



Interim Report 2003



EVERPRIDE BIOPHARMACEUTICAL COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

INTERIM REPORT 2003

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 in order to obtain up-to-date information on GEM-listed issuers.

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, the information contained in this report is accurate and complete in all material respects and not misleading; there are no other matters the omission of which would make any statement in this report misleading; and 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.

CONTENTS

3	Highlights
4	Consolidated Income Statement
5	Consolidated Balance Sheet
6	Consolidated Statement of Changes in Shareholders' Equity
7	Condensed Consolidated Cash Flow Statement — Unaudited
8	Notes to the Condensed Consolidated Interim Financial Statements
17	Management's Discussion and Analysis
24	Comparison of Business Objectives with Actual Business Progress
27	Other Information

HIGHLIGHTS

- Consolidated turnover of the Group for the six months ended 30 June 2003 was approximately RMB9,602,000, representing a substantial decrease of approximately 58 per cent. over the corresponding period in 2002.
- Loss attributable to shareholders for the six months ended 30 June 2003 and 2002 were approximately RMB17,494,000 and RMB13,218,000 respectively.
- Loss per share was approximately RMB2.92 cents.
- The Directors do not recommend payment of an interim dividend for the six months ended 30 June 2003.

INTERIM RESULTS (UNAUDITED)

The board of Directors (the “Board”) announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2003 (the “Period”) as follows:

Consolidated Income statement

	Note	Six months ended 30 June		Three months ended 30 June	
		2003 (unaudited) RMB'000	2002 (unaudited) RMB'000	2003 (unaudited) RMB'000	2002 (unaudited) RMB'000
Turnover	2	9,602	22,982	5,182	14,928
Cost of sales		(1,589)	(7,884)	(787)	(6,174)
Gross profit		8,013	15,098	4,395	8,754
Selling and distribution expenses		(7,379)	(9,447)	(4,576)	(2,992)
General and administrative expenses		(16,525)	(14,975)	(12,114)	(8,412)
Loss from operations		(15,891)	(9,324)	(12,295)	(2,650)
Finance cost		(1,578)	(179)	(888)	(170)
Share of result of an associate		(38)	—	(52)	—
Loss from ordinary activities before taxation		(17,507)	(9,503)	(13,235)	(2,820)
Taxation	3	13	—	17	—
Loss attributable to shareholders		(17,494)	(9,503)	(13,218)	(2,820)
Loss per share — Basic	4	2.92 cents	1.58 cents	2.20 cents	0.47 cents

Consolidated Balance Sheet

	<i>Note</i>	As at 30 June 2003 (unaudited) RMB'000	As at 31 December 2002 (audited) RMB'000
NON-CURRENT ASSETS			
Leasehold properties		35,874	31,232
Property, plant and equipment	7	43,769	46,550
Intangible assets		3,408	3,850
Interest in an associate		12,741	15,362
Total non-current assets		95,792	96,994
CURRENT ASSETS			
Inventories	8	24,076	24,375
Prepayments, deposits and other current assets		16,111	20,610
Accounts receivable	9	56,683	61,458
Cash and cash equivalents	10	12,541	11,269
Total current assets		109,411	117,712
CURRENT LIABILITIES			
Due to directors	11	(1,830)	(276)
Accounts payable	13	(553)	(1,316)
Deposits and receipts in advance from customers		(8,653)	(10,255)
Accruals and other payables	14	(6,975)	(6,897)
Short-term bank borrowings, secured	12	(40,000)	(30,000)
Long-term secured bank borrowings, current portion		—	(389)
Finance lease obligation, current portion		(239)	(240)
Tax payable		(37,823)	(38,696)
Total current liabilities		(96,073)	(88,069)
Net current assets		13,338	29,643
Total assets less current liabilities		109,130	126,637
NON-CURRENT LIABILITIES			
Long-term secured bank borrowings, non-current portion		(2,954)	(2,847)
Finance lease obligation, non-current portion		(379)	(499)
Net assets		105,797	123,291
CAPITAL AND RESERVES			
Share Capital	15	64,200	64,200
Reserves	5	41,597	59,091
		105,797	123,291

Consolidated Statement of Changes in Shareholders' Equity

	Share capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Statutory surplus reserve <i>RMB'000</i>	Capital reserve* <i>RMB'000</i>	Cumulative translation adjustments <i>RMB'000</i>	Retained profits <i>RMB'000</i>	Total <i>RMB'000</i>
Balance as at							
1 January 2002	64,200	—	9,025	7,195	(96)	40,565	120,889
Loss attributable to shareholders	—	—	—	—	—	(9,503)	(9,503)
Balance as at							
30 June 2002	64,200	—	9,025	7,195	(96)	31,062	111,386
Balance as at							
1 January 2003	64,200	—	9,025	7,195	(97)	42,968	123,291
Loss attributable to shareholders	—	—	—	—	—	(17,494)	(17,494)
Balance as at							
30 June 2003	64,200	—	9,025	7,195	(97)	25,474	105,797

- * The capital reserve of the Group represented the difference between the nominal value of the ordinary shares issued by the Company and the aggregate of the share capital and share premium of a subsidiary acquired through an exchange of shares pursuant to the reorganisation.

Included in the figure for retained profit is an amount of approximately RMB13,000 (2002: Nil), being the accumulated loss attributable to an associate.

Condensed Consolidated Cash Flow Statement — Unaudited

	Six months ended	
	30 June	
	2003 (unaudited) RMB'000	2002 (unaudited) RMB'000
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(24,277)	(5,043)
NET CASH INFLOW FROM INVESTING ACTIVITIES	17,522	8,154
NET CASH INFLOW FROM FINANCING ACTIVITIES	8,020	14,880
INCREASE IN CASH AND CASH EQUIVALENTS	1,265	17,991
CASH AND CASH EQUIVALENTS, beginning of Period	409	28,681
CASH AND CASH EQUIVALENTS, end of Period	1,674	46,672
ANALYSIS OF BALANCES OF CASH AND EQUIVALENTS		
— Hong Kong Dollars and United States Dollars	129	16,041
— Chinese Renminbi	1,545	30,631
	1,674	46,672

Notes to the Condensed Consolidated Interim financial statements (unaudited)

1. Group reorganisation, 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 Company is an investment holding company.

The unaudited consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") 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 2002.

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 exclude value added tax) and is stated after deduction of all goods returns and trade discounts.

For the six months ended 30 June 2003 and 2002, the Group continued to engage in the manufacture and sales of medicines in Mainland China. More than 90% of the Group's turnover, contribution to operating loss and its assets are attributed to this business segment located in Mainland China.

3. Taxation

Taxation in the unaudited consolidated results represents:

	For the six months ended	
	30 June	
	2003	2002
	RMB'000	RMB'000
Share of taxation of an associate	13	—

The Company is exempted from taxation in the Cayman Islands until 2020. Its subsidiaries established in the British Virgin Islands are incorporated under the International Business Companies Acts of the British Virgin Islands and, accordingly, are exempted from payment of the British Virgin Islands income taxes.

No provision for Hong Kong profits tax has been made as the Group had no assessable profit in Hong Kong during the Period.

Shanxi Everpride Pharmaceutical Co., Ltd. ("Shanxi Everpride"), a wholly-owned subsidiary established and operating in Shanxi Province, Mainland China, is subject to Mainland China enterprise income tax at a rate of 33% (state income tax: 30% and local income tax: 3%). However, it is exempted from state income tax and local income tax for two years starting from the first year of profitable operations after offsetting prior years' losses, followed by a 50% reduction on the state income tax for the next three years. The tax exemption period for Shanxi Everpride expired on 31 December 2000 and it is subject to Mainland China enterprise income tax at an effective rate of 18% from 1 January 2001 to 31 December 2003. No provision for Mainland China enterprise income tax has been made as Shanxi Everpride had no assessable profit in Mainland China during the Period.

4. Loss per share

The calculation of basic loss per share for the six months and three months ended 30 June 2003 is based on an unaudited consolidated loss attributable to shareholders of approximately RMB17,494,000 and RMB13,218,000 (2002: loss attributable to shareholders of approximately RMB9,503,000 and RMB2,820,000), respectively, and on the weighted average number of 600,000,000 (2002: 600,000,000) ordinary shares in issue during the Period.

Diluted loss/earnings per share for the six months and three months ended 30 June 2003 and 2002 were not presented because there were no dilutive potential ordinary shares in existence during such Periods.

5. Reserves

During the Period, there were no movements in the reserves other than loss attributable to shareholders of RMB17,494,000.

6. Dividend

The Directors do not recommend the payment of an interim dividend for the Period.

7. Property, Plant, Equipment and leasehold properties

During the Period, the Group spent approximately RMB3,835,000 (31 December 2002: RMB40,812,000) on the acquisition of property, plant, equipment and leasehold properties.

8. Inventories

Inventories consist of:

	As at 30 June 2003 (unaudited) <i>RMB'000</i>	As at 31 December 2002 (audited) <i>RMB'000</i>
Raw materials	22,604	22,926
Finished goods	1,718	1,695
	24,322	24,621
Less: Provision for obsolete inventories	(246)	(246)
	24,076	24,375

9. Accounts receivable

Ageing analysis of accounts receivable is as follows:

	As at 30 June 2003 (unaudited) <i>RMB'000</i>	As at 31 December 2002 (audited) <i>RMB'000</i>
0 to 30 days	5,105	4,233
31 to 60 days	1,207	10,877
61 to 90 days	1,084	5,714
91 to 180 days	3,677	27,820
181 to 365 days	44,818	12,565
Over 365 days	12,275	5,466
	68,166	66,675
Less: Provision for bad and doubtful debts	(11,483)	(5,217)
	56,683	61,458

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

10. Cash and cash equivalents

Cash and cash equivalents consist of:

	As at 30 June 2003 (unaudited) <i>RMB'000</i>	As at 31 December 2002 (audited) <i>RMB'000</i>
Pledged bank deposits, denominated in		
— United States dollars	10,867	10,860
Other cash and bank deposits, denominated in		
— Hong Kong dollars	129	34
— Chinese Renminbi	1,545	375
Cash and cash equivalents in the balance sheet	12,541	11,269
Less: Pledged bank deposits	(10,867)	(10,860)
Cash and cash equivalents in the consolidated cash flow statement	1,674	409

Chinese Renminbi is not a freely convertible currency in the international market and its exchange rate is determined by the People's Bank of China.

11. Amount due to directors

The amount of RMB1,830,000 due to directors were Directors' salary accrued for the period ended 30 June 2003 and it has been fully settled as at the date of this announcement.

12. Short term bank borrowings

During the Period, Shanxi Everpride entered into bank loan agreements with the Group's principal banker in Mainland China whereby it obtained banking facilities of RMB40,000,000, of which RMB40,000,000 were utilized as at 30 June 2003. These banking facilities are secured by certain properties with an aggregate net book value of approximately RMB45,500,000 (2002: RMB20,445,000) and charges over the bank fixed term deposits of approximately RMB10,867,000 (2002: RMB10,860,000), bear interest ranged from 5.75% to 7.6% per annum and are repayable within one year.

13. Accounts payable

Ageing analysis of accounts payable is as follows:

	As at 30 June 2003 (unaudited) <i>RMB'000</i>	As at 31 December 2002 (audited) <i>RMB'000</i>
0 to 30 days	47	961
31 to 60 days	109	—
61 to 90 days	120	—
91 to 180 days	—	6
181 to 365 days	—	75
Over 365 days	277	274
	553	1,316

14. Accruals and other payables

Accruals and other payables consist of:

	As at 30 June 2003 (unaudited) <i>RMB'000</i>	As at 31 December 2002 (audited) <i>RMB'000</i>
Accrued bonus and salary payable	1,589	2,332
Accrued advertising expense	2,592	1,294
Accrual for other operating expenses	2,794	3,271
	6,975	6,897

15. Share capital

	As at 30 June 2003 (unaudited) <i>RMB'000</i>	As at 31 December 2002 (audited) <i>RMB'000</i>
Authorised		
2,000,000,000 ordinary shares of HK\$0.1 (equivalent to RMB0.107) each	214,000	214,000
Issued and fully paid		
600,000,000 ordinary shares of HK\$0.1 (equivalent to RMB0.107) each	64,200	64,200

During the Period, there were no changes in the Company's authorised and issued share capital.

16. Capital commitments

The Group had the following capital commitments (all of which are authorised and contracted for but not provided in the financial statements):

	As at 30 June 2003 (unaudited) <i>RMB'000</i>	As at 31 December 2002 (audited) <i>RMB'000</i>
Acquisition of machinery and equipment	3,078	3,669
Construction of factory buildings	1,566	5,021
	4,544	8,690

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATION

Business Review

The Group is principally engaged in the production and sales of the medicines known as "Plasmin Capsule" and "Puli Capsule" in Mainland China.

During the Period under review, the Group recorded an unaudited consolidated turnover of approximately RMB9,602,000 (2002: RMB22,982,000), which represented a substantial decrease of approximately 58 per cent. as compared with that of the corresponding period in 2002. The Group's unaudited consolidated loss attributable to shareholders for the Period increased to approximately RMB17,494,000 (2002: RMB9,503,000), which represented a substantial increase of approximately 84 per cent. as compared with that of the corresponding period in 2002. This is due to a substantial increase in advertising expenses and provision for bad and doubtful debts during the Period. During the Period, the Group incurred advertising expenses amounting to approximately RMB4,860,000. But unfortunately, the outbreak and the widespread of severe acute respiratory syndrome ("SARS") in Mainland China, especially in Shanxi Province where its owned factory and sales head office of the Group are located, this made the Group's prepaid advertising activities such as: exhibitions, academic seminars and other promotion activities were fully cancelled or reduced in scale by local governments. These restrictions substantially and adversely affected the results from the media advertising activities. As the competition intensified and the outbreak of "SARS" in Mainland China, especially in Beijing and Shanxi

Province, which the most active customers of the Group are located in, the financial position of some major sales agents in these region were difficult and have deteriorated. This unfavourable situations led to substantial increases in the provision for doubtful debts of approximately RMB6,266,000 for the Period.

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 originally a prescription medicine and has changed into an over-the-counter medicine (the "OTC") on 24 January 2003. During the Period, the sales of "Plasmin Capsule" was RMB2,197,000 (2002: RMB22,982,000), which represented a substantial decrease of approximately 90 per cent. as compared with that of the corresponding period in 2002. Beside the reasons mentioned above, the substantial decrease is due to the following reasons: (i) the strict control over the medicine advertising campaigns in the mass media in Mainland China implemented by the State Drug Administration of the People's Republic of China ("SDA") and the State Administration of Industry and Commerce of the People's Republic of China from 2002 imposed additional restrictions on promotional channels available, which adversely affected the Group's sales through the OTC market which has been the major market for the Group in Mainland China; (ii) the continuous global economic downturn further adversely affected the sales and distribution in overseas markets.

Sales and Marketing

Due to the successful introduction of “Puli Capsule” into Mainland China market in 2002, it has made contributions to the Group. The sales of “Puli Capsule” were approximately RMB6,865,000, representing approximately 71 per cent. of the whole turnover of the Group during the Period. During the Period under review, despite facing strict competition and adverse market conditions in the pharmaceutical industry in Mainland China, the Group still recorded a turnover from the sales of “Plasmin Capsule” of approximately RMB2,197,000 for the Period, representing approximately 23 per cent. of the whole turnover of the Group during the Period.

In response to the regulatory changes introduced by the SDA as mentioned above, the Group will, on one hand, continue to focus more on developing the prescription medicine market through doctors in hospitals. On the other hand, the Group had made an application to the SDA for changing the new medicine of “Puli Capsule” from a prescription medicine to an OTC medicine in order to maintain its market share in the OTC medicine market which was the major market for the Group in previous years. The approval for such change was obtained from the SDA on 24 January 2003. The Group will put more efforts in mass media advertising to promote “Puli Capsule” as in the previous years.

The Directors expect that the above-mentioned measures will improve the market share of the Group’s products and add more contributions to the shareholders’ 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 SDA in 2002 for clinical trial approval. Up to the date of this report, 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 requests for additional information by the SDA.

Application for “GMP” certificate for the Group’s production complex

The application for the GMP certification for the production complex of the Group was approved by the SDA on 28 February 2003 (certificate numbers: E2309–2310). The GMP certification was delayed mainly due to additional information being requested by the SDA.

Outlook

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. Furthermore, the widespread public concerns over the outbreak of severe acute respiratory syndrome (the “SARS”) in Mainland China, especially in Shanxi province where the GMP-compliant factory and sales head

office of the Group are located, will add more adverse effects on the operations and uncertainty to the future sales of the Group, unless the SARS can be fully controlled within a short period of time.

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 minimize the performance risk of the Group.

Financial Liquidity, Resources and Capital Structure

The Group generally finances its operations through internally generated cashflows and banking facilities provided by its principal bankers. As at 30 June 2003, the Group had cash and bank deposits amounting to approximately RMB12,541,000 (31 December 2002: RMB11,269,000). With the limited available resources and unsatisfactory operating results in the Period, the Directors expected that the Group's future operating and achieving its business objectives is fully depending on further financing from its shareholders and bankers.

During the Period, there is no change in the Company's share capital.

Foreign Exchange Exposure

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

Significant investments

During the Period, the Group had no significant investments.

Material acquisitions and disposals

Save as disclosed in note 7 to the unaudited interim financial statements, the Group had no material acquisitions or disposals during the Period. It has no plans for material investments or capital assets other than those set out in the prospectus dated 16 July 2001 (the "Prospectus").

Employee information

Currently, the Group has a total of 132 employees working in Hongkong and in Mainland China. The Group remunerates its employees based on their performance, experience and the prevailing industry practice. The staff cost, including directors' emoluments was approximately RMB4,849,000 for the Period (six months ended 30 June 2002: RMB6,003,000).

Gearing Ratio

As at 30 June 2002 the Group's gearing ratio, being the ratio of total liabilities to total assets was 48% (31 December 2002: 43%).

Contingent liabilities

As at 30 June 2003, the Group had no contingent liabilities. (31 December 2002: Nil)

Outlook

The Directors anticipate that the fierce competition in the Chinese medicine industry in Mainland China will continue to affect adversely the future earnings and prospects of the Group for the second half of 2003.

The Group will continue to search for pharmaceutical manufacturers domestically or abroad to promote sales of the main component of "Plasmin Capsule", earthworm powder, and the Directors believe that it will further enhance the income base of the Group.

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.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

Business objectives up

to 30 June 2003

as stated in the Prospectus

Actual business progress up

to 30 June 2003

1. Research and development

- | | |
|--|---|
| <ul style="list-style-type: none"> — Fujian Normal University Everpride Biopharmaceutical Research and Development Centre to continue its research work.
 — To complete clinical trials of the staphylokinese project and obtain state new medicine certificate and trial production permit | <ul style="list-style-type: none"> — Continuing its research of a new medicine known as “Staphylokinese” (葡激酶) a kind of genetic engineered medicine, which is a blood clots solvent.
 — The delivery and submission of samples of staphylokinese for the preparation of pre-clinical trials were completed and were submitted to the SDA in 2002 for approval. The clinical trials will start once such approval is obtained. Up to the date of this report, such approval has not been obtained and is still in progress. Once the clinical trails are completed and approved, the Group will make an application for a state new medicine certificate in respect of the Staphylokinese. Such delay was due to the requests for additional information by the SDA. |
|--|---|

**Business objectives up
to 30 June 2003
as stated in the Prospectus**

**Actual business progress up
to 30 June 2003**

2. Sales and marketing

— To introduce staphylokinase products into markets.

— Due to the substantial delay in obtaining state new medicine certificate and trial production permit as mentioned above, the staphylokinase product is not available for time being.

3. Production

— To complete the construction of the staphylokinase production lines in its production complex in Taigu County, Shanxi Province, attains GMP certification and commence trial production.

— To commence the commercial production of staphylokinase

— Due to the delay in both the clinical trials and the application for the new medicine certificate, the construction of staphylokinase production lines has been put on hold until the new medicine certificate is duly approved by the SDA. But the main equipments have been ordered in order to shorten the delivery time if it is available to do so. Once the new medicine certificate application is made and properly approved, the construction of the new medicine production lines will begin as soon as possible.

4. Use of net proceeds from the initial placement

The net proceeds from initial placement had been applied in the following areas:

	Amount to be used in the Period as disclosed in the Prospectus	Actual amount used up for the period ended 30 June 2003	Amount to be used up to 30 June 2003 as disclosed in the Prospectus	Total actual amount used up to 30 June 2003
	HK\$'M	HK\$'M	HK\$'M	HK\$'M
For the development of new medicine projects (<i>Note</i>)	—	—	4.71	4.15
For the construction of the Group's production complex (<i>Note</i>)	4.71	3.8	27.32	25.26
For the development of research and development center	0.47	0.47	1.88	1.82
For the expansion of distribution networks in the PRC and overseas markets	0.94	1.2	7.44	8.3
Total	6.12	5.47	41.35	39.53

Note: The reasons for the minor difference between the actual and forecast usage of net proceeds is due to the application for a state new medicine certificate has been delayed. The development of the new medicine projects and its construction of production lines are both postponed simultaneously, the Board has changed the uses of the non-used proceeds of net proceeds into general working capital of the Company in Hong Kong. Save as mentioned above, as at 30 June 2003 the Group has used up all net proceeds into business objectives. The Group will use other internal financial resources to complete remaining business objectives as disclosed in the Prospectus.

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 2003, 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 5.40 to 5.58 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

<u>Name of Director</u>	<u>Capacity/ nature of interest</u>	<u>No. of shares (Note 1)</u>	<u>Approximate percentage of interest</u>
Mr. Chung Chi Mang ("Mr. Chung")	Interests of a controlled corporation	366,670,000 (L) (Note 2)	61.1%

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 366,670,000 shares owned by Montgomery Properties Holding Limited.

Persons who have interests or a short positions which are discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial shareholders of other member of the Group

So far as is known to any Director or chief executive of the Company, as at 30 June 2003, persons who have interests 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 meeting of any member of the Group were as follows:

(a) *Long position in the shares of the Company*

Name	Capacity/nature of interest	No. of shares	Approximate percentage of interest
Mr. Chung Chi Mang (Note 1)	Interests of a controlled corporation	366,670,000 (L)	61.1%
Ms. Ma Wai (Note 2)	Interest of spouse	366,670,000 (L)	61.1%
Montgomery Properties Holding Limited	Beneficial owner	366,670,000 (L)	61.1%

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 366,670,000 shares in which Mr. Chung is deemed or taken to be interested for the purpose of the SFO.

(b) Short positions in the shares of the Company

<u>Name of Directors</u>	<u>Capacity/nature of interest</u>	<u>No. of shares</u>	<u>Approximate percentage of interest</u>
Mr. Chung	Interests of a controlled corporation	3,600,000	0.98%

Mr. Chung entered into agreement to sell 2,500,000 and 1,100,000 shares of the Company on 27 and 30 June 2003 through the Stock Exchange Market respectively. Mr. Chung ceased to have such short positions after completion of these share transfers on 30 June and 3 July respectively.

(c) Short positions in the shares and underlying shares of equity derivatives of the Company

So far as the Directors are aware, save as disclosed herein, no persons have short positions in the shares or underlying shares of equity derivatives.

(d) *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 2003, 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 2003, neither the Company nor any of its subsidiaries was a party to any arrangements to enable the Directors 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 and chief executive of the Company 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.

Sponsor's interests

Pursuant to a sponsor's agreement entered into between the Company and Asia Investment Capital Limited on 20 September 2002, Asia Investment Capital Limited has been appointed as the Company's retained sponsor for the period from 21 September 2002 to 31 December 2003 in return for an advisory fee.

Save as disclosed herein, none of Asia Investment Capital Limited, their respective directors, employees and associates (as referred to in Note 3 of Rule 6.35 of the GEM Listing Rules) had any interests in any class of securities of the Company or any other company in the Group (including options or rights to subscribe for such securities) as at 30 June 2003.

Audit committee

The Company established an audit committee in July 2001 with terms of reference in compliance with Rules 5.23 to 5.27 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 two members comprising Mr. Chau On Ta Yuen (who is acting as the chairman of the audit committee) and Mr. Ho Leong Leong, Lawrence, the two independent non-executive Directors. The audit committee met two 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.

The auditors of the Group, Messrs. Charles Chan, Ip & Fung CPA Ltd., have also reviewed the reports submitted by the audit committee on the internal reporting and monitoring system of the Group and were of opinion that the internal reporting and monitoring system had been properly implemented and that there were no material adverse affairs in the operation of the Group that came to their attention.

Purchase, sale or redemption of shares

None of the members of the Group had purchased, sold or redeemed any of the Company's shares during the period.

Board practices and procedures

The Company has complied with the board practices and procedures as set out in Rules 5.28 to 5.39 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, 12 August 2003