



2006 INTERIM REPORT



EVERPRIDE BIOPHARMACEUTICAL COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8019

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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 2006 amounted to approximately RMB35,181,000, representing an increase of approximately 66% over the corresponding period in 2005.
- Loss attributable to shareholders of the Company for the six months ended 30 June 2006 was approximately RMB2,873,000.
- Loss per share for the six months ended 30 June 2006 was approximately RMB0.48 cents.
- The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2006.

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 2006, 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	
		2006 RMB'000	2005 RMB'000	2006 RMB'000	2005 RMB'000
Turnover	2	35,181	21,218	20,528	13,201
Cost of sales		(3,856)	(4,631)	(2,205)	(3,157)
Gross profit		31,325	16,587	18,323	10,044
Other revenue		—	183	—	168
Selling and distribution expenses		(24,574)	(6,638)	(14,625)	(3,462)
General and administrative expenses		(7,827)	(8,308)	(4,427)	(4,663)
Other operating income		11	2,682	11	2,682
(Loss)/profit from operations		(1,065)	4,506	(718)	4,769
Finance costs		(1,808)	(1,908)	(903)	(885)
Write-back of provision for amount due from an associate		—	1,000	—	1,000
(Loss)/profit from ordinary activities before taxation		(2,873)	3,598	(1,621)	4,884
Taxation	3	—	—	—	—
(Loss)/profit attributable to shareholders of the Company		(2,873)	3,598	(1,621)	4,884
(Loss)/Earnings per share — Basic	4	RMB(0.48) cents	RMB0.60 cents	RMB(0.27) cents	RMB0.81 cents

Condensed Consolidated Balance Sheet

	Notes	(Unaudited) As at 30 June 2006 RMB'000	(Audited) As at 31 December 2005 RMB'000
NON-CURRENT ASSETS			
Leasehold properties		38,245	38,852
Plant and equipment	7	13,652	13,740
Intangible assets		867	1,267
Interest in an associate	8	—	—
Total non-current assets		52,764	53,859
CURRENT ASSETS			
Inventories	9	524	352
Trade receivables	10	25,163	23,822
Other receivables		2,515	3,319
Cash and cash equivalents		3,898	612
Total current assets		32,100	28,105
CURRENT LIABILITIES			
Trade payables	11	(749)	(1,416)
Other payables		(47,498)	(40,907)
Due to a Director		—	(110)
Bank Overdraft, unsecured		(49)	(49)
Short-term bank borrowings, secured		(45,000)	(45,000)
Obligations under a finance lease, current portion		—	(43)
Current taxation		(11,846)	(11,846)
Total current liabilities		(105,142)	(99,322)

	Notes	(Unaudited) As at 30 June 2006 RMB'000	(Audited) As at 31 December 2005 RMB'000
Net current liabilities		(73,042)	(71,266)
NET LIABILITIES		(20,278)	(17,407)
CAPITAL AND RESERVES			
Share capital		64,200	64,200
Reserves	5	(84,498)	(81,607)
		(20,278)	(17,407)

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 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
At 1 January 2006	64,200	7,195	9,025	(222)	(97,605)	(17,407)
Profit attributable to shareholders of the Company for the six months ended 30 June 2006	—	(205)	—	207	(2,873)	(2,871)
At 30 June 2006	64,200	6,990	9,025	(15)	(100,478)	(20,278)

Condensed Consolidated Cash Flow Statement (Unaudited)

	Six months ended 30 June	
	2006 RMB'000	2005 RMB'000
Net cash generated from operating activities	6,111	2,036
Net cash used in investing activities	(975)	(29)
Net cash used in financing activities	(1,850)	(2,028)
Net increase/(decrease) in cash and cash equivalents	3,286	(21)
Cash and cash equivalents, at 1 January	563	812
Cash and cash equivalents, at 30 June	3,849	791

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 2005. 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 2006 (the "Period") and the six months ended 30 June 2005 (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 provision for Hong Kong profits tax has been made as the Group had no estimated assessable profit arising from Hong Kong during the Period (2005: Nil).

No provision for PRC enterprise income tax has been made as the Company's PRC subsidiary has accumulated tax losses brought forward which exceeds the estimated assessable profits for the period.

4. (Loss)/earnings per share

The calculations of basic (loss)/earnings per share for the six months and three months ended 30 June 2006 are based on the loss attributable to shareholders of the Company of approximately RMB2,873,000 and RMB1,621,000 (2005: profit attributable to shareholders of the Company of approximately RMB3,598,000 and RMB4,884,000), respectively, and on the weighted average of 600,000,000 (2005: 600,000,000) ordinary shares in issue during such periods.

Diluted (loss)/earnings per share for the six months and three months ended 30 June 2006 and 2005 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 loss attributable to shareholders of the Company of approximately RMB2,873,000 (2005: profit attributable to shareholders of the Company of approximately RMB3,598,000).

6. Dividend

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

7. Plant and equipment

During the Period, the Group acquired plant and equipment of approximately RMB976,280 mainly comprising machinery and equipment and motor vehicles.

8. Interest in an associate

	(Unaudited) As at 30 June 2006 RMB'000	(Audited) As at 31 December 2005 RMB'000
Share of net assets	10,578	10,578
Due from an associate	(10,578)	10,578
Less: Accumulated impairment losses	—	—
	—	—

9. Inventories

	(Unaudited) As at 30 June 2006 RMB'000	(Audited) As at 31 December 2005 RMB'000
Raw materials, at cost	13,166	12,744
Finished goods, at cost	—	250
	13,166	12,994
Less: Provision for slow moving and obsolete inventories	(12,642)	(12,642)
	524	352

10. Trade receivables

An ageing analysis of trade receivables is as follows:

	(Unaudited) As at 30 June 2006 RMB'000	(Audited) As at 31 December 2005 RMB'000
0 to 30 days	3,672	9,094
31 to 60 days	6,416	2,921
61 to 90 days	2,225	799
91 to 180 days	4,256	6,161
181 to 365 days	13,493	12,052
Over 365 days	58,709	56,403
	88,771	87,430
Less: Impairment loss for bad and doubtful debts	(63,608)	(63,608)
	25,163	23,822

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:

	(Unaudited) As at 30 June 2006 RMB'000	(Audited) As at 31 December 2005 RMB'000
0 to 30 days	181	682
31 to 60 days	139	153
61 to 90 days	127	137
91 to 180 days	23	77
181 to 365 days	39	32
Over 365 days	240	335
	749	1,416

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the six months ended 30 June 2006 (the "Period"), the Group recorded an unaudited consolidated turnover of approximately RMB35,181,000 (2005: RMB21,218,000), which represented an increase of approximately 66% as compared with that of the corresponding period in 2005. 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 selling and distribution expenses for the Period increased by RMB17,936,000 or 270% as compared with the corresponding period in 2005. This is due to a substantial increase in advertising and promotion expenses.

The general and administrative expenses for the Period dropped by approximately RMB481,000 or 6% as compared with the corresponding period in 2005. 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.

Loss attributable to shareholders of the Company for the Period amounted to RMB2,873,000 primarily arising from the increase in selling and distribution expenses 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 RMB34,363,000 (2005: RMB17,614,000), representing approximately 95% 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.

Facing strict competition and adverse market conditions in the pharmaceutical industry in the PRC, the sales of “Plasmin Capsule” for the Period decreased by approximately 77% to RMB818,000 (2005: RMB3,604,000) as compared with the corresponding period in 2005.

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 2006.

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. As at 30 June 2006, the Group had cash and cash equivalents amounting to approximately RMB3,849,000. With the limited available resources and due to the fair results during the period, the operating period, the Directors expected that the Group might depend on further financing from its shareholders and bankers to finance its business operations and to achieve its business objectives.

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 2006, certain leasehold properties with an aggregate carrying value of approximately RMB38,245,000 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 101 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 2006 not provided for in the condensed financial statements as compared with the status as at 31 December 2005.

Gearing Ratio

As at 30 June 2006, the Group's gearing ratio, being the ratio of total liabilities to total assets, was approximately 123%.

Contingent Liabilities

As at 30 June 2006, 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 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:

Long positions in ordinary shares of the Company

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	230,975,000 (L) (Note 2)	38.50%

Notes:

- The letter "L" denotes a long position in shares.
- 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 30 June 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 30 June 2006, 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:

Name	Capacity/ Nature of interest	No. of shares	Approximate percentage of interest
Mr. Chung (Note 1)	Interest of a controlled corporation	230,975,000 (L)	38.50%
Ms. Ma Wai (Note 2)	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 30 June 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 30 June 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 30 June 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 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 Ng Kay Kwok, the three independent non-executive Directors. Mr. Lam Man Sum, Albert tendered his resignation as independent non-executive Directors and audit committee member of the Company with effect from 17 July 2006. Ng Kay Kwok was appointed as a member of the audit committee of the Company with effect from 17 July 2006. 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.

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 2006, there were 600,000,000 shares of the Company in issue. Based on the average closing price of the Company' shares of HK\$0.039 as stated in the stock Exchange's daily quotation sheets for the trading days from 26 June 2006 to 30 June 2006 (both days inclusive), being the five business days immediately preceding 30 June 2006, and the total market capitalisation of the Company was HK\$23,400,000 (equivalent to approximately RMB24,336,000) (the "Total Market Capitalisation") as at 30 June 2006.

As at 30 June 2006, the unaudited consolidated total assets value of the Group was approximately RMB102,333,000 (the "Total Assets Value").

As at 30 June 2006, amount due from an associate amounted to RMB10,578,000 which exceeded 8% of both the Total Market Capitalisation and Total Assets Value.

Name of affiliated company	Amount due to the Group as at 30 June 2005	Approximate percentage of the Total Market Capitalisation as at 30 June 2005	Approximate percentage of the Total Assets Value as at 30 June 2005
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.)	RMB10,578,000	20.61%	10.34%

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 2006 is as follows:

	RMB'000
Non-current assets	974
Current assets	2,038
Current liabilities	(2,954)
Net current liabilities	(916)
Shareholders' deficits	58

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

Hong Kong, 8 August 2006

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

Executive directors:

Mr. Chung Chi Mang (*Chairman*)
Mr. Zhong Zhi Gang
Mr. Xie Xiaodong
Mr. Mu Yong

Independent non-executive directors:

Mr. Chau On Ta Yuen
Mr. Ho Leong Leong, Lawrence
Mr. Ng Kay Kwok