>37,504</b>	30,737

The Group generally requires its customers to pay a deposit shortly before delivery of goods, with the remaining balance of the sales with credit periods ranging from 90 to 180 days.

**11. Trade payables**

An ageing analysis of trade payables is as follows:

	<b>(Unaudited)</b> <b>As at</b> <b>30 June</b> <b>2005</b> <b>RMB'000</b>	(Audited) As at 31 December 2004 RMB'000
0 to 30 days	<b>151</b>	147
31 to 60 days	<b>117</b>	98
61 to 90 days	<b>104</b>	204
91 to 180 days	<b>—</b>	—
181 to 365 days	<b>—</b>	117
Over 365 days	<b>378</b>	390
	<b>750</b>	956

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Review

For the six months ended 30 June 2005 (the "Period"), the Group recorded an unaudited consolidated turnover of approximately RMB21,218,000 (2004: RMB14,815,000), which represented an increase of approximately 43 per cent. as compared with that of the corresponding period in 2004. Such increase was contributed by the new sales channel of "Plasmin Capsule", which will be further explained in the below section headed "Business Review", and the public awareness and acceptance of "Puli Capsule".

The general and administrative expenses for the Period dropped by approximately RMB652,000 or 7 per cent. as compared with the corresponding period in 2004. The decrease was due to the implementation of some cost cutting measures to minimize administrative costs without adversely affecting its overall operation, such as imposing stringent control on entertainment and travelling expenses.

As the sales of "Plasmin Capsule" had improved significantly during the Period, the Group had realised certain "Plasmin Capsule" and its raw materials, which had been provided as obsolete inventories in prior year. As a result, a write-back of provision for obsolete inventories amounted to RMB2,682,000 was recorded in other operating income during the Period.

The write-back of provision for amount due from an associate was resulted from the recovery of partial advance to an associate of approximately RMB1,000,000.

Profit attributable to shareholders of the Company for the Period amounted to RMB3,598,000 primarily arising from the write-back of provisions for obsolete inventories and amount due from an associate as mentioned above.

## Business Review

The Group is principally engaged in the production and sale of the medicines known as "Plasmin Capsule" and "Puli Capsule" in the PRC.

With an aim to improve the sales of "Plasmin Capsule", the Group had entered into an agency agreement (the "Agreement") with a pharmaceutical company, a party independent of and not connected with the Group and its connected persons, in Tianjian municipality, the PRC (the "Agent") pursuant to which the Group agreed to appoint the Agent to distribute the Group's product — Plasmin Capsule in the PRC for a term commencing from 31 March 2005 and expiring on 31 December 2008. The Agent is the second largest pharmaceutical company in the Tianjian municipality and has its own distribution network covering throughout the PRC. As "Plasmin Capsule" is classified as a prescription medicine and its sales are restricted to hospitals, the Agreement would lead to an effective sales channel to enable the Group to leverage on the Agent's broad distribution network, in turn penetrate its products into the market rapidly.

## Sales and Marketing

During the Period under review, the sales of "Puli Capsule" was approximately RMB17,614,000 (2004: RMB14,210,000), representing approximately 83 per cent. of the consolidated turnover of the Group for the Period. As "Puli Capsule" is classified as an over-the-counter ("OTC") medicine which is the major market for the Group in the PRC, the Group will continue to focus on mass media advertising to promote the "Puli Capsule" on the OTC medicine market.

As mentioned in the above section headed "Business Review", the Group has appointed the Agent to distribute its product — "Plasmin Capsule" in the PRC. As a result, the sales of "Plasmin

Capsule” for the Period increased by approximately 496 per cent. to RMB3,604,000 (2004: RMB605,000) as compared with the corresponding period in 2004.

### **Research and Development and the Staphylokinese Project**

During the Period under review, the State Drug Administration of the PRC (the “SDA”) is in the process of reviewing the application for clinical trial approval in respect of the Staphylokinese and requesting further information. Shanxi Everpride Pharmaceutical Co., Ltd., a wholly-owned subsidiary of the Company, and Fujian Normal University Everpride Biopharmaceutical Research and Development Centre as engaged by the Group to conduct research and development of the Staphylokinese Project will continue to communicate with the SDA to provide the requested information and with a view to speeding up the progress of obtaining the clinical trial approval and we shall keep the shareholders informed by making relevant disclosure. The delay in obtaining approval for clinical trial in respect of the Staphylokinese Project would not adversely affect the Group’s business and financial position. The Group currently has a new product known as “Plasmin Tablet” with the advantages of avoiding breakage and being humidified which is anticipated to be well-accepted in the market once it is launched to the market. It is expected that the launching of this new product will improve the Group’s profitability.

### **Introduction of “Plasmin Tablet”**

The Group is now developing an alternative to “Plasmin Capsule” known as “Plasmin Tablet”. The prescription and the principal effect of “Plasmin Tablet” are the same as those of “Plasmin Capsule” but with the advantages of avoiding breakage and being humidified, thus with a higher stability. The waiver for clinical research of “Plasmin Tablet” was obtained from the SDA on 14 January 2004 and the application for production is expected to be completed by the end of 2005.



## Outlook

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

In order to improve the market share of the Group's products, the Group will continue to engage in research work so as to develop new products and to improve the quality of existing products. The Directors believe that the introduction of "Plasmin Tablet" will help the Group in developing the prescription medicine market which in turns enhancing the recognition of the Group and its products.

Looking ahead, the Group will continue to streamline its existing business operation, to lower its debt level and to explore other business opportunities which are in line with the Group's development strategy and will provide long-term benefits to the Company's shareholders.

## Liquidity and Financial Resources

The Group generally finances its operations through internally-generated cash flows and banking facilities provided by its principal bankers. In May 2005, the Group obtained banking facilities of approximately RMB45,000,000 from its principal banker in the PRC for a term of one year for the purpose of repaying overdue short-term bank loans in an aggregate sum of approximately RMB45,000,000. This demonstrates that the Group has been able to obtain on-going support from its existing principal banker. In addition, the Group has implemented the following positive steps to improve the Group's liquidity and to maintain adequate cash flows to meet their obligations when they fall due: (i) as mentioned in the above section headed "Business Review", the Group had entered into the Agreement which could enable the Group to penetrate its product into market rapidly and to mitigate future loss to be arisen from the obsolescence of existing inventories; (ii) as

mentioned in the above section headed "Financial Review", the Group had recovered a partial advance to an associate amounted to RMB1,000,000 during the Period and the Group will continue to make every effort to collect the amount due from an associate; (iii) the increase in deposits and receipts in advance from customers by RMB3,065,000 resulted from the increase in turnover could lessen tightened cashflow situation; (iv) obtained better payment terms offered by the Group's major suppliers; and (v) the Group had implemented cost cutting measures to reduce administrative costs such as imposing stringent control on entertainment and travelling expenses with a view to increase its long-term competitiveness. With the limited available resources and due to the fair operating results during the Period, the Company has obtained a written undertaking from the substantial shareholder, Mr. Chung Chi Mang, who is indirectly interested in 39% of the issued share capital of the Company in the event that the Company has difficulties to meet its financial obligations or has insufficient working capital for its operation.

### **Capital Structure**

There has been no change in the capital structure of the Company during the Period.

### **Charges on Group's Assets**

As at 30 June 2005, certain leasehold properties with an aggregate carrying value of approximately RMB20,220,000 and construction-in-progress with an aggregate carrying amount of RMB26,034,000 were pledged as collateral for the Group's bank borrowings.

### **Foreign Exchange Exposure**

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

## Significant Investments

The Group had no significant investments during the Period.

## Material Acquisitions and Disposals

The Group had no material acquisitions or disposals during the Period under review. It has no plans for material investments or capital assets other than those set out in the Prospectus.

## Employee Information

Currently, the Group has about 103 employees working in Hong Kong and in the PRC. The Group remunerates its employees based on their performance, experience and the prevailing industry practice.

## Capital Commitments

There were no material changes in capital commitments outstanding as at 30 June 2005 not provided for in the condensed financial statements as compared with the status as at 31 December 2004.

## Gearing Ratio

As at 30 June 2005, the Group's gearing ratio, being the ratio of total liabilities to total assets, was approximately 91 per cent..

## Contingent Liabilities

As at 30 June 2005, the Group did not have any material contingent liabilities.

## 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 June 2005, 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 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

#### Long positions in ordinary shares of the Company

<b>Name of Director</b>	<b>Capacity/ Nature of interest</b>	<b>No. of shares (Note 1)</b>	<b>Approximate percentage of interest</b>
Mr. Chung Chi Mang ("Mr. Chung")	Interest of a controlled corporation	234,000,000 (L) (Note 2)	39.00%

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 234,000,000 shares owned by Montgomery Properties Holding Limited.

Save as disclosed above, as at 30 June 2005, 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 5.46 to 5.68 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 June 2005, persons who had 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:

<b>Name</b>	<b>Capacity/ Nature of interest</b>	<b>No. of shares</b>	<b>Approximate percentage of interest</b>
Mr. Chung ( <i>Note 1</i> )	Interest of a controlled corporation	234,000,000 (L)	39.00%
Ms. Ma Wai ( <i>Note 2</i> )	Interest of spouse	234,000,000 (L)	39.00%
Montgomery Properties Holding Limited	Beneficial owner	234,000,000 (L)	39.00%

*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 234,000,000 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 June 2005, 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 June 2005, 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 2005, 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 interests**

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.

### **Audit committee**

The Company established an audit committee in July 2001 with terms of reference in compliance with Rules 5.28 to 5.33 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 three members comprising Mr. Chau On Ta Yuen (who is acting as the chairman of the audit committee), Mr. Ho Leong Leong, Lawrence and Mr. Lam Man Sum, Albert, the three independent non-executive Directors. Mr. Lam Man Sum, Albert was appointed as a member of the audit committee of the Company with effect from 18 February 2005. The audit committee met two times during the Period. The Group's unaudited interim 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. CCIF CPA Limited, 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 the Company's shares**

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares during the Period.

### **Code of conduct regarding directors' securities transactions**

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, all Directors have complied with the required standard of dealings and the code of conduct regarding directors' securities transactions for the Period under review.



## Corporate Governance

Throughout the Period under review, the Company has complied, subject to the following deviations, with the code provisions set out in the Code of Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules, except that:

- A2.1 The Chairman and chief executive officer of the Company are the same individual;
- A4.1 Non-executive directors are not appointed for specific terms but are subject to retirement by rotation and re-election in accordance with the articles of association of the Company;
- A4.2 Not all Directors are subject to retirement by rotation at least once every three years;
- B1 The remuneration committee has not yet set up by the Company.

## Disclosure of Provision of Financial Assistance to the Affiliated Company under Chapter 17 of the GEM Listing Rules

The following continuing disclosure is made pursuant to Rule 17.22 of the GEM Listing Rules.

As at 30 June 2005, there were 600,000,000 shares of the Company in issue. Based on the average closing price of the Company' shares of HK\$0.099 as stated in the stock Exchange's daily quotation sheets for the trading days from 24 June 2005 to 30 June 2005 (both days inclusive), being the five business days immediately preceding 30 June 2005, and the total market capitalisation of the Company was HK\$59,400,000 (equivalent to approximately RMB62,964,000) (the "Total Market Capitalisation") as at 30 June 2005.

As at 30 June 2005, the unaudited consolidated total assets value of the Group was approximately RMB114,396,000 (the "Total Assets Value").

As at 30 June 2005, amount due from an associate amounted to RMB12,980,000 which exceeded 8% of both the Total Market Capitalisation and Total Assets Value.

<b>Name of affiliated company</b>	<b>Amount due to the Group as at 30 June 2005</b>	<b>Approximate percentage of the Total Market Capitalisation as at 30 June 2005</b>	<b>Approximate percentage of the Total Assets Value as at 30 June 2005</b>
山西中遠威醫療保健器械有限公司 (Shanxi Everpride Medical and Healthy Apparatus and Instruments Co., Ltd.)	RMB12,980,000	20.61%	11.35%

Shanxi Everpride Medical and Healthy Apparatus and Instruments Co., Ltd. (the "Associate") was established in the PRC on 23 April 2002 and is owned as to 20% indirectly by the Group and as to 80% by an independent third party not connected with the Group, its directors, chief executives, substantial shareholders or management shareholders or their respective associates (as defined in the GEM Listing Rules). The Associate is principally engaged in the trading of medical and health apparatus and instruments in Mainland China and is not a connected person of the Company.

The amount due from the Associate was unsecured, non-interest bearing and without pre-determined repayment term.

The proforma balance sheet of the Associate as at 30 June 2005 is as follows:

	RMB'000
<u>Non-current assets</u>	<u>946</u>
Current assets	1,462
<u>Current liabilities</u>	<u>(4,054)</u>
<u>Net current liabilities</u>	<u>(2,592)</u>
<u>Shareholders' deficits</u>	<u>(1,646)</u>

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

Hong Kong, 10 August 2005

As at the date of this report, the Board comprises the following directors:

<b>Executive directors:</b>	<b>Independent non-executive directors:</b>
Mr. Chung Chi Mang ( <i>Chairman</i> )	Mr. Chau On Ta Yuen
Mr. Zhong Zhi Gang	Mr. Ho Leong Leong, Lawrence
Mr. Xie Xiaodong	Mr. Lam Man Sum, Albert
Mr. Mu Yong	