

2008

3rd Quarterly 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

- Turnover of the Group for the nine months ended 30 September 2008 was approximately RMB77,643,000, representing an increase of approximately 35% as compared with that of the corresponding period in 2007.
- Profit attributable to shareholders for the nine months ended 30 September 2008 was approximately RMB885,000.
- Earnings per share for the nine months ended 30 September 2008 was approximately RMB0.12 cents.
- The Directors do not recommend the payment of any dividend for the nine months ended 30 September 2008.

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 nine months ended 30 September 2008 (the "Period"), together with the comparative unaudited figures for the nine months ended 30 September 2007, as follows:

Consolidated Income Statement

	Note	(Unaudited) Nine months ended 30 September		(Unaudited) Three months ended 30 September	
		2008 <i>RMB'000</i>	2007 <i>RMB'000</i>	2008 <i>RMB'000</i>	2007 <i>RMB'000</i>
Turnover	2	77,643	57,303	28,095	26,074
Cost of sales		(22,947)	(15,056)	(6,205)	(6,213)
Gross profit		54,696	42,247	21,890	19,861
Selling and distribution expenses		(28,840)	(19,085)	(21,163)	(13,840)
General and administrative expenses		(21,086)	(12,241)	(7,067)	(3,902)
Other operating income/(loss)		46	42	(74)	15
Profit from operations		4,816	10,963	(6,414)	2,134
Finance costs		(3,931)	(2,746)	(748)	(695)
Profit/(loss) from ordinary activities before taxation		885	8,217	(7,162)	1,439
Income tax	3	-	-	-	-
Profit/(loss) attributable to shareholders		885	8,217	(7,162)	1,439
Earnings/(loss) per share		<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
- Basic	4	0.12 cents	1.37 cents	(0.10) cents	0.24 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 2007.

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 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 Mainland China and its operating assets and liabilities are also based in Mainland China, no geographical segment information is presented.

3. INCOME TAX

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 (2007: 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. EARNINGS/(LOSS) PER SHARE

The calculations of basic earnings/(loss) per share for the nine months and three months ended 30 September 2008 are based on the profit/(loss) attributable to shareholders of approximately RMB885,000 and (RMB7,162,000) (2007: profit attributable to shareholders of the Company of approximately RMB8,217,000 and RMB1,439,000) respectively, and on the weighted average number of 720,000,000 (2007: 600,000,000) ordinary shares in issue during the Period.

Diluted earnings/(loss) per share for the nine months and three months ended 30 September 2008 and 2007 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 equity shareholders of the Company of approximately RMB885,000 (2007: RMB8,217,000).

6. DIVIDEND

The Directors do not recommend the payment of any dividend for the Period (2007: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the nine months ended 30 September 2008 (the “Period”), the Group recorded an unaudited consolidated turnover of approximately RMB77,643,000 (2007: RMB57,303,000), which represented an approximately 35% increase as compared with that of the corresponding period in 2007. Such increase was due to the public awareness and acceptance of “Puli Capsule”.

The selling and distribution expenses for the Period increased by approximately RMB9,755,000 or 51% as compared with the corresponding period in 2007. This was due to the increase in advertising and promotion expenses.

The general and administrative expenses for the Period increased by approximately RMB8,845,000 or 72% as compared with the corresponding period in 2007. This was due to a substantial increase of repair and maintenance expenses, staff salary and entertainment expenses.

Profit attributable to shareholders of the Company for the Period amounted to RMB885,000 (2007: RMB8,217,000), which represented an approximately 89% decrease as compared with the corresponding period in 2007. This was due to the increase in advertising and promotion 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 Mainland China.

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 Mainland China (the “Agent”) pursuant to which the Group agreed to appoint the Agent to distribute the Group’s product – Plasmin Capsule in the Mainland China 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 Mainland China. 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

The sales of “Puli Capsule” was approximately RMB66,028,000 (2007: RMB53,981,000), representing approximately 85% of the consolidated turnover of the Group for the Period. The sales of “Puli Capsule” for the Period increased by approximately 22% as compared with the corresponding period in 2007. This is due to the fact that the public awareness and acceptance of “Puli Capsule” has been enhanced. Besides, Glucosamine, the major ingredient of “Puli Capsule”, has been included in the State Basic Medical Insurance and Labour Insurance Drug Catalog. This further stimulates the sales of “Puli Capsule” as the expenses incurred for the purchase of “Puli Capsule” can be claimed against insurance fund. Furthermore, “Puli Capsule” has been included in the General Administration of Sport of China Drug Catalog for China National Team in 2008 Olympic Games in Beijing. As “Puli Capsule” is classified as an 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.

The sales of “Plasmin Capsule” was approximately RMB11,615,000 (2007: RMB3,322,000), representing approximately 15% of the consolidated turnover of the Group for the Period. The sales of “Plasmin Capsule” for the Period increased by approximately 250% as compared with the corresponding period in 2007. This is due to the successful development of the prescription medicine market during the Period.

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.

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 works 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.

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 2008, 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:

Name of Director	Capacity/ Nature of interest	No. of shares <i>(Note 1)</i>	Approximate percentage of interest
Mr. Chung Chi Mang ("Mr. Chung")	Interest of a controlled corporation	193,975,000 (L) <i>(Note 2)</i>	26.94%

Notes:

1. The letter "L" denotes a long position in shares.
2. These shares are beneficially owned by Montgomery Properties Holding Limited. By virtue of his 100% shareholding in Montgomery Properties Holding Limited, Mr. Chung is deemed or taken to be interested in the 193,975,000 shares owned by Montgomery Properties Holding Limited.

Save as disclosed above, as at 30 September 2008, 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 September 2008, 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 (<i>Note 1</i>)	Interest of a controlled corporation	193,975,000 (L)	26.94%
Ms. Ma Wai (<i>Note 2</i>)	Interest of spouse	193,975,000 (L)	26.94%
Montgomery Properties Holding Limited	Beneficial owner	193,975,000 (L)	26.94%

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 193,975,000 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 September 2008, 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 2008, 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 2008, 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.

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 comprising Mr. Chau On Ta Yuen (who is acting as the chairman of the audit committee), Mr. Ho Leong Leong, Lawrence and Mr. Ng Kay Kwok, the three 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.

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.

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

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 for the Period under review.

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

Hong Kong, 7 November 2008

As at the date of this report, Mr. Chung Chi Mang, Mr. Zhong Zhi Gang, Mr. Xie Xiaodong and Mr. Mu Yong are the executive directors of the Company and Mr. Chau On Ta Yuen, Mr. Ho Leong Leong, Lawrence and Mr. Ng Kay Kwok are the independent non-executive directors of the Company.