



*INTERIM REPORT 2007*



**Everpride Biopharmaceutical Company Limited**

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8019

## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

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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 2007 amounted to approximately RMB31,229,000, representing a decrease of approximately 11% over the corresponding period in 2006.
- Profit attributable to shareholders of the Company for the six months ended 30 June 2007 was approximately RMB6,779,000.
- Earnings per share for the six months ended 30 June 2007 was approximately RMB1.13 cents.
- The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2007.



## 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 2007, 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	
		2007 RMB'000	2006 RMB'000	2007 RMB'000	2006 RMB'000
Turnover	2	31,229	35,181	19,610	20,528
Cost of sales		(8,843)	(3,856)	(3,154)	(2,205)
Gross profit		22,386	31,325	16,456	18,323
Selling and distribution expenses		(5,245)	(24,574)	(3,474)	(14,625)
General and administrative expenses		(8,339)	(7,827)	(4,509)	(4,427)
Other operating income/(loss)		27	11	(1,371)	11
Profit/(Loss) from operations		8,829	(1,065)	7,102	(718)
Finance costs		(2,050)	(1,808)	(951)	(903)
Profit/(Loss) from ordinary activities before taxation		6,779	(2,873)	6,151	(1,621)
Income tax	3	-	-	-	-
Profit/(Loss) attributable to shareholders of the Company		6,779	(2,873)	6,151	(1,621)
Earnings/(Loss) per share - Basic	4	RMB1.13 cent	RMB(0.48) cent	RMB1.03 cent	RMB(0.27) cent

**Condensed Consolidated Balance Sheet**

		(Unaudited) As at <b>30 June 2007</b> <i>RMB'000</i>	(Audited) As at 31 December 2006 <i>RMB'000</i>
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Leasehold properties		<b>37,502</b>	38,139
Plant and equipment	7	<b>19,306</b>	13,459
Intangible assets		<b>67</b>	467
Deposit for acquisition of leasehold land		–	800
Deposit for acquisition of a property		<b>24,255</b>	20,564
Interest in an associate	8	–	–
		<hr/>	<hr/>
Total non-current assets		<b>81,130</b>	73,429
		<hr/>	<hr/>
<b>CURRENT ASSETS</b>			
Inventories	9	<b>587</b>	1,526
Trade receivables	10	<b>31,234</b>	29,178
Other receivables		<b>4,526</b>	3,487
Cash and cash equivalents		<b>3,987</b>	3,149
		<hr/>	<hr/>
Total current assets		<b>40,334</b>	37,340
		<hr/>	<hr/>
<b>CURRENT LIABILITIES</b>			
Trade payables	11	<b>(6,367)</b>	(2,037)
Other payables		<b>(41,738)</b>	(44,902)
Due to a Director		<b>(5,829)</b>	(1,732)
Due to an associate		<b>(5,091)</b>	(6,438)
Short-term bank borrowings, secured		<b>(44,000)</b>	(44,000)
Current taxation		<b>(11,846)</b>	(11,846)
		<hr/>	<hr/>
Total current liabilities		<b>(114,871)</b>	(110,955)
		<hr/>	<hr/>
Net current liabilities		<b>(74,537)</b>	(73,615)
		<hr/>	<hr/>
<b>NET ASSETS/(LIABILITIES)</b>		<b>6,593</b>	(186)
		<hr/> <hr/>	<hr/> <hr/>
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>64,200</b>	64,200
Reserves	5	<b>(57,607)</b>	(64,386)
		<hr/>	<hr/>
		<b>6,593</b>	(186)
		<hr/> <hr/>	<hr/> <hr/>



### Condensed Consolidated Statement of Changes in Equity (Unaudited)

	Share capital RMB'000	Capital reserve RMB'000	General reserve fund RMB'000	Exchange reserve fund RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2006	64,200	7,195	9,025	(222)	(97,605)	(17,407)
Loss attributable to shareholders of the Company for the six months ended 30 June 2006	—	(205)	—	207	(2,873)	(2,871)
At 30 June 2006	<u>64,200</u>	<u>6,990</u>	<u>9,025</u>	<u>(15)</u>	<u>(100,478)</u>	<u>(20,278)</u>
At 1 January 2007	64,200	7,195	9,025	(180)	(80,426)	(186)
Profit attributable to shareholders of the Company for the six months ended 30 June 2007	—	—	—	—	6,779	6,779
At 30 June 2007	<u>64,200</u>	<u>7,195</u>	<u>9,025</u>	<u>(180)</u>	<u>(73,647)</u>	<u>6,593</u>

### Condensed Consolidated Cash Flow Statement (Unaudited)

	Six months ended 30 June	
	2007 RMB'000	2006 RMB'000
Net cash generated from operating activities	13,443	6,111
Net cash used in investing activities	(10,555)	(975)
Net cash used in financing activities	(2,050)	(1,850)
Net increase in cash and cash equivalents	<u>838</u>	<u>3,286</u>
Cash and cash equivalents, at 1 January	<u>3,149</u>	<u>563</u>
Cash and cash equivalents, at 30 June	<u>3,987</u>	<u>3,849</u>

## 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 2006. 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 (the "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 2007 (the "Period") and the six months ended 30 June 2006 (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 and Last Period.

No provision for PRC income tax has been made as the Group has accumulated tax losses brought forward which exceeds the estimated assessable profits for the Period and Last Period.

### 4. (Loss)/earnings per share

The calculations of basic (loss)/earnings per share for the six months and three months ended 30 June 2007 are based on the profit attributable to shareholders of the Company of approximately RMB6,779,000 and RMB6,151,000 (2006: loss attributable to shareholders of the Company of approximately RMB2,873,000 and RMB1,621,000), respectively, and on the weighted average of 600,000,000 (2006: 600,000,000) ordinary shares in issue during such periods.

Diluted earnings/(loss) per share for the six months and three months ended 30 June 2007 and 2006 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 shareholders of the Company of approximately RMB6,779,000 (2006: loss attributable to shareholders of the Company of approximately RMB2,873,000).

### 6. Dividend

The Directors do not recommend the payment of an interim dividend for the Period (2006: Nil).

### 7. Other property, plant and equipment

During the Period, the Group acquired other property, plant and equipment of approximately RMB996,178 mainly comprising machinery and equipment and motor vehicles.

### 8. Interest in an associate

	(Unaudited)	(Audited)
	As at	As at
	30 June	31 December
	2007	2006
	RMB'000	RMB'000
Share of net assets	—	—



**9. Inventories**

	(Unaudited)	(Audited)
	As at	As at
	30 June	31 December
	2007	2006
	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials, at cost	2,076	3,121
Finished goods, at cost	894	788
	<u>2,970</u>	<u>3,909</u>
Less: Provision for slow-moving and obsolete inventories	(2,383)	(2,383)
	<u>587</u>	<u>1,526</u>

**10. Trade receivables**

An ageing analysis of trade receivables is as follows:

	(Unaudited)	(Audited)
	As at	As at
	30 June	31 December
	2007	2006
	<i>RMB'000</i>	<i>RMB'000</i>
0 to 30 days	4,536	10,664
31 to 60 days	2,820	2,493
61 to 90 days	1,649	2,874
91 to 180 days	5,208	8,382
181 to 365 days	18,724	8,447
Over 365 days	63,508	61,529
	<u>96,445</u>	<u>94,389</u>
Less: Impairment loss for bad and doubtful debts	(65,211)	(65,211)
	<u>31,234</u>	<u>29,178</u>

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)	(Audited)
	As at	As at
	30 June	31 December
	2007	2006
	RMB'000	RMB'000
0 to 30 days	3,675	1,290
31 to 60 days	199	8
61 to 90 days	438	–
91 to 180 days	572	–
181 to 365 days	–	14
Over 365 days	1,483	725
	<u>6,367</u>	<u>2,037</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Review

For the six months ended 30 June 2007 (the “Period”), the Group recorded an unaudited consolidated turnover of approximately RMB31,229,000 (2006: RMB35,181,000), which represented a decrease of approximately 11% as compared with that of the corresponding period in 2006. Such decrease was due to strict competition and adverse market conditions in pharmaceutical industry in the PRC”.

The selling and distribution expenses for the Period decreased by RMB19,329,000 or 79% as compared with the corresponding period in 2006. This is due to a substantial decrease in advertising and promotion expenses.

The general and administrative expenses for the Period increased by approximately RMB512,000 or 7% as compared with the corresponding period in 2006. The increase was due to the increase of motor vehicle expenses and travelling expenses.

Profit attributable to shareholders of the Company for the Period amounted to RMB6,779,00 primarily arising from the decrease in selling and distribution expenses as mentioned above.

### Operation Review

The Group is principally engaged in the production and sale of the medicines known as “Plasmin Capsule” and “Puli Capsule” in the PRC.

“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.

### **Sales and Marketing**

During the Period under review, 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 Mainland China.

The sales of “Puli Capsule” was approximately RMB28,907,000 (2006: RMB34,363,000), representing approximately 93% of the consolidated turnover of the Group for the Period. Facing strict competition and adverse market conditions in the pharmaceutical industry in the PRC, the sales of “Puli Capsule” for the Period decreased by approximately 16% as compared with the corresponding period in 2006. 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.

The sales of “Plasmin Capsule” was approximately RMB2,322,000 (2006: RMB818,000), representing approximately 7% of the consolidated turnover of the Group for 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.



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 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 wellaccepted 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 2007.

### **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 2007, the Group had cash and cash equivalents amounting to approximately RMB3,987,000. 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 2007, certain leasehold properties with an aggregate carrying value of approximately RMB38,077,000 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 99 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 2007 not provided for in the condensed financial statements as compared with the status as at 31 December 2006.



### Gearing Ratio

As at 30 June 2007, the Group's gearing ratio, being the ratio of total liabilities to total assets, was approximately 95%.

### Contingent Liabilities

As at 30 June 2007, 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 2007, 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	193,975,000 (L) (Note 2)	32.33%

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 193,975,000 shares owned by Montgomery Properties Holding Limited.

Save as disclosed above, as at 30 June 2007, 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 2007, 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 ( <i>Note 1</i> )	Interest of a controlled corporation	193,975,000 (L)	32.33%
Ms. Ma Wai ( <i>Note 2</i> )	Interest of spouse	193,975,000 (L)	32.33%
Montgomery Properties Holding Limited	Beneficial owner	193,975,000 (L)	32.33%

*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 June 2007, 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 2007, 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 2007, 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 Mr. Ng Kay Kwok, the three independent non-executive Directors. 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;

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

Hong Kong, 8 August 2007

*As at the date of this report, 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