



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:

- (1) the information contained in this report is accurate and complete in all material respects and not misleading;*
- (2) there are no other matters the omission of which would make any statement in this report misleading; and*
- (3) 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 2009 was approximately RMB20,554,000, representing a decrease of approximately 17% as compared with that of the corresponding period in 2008.
- Profit attributable to equity shareholders of the Company for the three months ended 31 March 2009 was approximately RMB192,000.
- Earnings per share was approximately RMB0.03 cents.
- The Directors do not recommend the payment of any interim dividend for the three months ended 31 March 2009.

QUARTERLY RESULTS (UNAUDITED)

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 2009 (the “Period”), together with the unaudited comparative figures for the three months ended 31 March 2008, as follows:

	Note	For the three months ended 31 March	
		2009 RMB'000	2008 RMB'000
Turnover	3	20,554	24,766
Cost of sales		(9,573)	(11,792)
Gross profit		10,981	12,974
Other operating income	5	2	328
Selling and distribution expenses		(3,885)	(4,632)
General and administrative expenses		(6,163)	(7,090)
Profit from operations	6	935	1,580
Net finance expense	6(a)	(130)	(749)
Profit from ordinary activities before taxation	6	805	831
Income tax expense	7	(613)	–
Profit attributable to equity shareholders of the Company		192	831
Earnings per share – Basic and diluted	8	RMB0.03 cents	RMB0.12 cents

Notes:

1. CORPORATE INFORMATION

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 with effect from 20 July 2001.

The Company is an investment holding company and the Group is principally engaged in the manufacture and sales of medicines.

2. BASIS OF PREPARATION

(a) Statement of compliance

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 2008, except for the adoption of new interpretations and amendments to IFRSs and the accounting policies adopted for new transactions, noted below.

The Group has adopted the following new interpretations and amendments to IFRSs which are relevant to its business for the first time for these consolidated quarterly results:

IFRS1 and IAS 27 Amendments	Amendments to IFRS 1 First-time Adoption of IFRSs and IAS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
IFRS 2 Amendments	Amendments to IFRS 2 Share-based Payment – Vesting Conditions and Cancellations
IFRS 3 (Revised)	Business Combination
IFRS 8	Operating Segments
IAS 1 (Revised)	Presentation of financial statements
IAS 23 (Revised)	Borrowing costs
IAS 32 and IAS 1	Amendments to IAS32 Financial Instruments: Presentation Amendments and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation
IFRIC – Int 13	Customer Loyalty Programmes
IFRIC – Int 15	Agreements for the Construction of Real Estate
IFRIC – Int 16	Hedges of a Net Investment in a Foreign Operation

The adoption of these new interpretations and amendments to IFRSs has had no financial effect on these financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

The Group has not applied the following new interpretations and amendments to IFRSs, which have been issued but are not yet effective, to these consolidated quarterly results:

IAS 27 (Revised)	Consolidate and Separate Financial Statement [‡]
IAS 39 Amendment	Amendment to IAS39 Financial Instruments: Recognition and Measurement - Eligible Hedged Item [‡]
IFRIC – Int 17	Distribution of Non-cash Assets to Owners [‡]

[‡] *Effective for annual periods beginning on or after 1 July 2009*

Apart from the above, the Group expects that these new interpretations and amendments to IFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

(b) Going concern

In preparing the consolidated financial statements, the directors of the Company have considered the future liquidity of the Group in view of its net current liabilities position as at 31 December 2008.

In order to strengthen the capital base of the Group and to improve the Group's financial position, immediate liquidity and cash flows, and otherwise to sustain the Group as a going concern, the directors of the Company have adopted the following measures:

- (i) Mr. Chung Chi Mang, a director and controlling shareholder of the Company, has undertaken to the Company to provide continuing financial support to the Group so as to enable the Group to continue its day-to-day operations as a viable going concern notwithstanding any present or future financial difficulties experienced by the Group.
- (ii) The directors of the Company are in ongoing negotiations with the Group's bankers to seek their ongoing support to the Group.
- (iii) The directors of the Company are considering various alternatives to strengthen the capital base of the Company through various fund raising exercises, including but not limited to, a private placement, an open offer or a rights issue of new shares of the Company.
- (iv) The directors of the Company continue to take action to tighten cost controls over factory overheads and various general and administrative expenses, and are actively seeking new investment and business opportunities with an aim to attain profitable and positive cash flow operations.

In the opinion of the directors of the Company, in light of the measures taken to date, together with expected results of other measures in progress, the Group will have sufficient working capital for its current requirements and it is reasonable to expect the Group to return to a commercially viable going concern. Accordingly, notwithstanding that the Group had a consolidated net current liabilities of approximately RMB65,850,000 as at 31 December 2008, the directors of the Company are of the opinion that it is appropriate to prepare the consolidated financial statements for the year ended 31 December 2008 on a going concern basis.

Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the values of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these potential adjustments have not been reflected in the financial statements.

3. TURNOVER

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.

4. SEGMENT REPORTING

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 People's Republic of China ("PRC") and its operating assets and liabilities are also based in the PRC, no geographical segment information is presented.

5. OTHER OPERATION INCOME

	(Unaudited)	
	For the three months ended	
	31 March	
	2009	2008
	<i>RMB'000</i>	<i>RMB'000</i>
Sample income/(expense)	1	(15)
Sundry income	1	3
Reversal of write-down of inventories	—	340
	<u>2</u>	<u>328</u>

6. **PROFIT BEFORE TAXATION**

Profit from ordinary activities before taxation is arrived at after charging:

	(Unaudited)	
	For the three months ended	
	31 March	
	2009	2008
	RMB'000	RMB'000
(a) Net finance expense		
Interest on bank advances and other borrowings wholly repayable within five year	(143)	(750)
Net foreign exchange gain	12	–
Interest income from banks	1	1
	<u> </u>	<u> </u>
Net financial expense recognised in profit or loss	<u>(130)</u>	<u>(749)</u>
The above financial income and expense include the following in respect of assets/liabilities not at fair value through profit or loss:		
Total interest income on financial assets	1	1
Total interest expense on financial liabilities	(143)	(750)
	<u> </u>	<u> </u>
(b) Staff costs		
Contributions to defined contribution retirement plans	17	17
Salaries, wages and other benefits	1,209	993
	<u> </u>	<u> </u>
Total staff costs	<u>1,226</u>	<u>1,010</u>
(c) Other items		
Amortisation of land lease premium	63	63
Depreciation of property, plant and equipment	708	997
Advertising and promotion expenses	2,924	2,674
Auditors' remuneration	210	113
Cost of inventories sold	9,573	11,792
	<u> </u>	<u> </u>

7. INCOME TAX

Income tax in the consolidated income statement represents:

	(Unaudited)	
	For the three months ended	
	31 March	
	2009	2008
	RMB'000	RMB'000
Current tax		
Provision for the PRC enterprise income tax for the period	<u>613</u>	<u>–</u>

(i) Hong Kong profits tax

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profits arising from Hong Kong during the Period (2008: nil).

(ii) Income taxes outside Hong Kong

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the "BVI"), the Company and the Company's subsidiaries registered in the BVI are not subject to any income tax in the Cayman Islands and BVI, respectively.

The subsidiary of the Group established in the PRC is generally subject to PRC enterprise income tax on its taxable income at an income tax rate of 25% in respect of the Period (2008: 25%).

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the earnings attributable to equity shareholders of the Company of approximately RMB192,000 (2008: RMB831,000) and on the weighted average number of 720,000,000 (2008: 720,000,000) ordinary shares in issue during the Period.

The Company does not have dilutive potential ordinary shares for the Periods (2008: nil). Therefore, diluted earnings per share is the same as basic earnings per share.

9. 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 RMB192,000 (2008: RMB831,000).

10. DIVIDEND

The Directors do not recommend the payment of any interim dividend for the Period (2008: Nil).

MANAGEMENT'S DISCUSSION AND ANALYSIS

Operation Review

During the Period under review, the Group continued to engage in the production and sales of the medicines known as "Plasmin Capsule" and "Puli Capsule" in Mainland China.

"Plasmin Capsule" is classified as a "State Class 2 Protected Product of Chinese Medicine" and is entitled to an administrative protection period of seven years commencing from 19 December 2006 and expiring on 29 September 2013. "Puli Capsule" is classified as a "State Class 4 Protected Product of Chemical Medicine" and is entitled to an administrative protection period of six years commencing from 23 July 2002 and expiring on 22 July 2008. During the corresponding administrative protection periods, the prescription and the production technology used by the Group in producing "Plasmin Capsule" and "Puli Capsule" are protected and no other manufacturers in Mainland China may produce or imitate these two products in Mainland China.

According to the clinical studies conducted by medical institutions in Mainland China, "Plasmin Capsule" has the principal effect of resolving blood clots and may be used for treatment of cardiovascular and cerebrovascular diseases, while "Puli Capsule" has the principal effect of treating osteoarthritis. Both products are manufactured in the Group's production complex in Taigu County, Shanxi Province, which obtained the Good Manufacturing Practices ("GMP") certificate on 28 February 2003.

Financial Review

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 decrease in turnover during the Period was due to the decrease in the sales of "Puli Capsule".

During the Period, the Group continued to face increasingly fierce competition in the pharmaceutical industry in Mainland China and the global economic downturn. The Group recorded an unaudited consolidated turnover of approximately RMB20,554,000 (2008: RMB24,766,000), which represented a decrease of approximately 17% as compared with that of the corresponding period in 2008. The unaudited consolidated profit attributable to equity shareholders of the Company for the Period was approximately RMB192,000 (2008: RMB831,000). This is mainly due to a decrease in turnover.

The sales of "Plasmin Capsule" was approximately RMB1,948,000 (2008: RMB2,892,000), representing approximately 9% of the consolidated turnover of the Group during the Period. The Group recorded a turnover from the sales of "Puli Capsule" of approximately RMB18,606,000 (2008: RMB21,874,000), representing approximately 91% 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.

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 2005 and the application for production is expected to be completed by the end of 2009.

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 2009, 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 31 March 2009, 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 2009, 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 31 March 2009, 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 2009, 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 2009, 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

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. Ng Kay Kwok, 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. 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;

Chairman and Chief Executive Officer

The Company does not have an officer with the title of “Chief Executive Officer” (the “CEO”). The CG Code envisages that the management of the Board should rest with the Chairman, whereas the day-to-day management of the Company’s business should rest with the CEO. Currently Mr. Chung, the Chairman of the Board, is also responsible for the operation of production plant in Taigu County, Shanxi Province. This constitutes a deviation of code provision A.2.1 of the CG Code. The Board still holds the view that this arrangement is beneficial to the running of the production plant because of Mr. Chung’s extensive experience and knowledge in the industry. Mr. Chung will regularly inform the Board on the latest development of the plant in Taigu County, Shanxi Province. Despite the aforesaid, the Board will review such arrangement from time to time and consider the appointment of the post of CEO if it is in the best interest of the Company and its shareholders.

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 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, 11 May 2009

As at the date of this report, Mr. Chung Chi Mang, Mr. Zhong Zhi Gang and Mr. Xie Xiaodong 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.