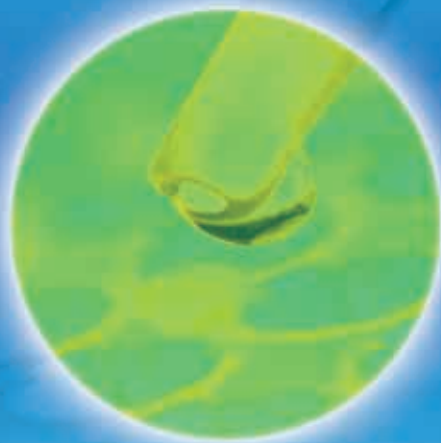


2006

# First Quarter Report



**EVERPRIDE BIOPHARMACEUTICAL COMPANY LIMITED**

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

Stock Code: 08019

## **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](http://www.hkgem.com) in order to obtain up-to-date information on GEM-listed issuers.

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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

- Turnover of the Group for the three months ended 31 March 2006 was approximately RMB14,653,484, representing an increase of approximately 83% as compared with that of the corresponding period in 2005.
- Loss attributable to shareholders for the three months ended 31 March 2006 was approximately RMB(70,333,073).
- Loss per share was approximately RMBo.21 cents.
- The Directors do not recommend the payment of any interim dividend for the three months ended 31 March 2006.

## FINANCIAL RESULTS

The board of Directors (the “Board”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three months ended 31 March 2006 (the “Period”), together with the comparative unaudited figures for the three months ended 31 March 2005, as follows:

|   | <i>Note</i> | Three months ended 31 March |                    |
|---|-------------|-----------------------------|--------------------|
|   |             | 2006<br>RMB'000             | 2005<br>RMB'000    |
| Turnover                                      | 2           | 14,653                      | 8,017              |
| Cost of sales                                 |             | (1,651)                     | (1,474)            |
| Gross profit                                  |             | 13,002                      | 6,543              |
| Selling and distribution expenses             |             | (9,949)                     | (3,176)            |
| General and administrative expenses           |             | (3,400)                     | (3,645)            |
| Loss from operations                          |             | (347)                       | (278)              |
| Net finance costs                             |             | (905)                       | (1,008)            |
| Loss from ordinary activities before taxation |             | (1,252)                     | (1,286)            |
| Income tax                                    | 3           | —                           | —                  |
| Loss attributable to shareholders             |             | (1,252)                     | (1,286)            |
| Loss per share — Basic                        | 4           | RMB(0.21)<br>cents          | RMB(0.21)<br>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 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 2005.

#### 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 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 all 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 Period, the Group has been operating in a single business segment, i.e. the manufacture and sales 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. INCOME TAX

No provision for Hong Kong profits tax and PRC Enterprise income tax been made as the Group had no estimated assessable profit in Hong Kong and the PRC during the Period.

#### 4. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to shareholders of approximately RMB1,252,000 (2005: loss of approximately RMB1,286,000) and on the weighted average number of 600,000,000 (2005: 600,000,000) ordinary shares in issue during the Period.

Diluted loss per share for the three months ended 31 March 2006 and 2005 are not presented as there were no dilutive potential ordinary shares in existence during both periods.

**5. RESERVES**

There were no movements in reserves of the Group during the Period other than loss attributable to shareholders of approximately RMB1,252,000 (2005: loss of approximately RMB1,286,000).

**6. DIVIDEND**

The Directors do not recommend the payment of any interim dividend for the Period (2005: Nil).

**MANAGEMENT'S DISCUSSION AND ANALYSIS****Financial Review**

During the Period under review, the Group recorded an unaudited consolidated turnover of approximately RMB14,653,000 (2005: RMB8,017,000), which represented an increase of approximately 83% as compared with that of the corresponding period in 2005. The Group's unaudited consolidated loss attributable to shareholders for the Period was approximately RMB1,252,000 (2005: loss attributable to shareholders of approximately RMB1,286,000). This is due to increases in sales and advertising expenses so as to further promote the sales of the Group's products.

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 classified as an over-the-counter ("OTC") medicine which has been the major market for the Group in the PRC. The increase in turnover during the Period was due to the increase in the sales of "Plasmin Capsule".

## 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 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

Due to the increase in the public awareness and acceptance of “Puli Capsule”, its contributions to the Group became more significant during the Period. The sales of “Puli Capsule” was approximately RMB14,118,558 (2005: RMB6,079,000), representing approximately 96% of the consolidated turnover of the Group during the Period. Facing strict competition and adverse market conditions in the pharmaceutical industry in the PRC, the Group recorded a turnover from the sales of “Plasmin Capsule” of approximately RMB534,925 (2005: RMB1,938,000), representing approximately 4% of the consolidated turnover of the Group during the Period.

In order to improve the sales of “Plasmin Capsule”, the Group will continue to focus more on developing the prescription medicine market through doctors in hospitals. Besides, the Group will put more efforts in mass media advertising to further promote the sales of “Puli Capsule” through the OTC medicine market. In addition, as the major ingredient of “Puli Capsule”, Glucosamine, has already been included in the State Basic Medical Insurance and Labour Insurance Drug Catalog, the sales of “Puli Capsule” becoming more favourable.

The Directors expect that the above-mentioned measures will improve the market share of the Group’s products and add more contributions to the shareholder’ 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 State Drug Administration of the People's Republic of China ("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 continuous requests for additional information by the SDA.

## 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 2006.

## PROSPECTS

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.

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. Together with Staphylokinese Project if once approved and introduced into the market, the income base of the Group will be broadened and the turnover and operating results will be improved.

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.



## 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 31 March 2006, 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:

| <b>Name of Director</b>             | <b>Capacity/<br/>Nature of interest</b> | <b>No. of shares<br/>(Note 1)</b> | <b>Approximate<br/>percentage of<br/>interest</b> |
|-------------------------------------|---|-----------------------------------|---|
| Mr. Chung Chi Mang<br>("Mr. Chung") | Interest of a controlled<br>corporation | 230,975,000 (L)<br>(Note 2)       | 38.50%  |

*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 230,975,000 shares owned by Montgomery Properties Holding Limited.

Save as disclosed above, as at 31 March 2006, 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 31 March 2006, 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:

| <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 | 230,975,000 (L)      | 38.50%                                    |
| Ms. Ma Wai ( <i>Note 2</i> )          | Interest of spouse                   | 230,975,000 (L)      | 38.50%                                    |
| Montgomery Properties Holding Limited | Beneficial owner                     | 230,975,000 (L)      | 38.50%                                    |

*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 230,975,000 shares in which Mr. Chung is deemed or taken to be interested for the purpose of the SFO.

Save as disclosed above, as at 31 March 2006, 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 31 March 2006, 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 31 March 2006, 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 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. The audit committee met one time 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.

**Corporate Governance**

Throughout the Period under review, the Company has complied, subject to the following deviation, 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.

**Purchase, sale or redemption of 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**

For the Period under review, 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 the Directors, the Directors have complied with the required standard of dealings and the code of conduct regarding directors' securities transactions for the Period under review.

### **Board practices and procedures**

For the Period under review, the Company has complied with the board practices and procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules, which applied before the amendment relating to the Code on Corporate Governance Practices and Rules on Corporate Governance Report.

By Order of the Board  
**EVERPRIDE BIOPHARMACEUTICAL COMPANY LIMITED**  
**Chung Chi Mang**  
*Chairman*

Hong Kong, 15 May 2006